

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from _____ to _____.

Commission file number: 001-14554

BANCO SANTANDER-CHILE

(d/b/a Santander and Banco Santander)

(Exact name of Registrant as specified in its charter)

SANTANDER-CHILE BANK

(d/b/a Santander and Banco Santander)

(Translation of Registrant's name into English)

Chile

(Jurisdiction of incorporation or organization)

Bandera 140, 20th floor

Santiago, Chile

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
American Depositary Shares ("ADS"), each representing the right to receive 400 Shares of Common Stock without par value	BSAC	New York Stock Exchange
Shares of Common Stock, without par value*	BSAC	New York Stock Exchange

* Santander-Chile's shares of common stock are not listed for trading, but only in connection with the registration of the American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

188,446,126,794 Shares of Common Stock, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act. ☐

[†] The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

- ☐ U.S. GAAP
☒ International Financial Reporting Standards as issued by the International Accounting Standards Board
☐ Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

TABLE OF CONTENTS

	Page
<u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u>	ii
<u>CERTAIN TERMS AND CONVENTIONS</u>	iv
<u>PRESENTATION OF FINANCIAL INFORMATION</u>	iv
<u>PART I</u>	
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	1
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	1
<u>ITEM 3. KEY INFORMATION</u>	1
<u>ITEM 4. INFORMATION ON THE COMPANY</u>	34
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	55
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	55
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	111
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	122
<u>ITEM 8. FINANCIAL INFORMATION</u>	127
<u>ITEM 9. THE OFFER AND LISTING</u>	128
<u>ITEM 10. ADDITIONAL INFORMATION</u>	129
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	146
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	165
<u>PART II</u>	
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	167
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	167
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	167
<u>ITEM 16. [RESERVED]</u>	168
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	168
<u>ITEM 16B. CODE OF ETHICS</u>	168
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	168
<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	169
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	169
<u>ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	169
<u>ITEM 16G. CORPORATE GOVERNANCE</u>	169
<u>ITEM 16H. MINE SAFETY DISCLOSURE</u>	169
<u>ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS</u>	169
<u>PART III</u>	
<u>ITEM 17. FINANCIAL STATEMENTS</u>	170
<u>ITEM 18. FINANCIAL STATEMENTS</u>	170
<u>ITEM 19. EXHIBITS</u>	170

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made statements in this Annual Report on Form 20-F that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this report and include statements regarding our intent, belief or current expectations regarding:

- asset growth and alternative sources of funding;
- growth of our fee-based business;
- financing plans;
- impact of competition;
- impact of regulation;
- exposure to market risks including:
 - interest rate risk;
 - foreign exchange risk; and
 - equity price risk;
- projected capital expenditures;
- liquidity;
- trends affecting:
 - our financial condition; and
 - our results of operation.

The sections of this Annual Report which contain forward-looking statements include, without limitation, “Item 3. Key Information—Risk Factors,” “Item 4. Information on the Company—B. Business Overview—Competition,” “Item 5. Operating and Financial Review and Prospects,” “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings,” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” Our forward-looking statements also may be identified by words such as “believes,” “expects,” “anticipates,” “projects,” “intends,” “should,” “could,” “may,” “seeks,” “aim,” “combined,” “estimates,” “probability,” “risk,” “VaR,” “target,” “goal,” “objective,” “future” or similar expressions.

You should understand that the following important factors, in addition to those discussed elsewhere in this Annual Report and in the documents which are incorporated by reference, could affect our future results and could cause those results or other outcomes to differ materially from those expressed in our forward-looking statements:

- changes in capital markets in general that may affect policies or attitudes towards lending to Chile or Chilean companies;
- changes in economic conditions;
- the monetary and interest rate policies of Central Bank (as defined below);
- inflation;

- deflation;
- unemployment;
- increases in defaults by our customers and impairment losses;
- decreases in deposits;
- customer loss or revenue loss;
- unanticipated turbulence in interest rates;
- movements in foreign exchange rates;
- movements in equity prices or other rates or prices;
- the effects of non-linear market behavior that cannot be captured by linear statistical models, such as the VaR model we use;
- changes in Chilean and foreign laws and regulations;
- changes in taxes;
- competition, changes in competition and pricing environments;
- our inability to hedge certain risks economically;
- the adequacy of loss allowances;
- technological changes;
- changes in consumer spending and saving habits;
- changes in demographics, consumer spending, investment or saving habits;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;
- changes in, or failure to comply with, banking regulations;
- acquisitions or restructurings of businesses that may not perform in accordance with our expectations;
- our ability to successfully market and sell additional services to our existing customers;
- disruptions in client service;
- damage to our reputation;
- natural disasters;
- implementation of new technologies;
- the Group's exposure to operational losses (e.g., failed internal or external processes, people and systems);
- an inaccurate or ineffective client segmentation model; and
- the COVID-19 pandemic or other pandemics.

You should not place undue reliance on such statements, which speak only as of the date at which they were made. The forward-looking statements contained in this report speak only as of the date of this Annual Report, and we do not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

CERTAIN TERMS AND CONVENTIONS

As used in this annual report (the “Annual Report”), “Santander-Chile”, “the Bank”, “we,” “our” and “us” or similar terms refer to Banco Santander-Chile together with its consolidated subsidiaries.

When we refer to “Santander Spain,” we refer to our parent company, Banco Santander, S.A. References to “the Group,” “Santander Group” or “Grupo Santander” mean the worldwide operations of the Santander Spain conglomerate, as indirectly controlled by Santander Spain and its consolidated subsidiaries, including Santander-Chile.

As used in this Annual Report, the term “billion” means one thousand million (1,000,000,000).

In this Annual Report, references to “\$”, “U.S.\$”, “U.S. dollars” and “dollars” are to United States dollars; references to “Chilean pesos,” “pesos” or “Ch\$” are to Chilean pesos; references to “JPY” or “JPY\$” are to Japanese Yen; references to “AUD” or “AUD\$” are to Australian dollars; references to “CHF” or “CHF\$” are to Swiss francs; references to “CNY” or “CNY\$” are to Chinese yuan renminbi; 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.

As used in this Annual Report, the terms “write-offs” and “charge-offs” are synonyms.

In this Annual Report, references to the Audit Committee are to the Bank’s *Comité de Directores y Auditoría*.

In this Annual Report, references to “BIS” are to the Bank for International Settlement, and references to “BIS ratio” are to the capital adequacy ratio as calculated in accordance with the Basel Capital Accord. References to the “Central Bank” are to the *Banco Central de Chile*. References to the “FMC” are to the Financial Market Commission.

PRESENTATION OF FINANCIAL INFORMATION

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Any reference to IFRS in this document is to IFRS as issued by the IASB.

As required by local regulations, our locally filed consolidated financial statements have been prepared in accordance with the Compendium of Accounting Standards issued by the FMC, the Chilean regulatory agency (“Chilean Bank GAAP”). Therefore, our locally filed consolidated financial statements have been adjusted to IFRS in order to comply with the requirements of the Securities and Exchange Commission (the “SEC”). Chilean Bank GAAP principles are substantially similar to IFRS but there are some exceptions. For further details and a discussion of the main differences between Chilean Bank GAAP and IFRS, see “Item 5. Operating and Financial Review and Prospects—Accounting Standards Applied in 2022.”

This Annual Report contains our consolidated financial statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 (the “Audited Consolidated Financial Statements”). Such Audited Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB, and have been audited by the independent registered public accounting firm PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada for the years ended December 31, 2022, 2021 and 2020. See page F-3 of the Audited Consolidated Financial Statements as of December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 for the audit report issued by PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada. The Audited Consolidated Financial Statements have been prepared from accounting records maintained by the Bank and its subsidiaries.

The notes to the Audited Consolidated Financial Statements form an integral part of the Audited Consolidated Financial Statements and contain additional information and narrative descriptions or details of these financial statements.

We have formatted our financial information according to the classification format for banks in Chile for purposes of IFRS. We have not reclassified the line items to comply with Article 9 of Regulation S-X. Article 9 is a regulation of the SEC that contains formatting requirements for bank holding company financial statements.

Functional and Presentation Currency

The Chilean peso is the currency of the primary economic environment in which the Bank operates and the currency that influences its structure of costs and revenues, and in accordance with International Accounting Standard 21 – *The Effects of Changes in Foreign Exchange Rates* has been defined as the functional and presentation currency. Accordingly, all balances and transactions denominated in currencies other than the Chilean peso are treated as “foreign currency.” See “Note 1—Summary of Significant Accounting Principles—e) Functional and presentation currency.” For presentation purposes, we have translated Chilean pesos (Ch\$) into U.S. dollars (U.S.\$) using the rate as indicated below under “Exchange Rates,” for the financial information included in this Annual Report.

Loans

Unless otherwise specified, all references herein (except in the Audited Consolidated Financial Statements) to loans are to loans and financial leases before deduction for loan loss allowance, and, except as otherwise specified, all market share data presented herein is based on information published periodically by the FMC.

Outstanding loans and the related percentages of our loan portfolio consisting of corporate and consumer loans as defined in the section entitled “Item 4. Information on the Company—B. Business Overview” are categorized based on the nature of the borrower. Outstanding loans and related percentages of our loan portfolio consisting of corporate and consumer loans in the section entitled “Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information” are categorized in accordance with the reporting requirements of the FMC, which are based on the type and term of loans.

Non-performing loans are also presented in accordance with reporting requirements of the FMC and include the entire principal amount and accrued but unpaid interest on loans for which either principal or interest is past-due for 90 days or more. Restructured loans for which no payments are past-due are not ordinarily classified as non-performing loans. See “Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information—Classification of Loan Portfolio Based on the Borrower’s Payment Performance.”

At the end of each reporting period the Bank evaluates the impairment of the loan book. For December 31, 2022, 2021 and 2020 this has been assessed in accordance with IFRS 9.

Effect of Rounding

Certain figures included in this Annual Report and in the Audited Consolidated Financial Statements have been rounded up for ease of presentation. Percentage figures included in this Annual Report have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this Annual Report may vary from those obtained by performing the same calculations using the figures in the Audited Consolidated Financial Statements. Certain other amounts that appear in this Annual Report may not sum due to rounding.

Economic and Market Data

In this Annual Report, unless otherwise indicated, all macroeconomic data related to the Chilean economy is based on information published by the Central Bank, and all market share and other data related to the Chilean financial system is based on information published by the FMC and our analysis of such information.

Exchange Rates

This Annual Report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts, were converted from U.S. dollars at the rate indicated in preparing the Audited Consolidated Financial Statements, could be converted into U.S. dollars at the rate indicated, were converted or will be converted at all.

Unless otherwise indicated, all U.S. dollar amounts at any year end, for any period have been translated from Chilean pesos based on the interbank market rate published by Reuters at 1:30 pm on the last business day of the period. On December 31, 2022 the exchange rate in the Informal Exchange Market as published by Reuters at 1:30 pm was Ch\$849.59, or 1.15% less than the observed exchange rate published by the Central Bank for such date of Ch\$859.51 per U.S.\$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for the Chilean peso.

The U.S. dollar equivalent of one UF was U.S.\$40.85 as of December 31, 2022, using the observed exchange rate reported by the Central Bank as of December 30, 2022 of Ch\$859.51 per U.S.\$1.00.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

You should carefully consider the following risk factors, which should be read in conjunction with all the other information presented in this Annual Report. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties that we do not know about or that we currently think are immaterial may also impair our business operations. Any of the following risks, if they actually occur, could materially and adversely affect our business, results of operations, prospects and financial condition. The following risk factors have been grouped as follows:

- (a) Risk Factors in respect of Santander-Chile;
- (b) Risk Factors in respect of Chile;
- (c) Risk Factors in respect of our Controlling Shareholder and our ADSs; and
- (d) General Risk Factors.

The risk factors in respect of Santander-Chile are presented in the following subcategories depending on their nature:

- (a) Macro-economic Risks;
- (b) Competitive Risks;
- (c) Operational Risks;
- (d) Financial Risks; and
- (e) Legal and Regulatory Risks.

Summary of Key Risks

Our business is subject to numerous risks and uncertainties, discussed in more detail below. These risks include, among others, the following key risks:

- The growth rate of our loan portfolio may be affected by economic turmoil, which could also lead to a contraction in our loan portfolio.
- Inflation, government efforts to control inflation, and changes in interest rates may hinder the growth of the Chilean economy and could have an adverse effect on us.
- The war in Ukraine could materially affect our financial position and increase our operational risk.
- Our operations and results have been negatively impacted by the coronavirus outbreak.
- We are vulnerable to disruptions and volatility in the global financial markets.
- Our operations and results may be negatively affected by earthquakes due to the location of Chile in a highly seismic area.
- Climate change can create transition risks, physical risks, and other risks that could adversely affect us.
- Increased competition, including from non-traditional providers of banking services such as financial technology providers, and industry consolidation may adversely affect our results of operations.
- Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our customers.

- The growth of our loan portfolio may expose us to increased loan losses. Our exposure to individuals and small and mid-sized businesses could lead to higher levels of past due loans, allowances for loan losses and charge-offs.
- Failure to successfully implement and continue to improve our risk management policies, procedures and methods, including our credit risk management system, could materially and adversely affect us, and we may be exposed to unidentified or unanticipated risks.
- We rely on models for many of our decisions. Their inaccurate or incorrect use could have a material adverse effect on us.
- Our loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on us.
- Risks relating to cybersecurity, data collection, processing and storage systems and security are inherent in our business.
- Disclosure controls and procedures over financial and non-financial reporting may not prevent or detect all errors or acts of fraud.
- We may not effectively manage risks associated with the replacement of benchmark indices.
- Market conditions have resulted, and could result, in material changes to the estimated fair values of our financial assets. Negative fair value adjustments could have a material adverse effect on our operating results, financial condition and prospects.
- Our financial results are constantly exposed to market risk. We are subject to fluctuations in inflation, interest rates and other market risks, which may materially and adversely affect us and our profitability.
- We are subject to counterparty risk in our banking business.
- Liquidity and funding risks are inherent in our business and could have a material adverse effect on our results, our costs of funds and our credit ratings.
- We are subject to regulatory capital and liquidity requirements that could limit our operations, and changes to these requirements may further limit and adversely affect our operating results, financial condition and prospects.
- We are subject to extensive regulatory risk, or the risk of not being able to meet all of the applicable regulatory requirements and guidelines.
- Changes to the pension fund system may affect the funding mix of the Bank.
- We may not be able to detect or prevent money laundering and other financial crime activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us.
- We are exposed to risk of loss from legal and regulatory proceedings.
- Political, legal, regulatory and economic uncertainty arising from social unrest and the resulting social reforms, as well as the referendum on Chile's constitution could adversely impact the Bank's business.
- Our growth, asset quality and profitability may be adversely affected by macroeconomic and political conditions in Chile.
- Currency fluctuations could adversely affect our financial condition and results of operations and the value of our securities.
- Our controlling shareholder has a great deal of influence over our business and its interests could conflict with yours.
- Our status as a controlled company and a foreign private issuer exempts us from certain of the corporate governance standards of the New York Stock Exchange ("NYSE"), limiting the protections afforded to investors.
- As a holder of ADSs you will have different shareholders' rights than in the United States and certain other jurisdictions.
- Holders of ADSs may find it difficult to exercise voting rights at our shareholders' meetings.

RISK FACTORS IN RESPECT OF SANTANDER-CHILE

Macro-Economic Risks

Our growth, asset quality and profitability, among others, may be adversely affected by a slowdown in the Chilean economy, as well as volatile macroeconomic and political conditions.

A slowdown or recession in Chile could lead major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies to experience significant difficulties, including runs on deposits, the need for government aid or assistance or the need to reduce or cease providing funding to borrowers (including to other financial institutions).

Volatile conditions in the global financial markets could also have a material adverse effect on us, including on our ability to access capital and liquidity on financial terms acceptable to us, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, we may be forced to raise the rates we pay on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding availability or costs or in deposit rates could have a material adverse effect on our interest margins and liquidity.

In particular, we face, among others, the following risks related to economic downturns and volatile conditions:

- Reduced demand for our products and services.
- Increased regulation of our industry. Compliance with such regulation will continue to increase our costs and may affect the pricing for our products and services, increase our conduct and regulatory risks related to non-compliance and limit our ability to pursue business opportunities.
- Inability of our borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the income of our customers, both retail and corporate, and may adversely affect the recoverability of our loans, resulting in increased loan losses.
- The process we use to estimate losses inherent in our credit exposure requires complex judgements, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process and the sufficiency of our loan loss allowances.
- The value and liquidity of the portfolio of investment securities that we hold may be adversely affected.

In particular, in 2020, the Chilean economy experienced a severe recession as a result of the COVID-19 pandemic. Although the Chilean economy and the global economy began to recover in 2021, macroeconomic conditions began to change beginning in late 2021 as a result of inflationary pressures, labor shortages, supply chain issues and an increase in commodity prices, in particular energy prices, following the outbreak of the war in Ukraine. In an effort to contain inflation, central banks around the world, including the Central Bank, have increased interest rates. During 2022, the Central Bank raised interest rates seven times to a high of 11.25% in December 2022. As of the end of 2022, inflation reached 12.8% based on the Chilean consumer price index. The interest rate increases implemented in response to these inflationary pressures in Chile and elsewhere contributed to a slowdown of the Chilean economy in 2022, which is expected to have grown around 2.4% in 2022 as compared to 11.7% in 2021, as well as to the global economy and led to significant volatility in financial markets. Currently, the Central Bank expects GDP to contract 1.75% in 2023. These or other conditions causing market turmoil or economic recession in the future could have a material adverse effect on our financing availability and terms and, more generally, on our results, financial condition and prospects.

The growth rate of our loan portfolio may be affected by economic turmoil, which could also lead to a contraction in our loan portfolio.

There can be no assurance that our loan portfolio will continue to grow at similar rates to historical growth rates. A reversal of the rate of growth of the Chilean economy, a slowdown in the growth of customer demand, an increase in market competition or changes in governmental regulations could adversely affect the rate of growth of our loan portfolio and our risk index and, accordingly, increase our required allowances for loan losses. Economic turmoil could materially adversely affect the liquidity, businesses and financial condition of our customers as well as lead to a general decline in consumer spending and a rise in unemployment. All this could in turn lead to decreased demand for borrowings in general.

Climate change can create transition risks, physical risks, and other risks that could adversely affect us.

There is an increasing focus over the risks of climate change and related environmental sustainability matters.

Climate change may imply two primary drivers of financial risk that could adversely affect us:

- Transition risks associated with the move to a low-carbon economy, both at idiosyncratic and systemic levels, such as through policy, regulatory and technological changes and business and consumer preferences, which could increase our exposures and impact our strategies.
- Physical risks related to discrete events, such as flooding and wildfires, and extreme weather impacts and longer term shifts in climate patterns, such as extreme heat, sea level rise and more frequent and prolonged drought, which could result in financial losses that could impair asset values and the creditworthiness of our customers. Such events could disrupt our operations or those of our customers or third parties on which we rely and do business with, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility.

These primary drivers could materialize, among others, in the following financial risks:

- Credit risks: Physical climate change could lead to increased credit exposure. Additionally, companies with business models not aligned with the transition to a low-carbon economy may face a higher risk of reduced corporate earnings and business disruption due to new regulations or market shifts.
- Market and liquidity risks: Market changes in the most carbon-intensive sectors could affect energy and commodity prices, corporate bonds, equities and certain derivatives contracts. Increasing frequency of severe weather events could affect macroeconomic conditions, weakening fundamental factors such as economic growth, employment and inflation. Companies could face liquidity risks derived from cash outflows to improve their reputation in the market or solve climate-related problems.
- Operational risks: Severe weather events could directly impact business continuity and operations both of customers and our operations.
- Regulatory compliance risks: Increased regulatory compliance risk may result from the increasing pace, breadth and depth of regulatory expectations requiring implementation in short timeframes across multiple jurisdictions and from changes in public policy, laws and regulations in connection with climate change and related environmental sustainability matters.
- Conduct risks: Conduct risks could develop associated with the increasing demand for “green” products where there are differing and developing standards or taxonomies.
- Reputational risks: Our reputation and client relationships may be damaged as a result of our practices, disclosures and decisions related to climate change and the environment, or to the practices or involvement of our clients, vendors or suppliers in certain industries or projects associated with causing or exacerbating climate change. Furthermore, parties who may suffer losses from the effects of climate change may seek compensation from those they hold responsible such as state entities, regulators, investors and lenders.

As climate risk is interconnected with all key risk types, we have developed and continue to enhance processes to embed climate risk considerations into our core processes and risk management cycle; however, because the timing and severity of climate change may not be predictable and is rapidly evolving, our risk management strategies may not be effective in mitigating climate risk exposure. Additionally, we may become subject to new or heightened regulatory requirements relating to climate change, which may result in increased regulatory, compliance or other costs. As the risks, perspective and focus of regulators, shareholders, employees, and other stakeholders regarding climate change are evolving rapidly, it can be difficult to assess the ultimate impact on us of climate change-related risks, compliance risks, and uncertainties.

We periodically disclose information such as emissions and other climate-related performance data, statistics, metrics and/or targets. If we lack robust and high quality climate-related procedures, controls and data, we may not be able to disclose reliable climate-related information. In addition, because the climate-related information is based on current expectations and future estimates about Santander Chile's and third-parties' operations and businesses and addresses matters that are uncertain to varying degrees, we may not be able to meet our estimates, targets or commitments or we may not be able to achieve them within the timelines we announce. Actual or perceived shortcomings with respect to these emissions and other climate-related initiatives and reporting could result in litigation or regulatory enforcement and impact our ability to hire and retain employees, increase our customer base, and attract and retain certain types of investors.

Any of the conditions described above, or our failure to identify other climate-related risks, could have a material adverse effect on our business, financial condition and results of operations.

Pandemics, including the global COVID-19 pandemic, and other public health emergencies have materially impacted, and may in the future materially impact, our financial condition, liquidity and results of operations.

Our business was materially impacted by the COVID-19 pandemic in 2020 and 2021. Although the Chilean economy has begun to recover from the COVID-19 pandemic, certain adverse effects of the pandemic continue to impact the macroeconomic environment and may persist for some time. Should the ongoing effects of the COVID-19 pandemic continue for an extended period of time, or worsen, our business, financial position, liquidity, results of operations and prospects could be adversely affected.

The process to vaccinate the Chilean population began in February 2021. As of February 7, 2023, according to information published by the Chilean Department of Health (Ministerio de Salud), 89.2% of the Chilean population under 18 years of age, and 94.3% of the population over 18 years of age, has been vaccinated with up to four vaccine doses. These high vaccination rates coupled with a progressive relaxation of health and safety restrictions contributed to an increase in employment levels and recovery of the Chilean economy. However, no assurances can be made as to whether the vaccination process will continue at the same rate or as to the effects it may have on the health of the Chilean population and the Chilean economy. Moreover, the emergence of variants resistant to existing vaccines remains possible. In addition, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time, including labor shortages and disruptions of global supply chains, that have contributed to rising inflationary pressures.

In 2020, the Chilean government also announced a series of measures to support lending as a result of the economic dislocation seen at the beginning of the COVID-19 pandemic. The largest measures were to provide an additional U.S.\$3 billion to the *Fondo de Garantía para Pequeños Empresarios* (Small Enterprise Guarantees Fund, or "FOGAPE"), a state fund that guarantees loans, leases and other credits provided to small businesses, extend FOGAPE's coverage to companies with annual sales of up to UF 1 million (U.S.\$41 million) and further amend the rules and regulations governing FOGAPE to encourage banks to provide lending to small businesses. Under FOGAPE's regulations, domestic banks, including us, provided loans with preferential interest rates monetary policy rate ("MPR") to the MPR plus 3% and terms of up to 48 months to eligible companies in an aggregate amount equal to up to three months of a company's sales and received a guarantee from FOGAPE of between 60% and 85% of each loan. Any recovery of all or a portion of a non-performing loan is first used to satisfy the non-guaranteed portion of the principal amount of the loan as well as legal fees, followed by the amount of the guarantee provided by FOGAPE and lastly any accrued and unpaid interest and fees. In February 2021, the government approved the FOGAPE 2.0 – or FOGAPE Reactiva – program. The maximum rate was set at a monthly rate of MPR (overnight rate) plus 0.6%, implying an annual rate of 7.2%. The program's focus was to direct the loans for SMEs investments and not only for working capital needs.

Although we have received guarantees from FOGAPE for a portion of the FOGAPE loans we have granted, if our clients default on their payment obligations under these loans when they become due, or they otherwise fail to timely comply with their obligations under these loans, this will result in higher levels of non-performing loans in the future and require the recognition of additional allowances for loan losses. Moreover, we must share with FOGAPE a portion of any recovery made on non-performing loans guaranteed by FOGAPE. We did not grant new FOGAPE loans during 2022. For further information about our historic exposure to COVID-19 relief measures, see Note 37 to our Audited Consolidated Financial Statements.

Competitive Risks

Increased competition, including from non-traditional providers of banking services such as financial technology providers, and industry consolidation may adversely affect our results of operations.

We face substantial competition in all parts of our business, including in payments, in originating loans and in attracting deposits. The competition in originating loans comes principally from other domestic and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other lenders and purchasers of loans.

The Chilean market for financial services is highly competitive. We compete with other private sector Chilean and non-Chilean banks, with Banco del Estado de Chile, the principal government-owned sector bank, with department stores and with larger supermarket chains that make consumer loans and sell other financial products to a large portion of the Chilean population. The lower to middle-income segments of the Chilean population and the small- and mid-sized corporate segments have become the target markets of several banks and competition in these segments may increase. In addition, there has been a trend towards consolidation in the Chilean banking industry in recent years, which has created larger banks with which we must now compete. There can be no assurance that this increased competition will not adversely affect our growth prospects, and therefore our operations. We also face competition from non-bank (such as insurance companies, *cajas de compensación* and *cooperativas*) and non-finance competitors (principally department stores, auto-lenders and larger supermarket chains) with respect to some of our credit products, such as credit cards, consumer loans and insurance brokerage. In addition, we face competition from non-bank finance competitors, such as leasing, factoring, automobile finance and brokerage companies, department stores (for some credit products), and mutual fund and pension fund management companies and insurance companies.

Non-traditional providers of banking services, such as fintechs, Internet-based e-commerce providers, mobile telephone companies and Internet search engines may offer and/or increase their offerings of financial products and services directly to customers. These non-traditional providers of banking services currently have an advantage over traditional providers because they are not subject to banking regulation. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing.

New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If we are unable to successfully compete with current and new competitors, or if we are unable to anticipate and adapt our offerings to changing banking industry trends, including technological changes, our business may be adversely affected. In addition, our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets, which would in turn have an adverse effect on our competitive position and business. Furthermore, the widespread adoption of new technologies, including distributed ledger, artificial intelligence and/or biometrics, to provide services such as cryptocurrencies and payments, could require substantial expenditures to modify or adapt our existing products and services as we continue to grow our Internet and mobile banking capabilities. Our customers may choose to conduct business or offer products in areas that may be considered speculative or risky. Such new technologies and mobile banking platforms in recent years could negatively impact the value of our investments in bank premises, equipment and personnel for our branch network.

The persistence or acceleration of this shift in demand towards Internet and mobile banking may necessitate changes to our retail distribution strategy, which may include closing and/or selling certain branches and restructuring our remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of our remaining branches or to otherwise reform our retail distribution channel. Furthermore, our failure to implement such changes to our distribution strategy swiftly and effectively could have an adverse effect our competitive position.

In particular, we face the challenge to compete in an ecosystem where the relationship with the consumer is based on access to digital data. This access is increasingly dominated by digital platforms and fintechs who are already eroding our results in very relevant markets such as payments. This privileged access to data can be used as a leverage to compete with us in other adjacent markets and may reduce our operations and margins in core businesses such as lending or wealth management. The alliances that our competitors are starting to build with large technology firms can make it more difficult for us to successfully compete with them and could adversely affect us.

Increasing competition could also require that we increase our rates offered on deposits or lower the rates we charge on loans, which could also have a material adverse effect on us, including our profitability. It may also negatively affect our business results and prospects by, among other things, limiting our ability to increase our customer base and expand our operations and increasing competition for investment opportunities.

If our customer service levels were perceived by the market to be materially below those of our competitor financial institutions, we could lose existing and potential business. If we are not successful in retaining and strengthening customer relationships, we may lose market share, incur losses on some or all of our activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on our operating results, financial condition and prospects.

Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our customers and on our ability to offer products and services that meet the customers' needs during the whole life cycle of the products or services. Our failure to manage various risks we face as we expand our range of products and services that could have a material adverse effect on us.

The success of our operations and our profitability depends, in part, on the success of new products and services we offer our customers and our ability to offer products and services that meet their needs during their entire life cycle. However, our customers' needs, or desires may change over time, and such changes may render our products and services obsolete, outdated or unattractive and we may not be able to develop new products that meet our customers' changing needs. Our success is also dependent on our ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Technological changes may further intensify and complicate the competitive landscape and influence customer behavior. If we cannot respond in a timely fashion to the changing needs of our customers, we may lose existing or potential customers, which could in turn materially and adversely affect us. In addition, the cost of developing products is likely to affect our results of operations.

As we expand the range of our products and services, some of which may be at an early stage of development in the markets of certain regions where we operate, we will be exposed to new and potentially increasingly complex risks, such as the conduct risk in the relationship with customers, and development expenses. Our employees and our risk management systems, as well as our experience and that of our partners may not be sufficient to enable us to properly manage such risks. Any or all of these factors, individually or collectively, could have a material adverse effect on us.

Our strong position in the credit card market is in part due to our credit card co-branding agreement with Latam Airlines. This agreement was renewed in January 2019 for seven more years. Once this agreement expires, no assurance can be given that it will be renewed, which may materially and adversely affect our results of operations and financial condition in the credit card business.

While we have successfully increased our customer service levels in recent years, should these levels ever be perceived by the market to be materially below those of our competitor financial institutions, we could lose existing and potential new business. If we are not successful in retaining and strengthening customer relationships, we may lose market share, incur losses on some or all of our activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on our operating results, financial condition and prospects.

Operational Risks

The financial problems faced by our customers could adversely affect us.

Potential market turmoil and economic recession could materially and adversely affect the liquidity, credit ratings, businesses and/or financial conditions of our customers. In 2022, inflationary pressures intensified due to a number of factors, including the revitalization of demand for consumer goods, labor shortages, supply chain issues and the rise of commodity prices, in particular energy prices, following the outbreak of the war in Ukraine. In an effort to contain inflation, central banks, including the Central Bank, have increased interest rates, leading to a global economic slowdown. These or other conditions causing market turmoil or economic recession in the future could increase our non-performing loan ratios, impair our loan and other financial assets and result in decreased demand for borrowings and deposits in general. Macroeconomic conditions in 2022 also led to significant volatility in financial markets. As a result, our customers have decreased, and may in the future decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect our fee and commission income. Any of the conditions described above could have a material adverse effect on our business, financial condition and results of operations.

We may generate lower revenues from fee and commission-based businesses.

The fees and commissions that we earn from the different banking and other financial services that we provide represent a significant source of our revenues. Regulatory changes that modify the fees we may charge could adversely affect our fee and commission income.

A portion of the Bank's fee income is derived from brokerage of mutual funds, stocks and bonds and a market downturn could result in significantly lower fees from these sources. Banco Santander Chile sold its asset management business in 2013 and signed a management service agreement for a 10 year-period with the acquirer of this business in which we sell asset management funds on their behalf. Therefore, even in the absence of a market downturn, below-market performance by the mutual funds of the firm we broker for may result in a reduction in revenue we receive from selling asset management funds and adversely affect our results of operations.

The growth of our loan portfolio may expose us to increased loan losses. Our exposure to individuals and small and mid-sized businesses could lead to higher levels of past due loans, allowances for loan losses and charge-offs.

The further expansion of our loan portfolio (particularly in the consumer, small- and mid-sized companies and real estate segments) can be expected to expose us to a higher level of loan losses and require us to establish higher levels of provisions for loan losses. See "Note 8—Financial Assets at Amortized Cost" and "Note 6—Financial Assets At Fair Value Through Other Comprehensive Income" in our Audited Consolidated Financial Statements for a description and presentation of our loan portfolio as well as "Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information—Loan Portfolio."

Retail customers represent 70.3% of the value of the total loan portfolio at amortized cost as of December 31, 2022. As part of our business strategy, we seek to increase lending and other services to retail clients, which are more likely to be adversely affected by downturns in the Chilean economy and other economic conditions, including the high inflation experienced in 2022. In addition, as of December 31, 2022, our residential mortgage loan portfolio totaled Ch\$15,729,010 million, representing 40.6% of our total loans. See "Note 8—Financial Assets at Amortized Cost" in our Audited Consolidated Financial Statements for a description and presentation of our residential mortgage loan portfolio. If the economy and real estate market in Chile experience a significant downturn, this could materially adversely affect the liquidity, businesses and financial conditions of our customers, which may in turn cause us to experience higher levels of past-due loans, thereby resulting in higher provisions for loan losses and subsequent charge-offs. This may materially and adversely affect our asset quality, results of operations and financial condition.

Failure to successfully implement and continue to improve our risk management policies, procedures and methods, including our credit risk management systems, could materially and adversely affect us, and we may be exposed to unidentified or unanticipated risks.

Risk management is a central part of our activities. We seek to manage and control our risk exposure through forward-looking management model, based on robust governance and advanced tools, supported by a risk culture that permeates the organization. While our management model uses a broad and diversified set of risk monitoring, control and mitigation techniques, such management model may not be fully effective at mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we may fail to identify or anticipate.

Some of our tools and metrics for managing risk are based on our use of observed historical market behavior. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our statistical models may not take all risks into account or measure emerging risks correctly.

Our approach to managing risks could prove insufficient, exposing us to material unanticipated losses. We could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed. If existing or potential customers or counterparties believe our risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with us. Any of these factors could have a material adverse effect on our reputation, operating results, financial condition and prospects.

As a retail bank, one of the main types of risks inherent in our business is credit risk. For example, an important feature of our credit risk management system is to employ an internal credit rating to assess the particular risk profile of individual customers and SMEs. As this process involves detailed analyses of the customer, taking into account both quantitative and qualitative factors, it is subject to human or IT systems errors. In exercising their judgement on our customers' current or future credit risk behavior, our management models may not always be able to assign an accurate credit rating, which may result in a higher exposure to credit risks than indicated by our risk rating system.

Some of the models and other analytical and judgement-based estimations we use in managing risks are subject to review by, and require the approval of, our regulators. If models do not comply with all their expectations, our regulators may require us to make changes to such models, may approve them with additional capital requirements or we may be precluded from using them. Any of these possible situations could limit our ability to expand our businesses or have a material impact on our financial results.

Failure to effectively implement, consistently monitor or continuously improve our credit risk management system may result in an increase in the level of non-performing loans and a higher risk exposure for us, which could have a material adverse effect on us.

The effectiveness of our credit risk management is affected by the quality and scope of information available in Chile.

In assessing customers' creditworthiness, we rely largely on the credit information available from our own internal databases, the FMC, the Directorio de Información Comercial (Dicom), a Chilean nationwide credit bureau, and other sources. Due to limitations in the availability of information and the developing information infrastructure in Chile, our assessment of credit risk associated with a particular customer may not be based on complete, accurate or reliable information. In addition, although we have been improving our credit scoring systems to better assess borrowers' credit risk profiles, we cannot assure you that our credit scoring systems will collect complete or accurate information reflecting the actual behavior of customers or that their credit risk can be assessed correctly. Without complete, accurate and reliable information, we will have to rely on other publicly available resources and our internal resources, which may not be effective. As a result, our ability to effectively manage our credit risk and subsequently our loan loss allowances may be materially adversely affected.

We rely on models for many of our decisions. Their inaccurate or incorrect use could have a material adverse effect on us.

We use models for approval (scoring/rating), capital calculation, behavior, provisions, expected credit loss, market risk, operational risk, compliance, fair value of financial instruments and liquidity. A model is a system, approach or quantitative method that applies statistical, economic, financial or mathematical theories, techniques or hypotheses to transform input data into quantitative estimates and forecasts. It involves simplified representations of real-world relationships between characteristics, values and observed assumptions that allows us to focus on specific aspects.

Model risk is the negative consequence of decisions based on inaccurate, improper or incorrect use of models. Sources of model risk include (i) incorrect or incomplete data in the model itself or the modelling method used in systems; and (ii) incorrect use or implementation of the model.

Model risk can cause financial loss, erroneous commercial and strategic decision-making or damage to our transactions any of which could have a material adverse effect on our operating results, financial condition and prospects. In addition, our regulatory models and the underlying methodologies are subject to scrutiny from our regulators and supervisory bodies, who could identify potential weaknesses or deficiencies that may result in enforcement actions, including sanctions, fines and/or the imposition of stricter capital requirements, as well as mandates and recommendations with respect to the methodologies underlying our models, which could also lead us to more onerous or inefficient capital consumptions.

Unprecedented movement in economic and market drivers related to external events such as the COVID-19 pandemic required monitoring and adjustment of financial models (including credit loss models, capital models, traded risk models and models used in the asset/liability management process) to comply with the guidance and recommendations of standard setters, regulators and supervisors, particularly for credit loss models. It also resulted in the use of mitigants for model limitations, such as adjustments to model outputs to reflect consideration of management judgment. The performance and usage of models was and may continue to be impacted by the consequences of external events. In addition, data obtained during these external events may not be representative and may distort the calibration of the models in the future, which could have a material adverse effect on us.

In addition, the fair value of our financial assets, determined using financial valuation models, may be inaccurate or subject to change and, as a consequence, we may have to register impairments or write-downs that could have a material adverse effect on our operating results, financial condition and prospects. See more information in “—Market conditions have resulted and could result in material changes to the estimated fair values of our financial assets. Negative fair value adjustments could have a material adverse effect on our operating results, financial condition and prospects.”

Our loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on us.

Our fixed rate loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of our earning assets and could have a material adverse effect on us. We would also be required to amortize net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and collateralized mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in our funding obligations and reinvestment at lower yields. Prepayment risk is inherent to our commercial activity and an increase in prepayments or a reduction in prepayment fees could have a material adverse effect on us. The Chilean government is presently analyzing an initiative to reduce or limit prepayment fees and the Bank does not yet have an estimate of the potential impact of such initiatives. We cannot assure you that this change or any future regulatory changes related to prepayment fees will not have a material impact on our business.

If we are unable to manage the growth of our operations or to integrate successfully our inorganic growth, this could have an adverse impact on our profitability.

We allocate management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring our businesses. From time to time, we evaluate acquisition and partnership opportunities that we believe offer additional value to our shareholders and are consistent with our business strategy. However, we may not be able to identify suitable acquisition or partnership candidates, and our ability to benefit from any such acquisitions and partnerships will depend in part on our successful integration of those businesses. Any such integration entails significant risks such as unforeseen difficulties in integrating operations and systems, unexpected liabilities or contingencies relating to the acquired businesses, including legal claims and delivery and execution risks. We can give no assurances that our expectations with regards to integration and synergies will materialize. We also cannot provide assurance that we will, in all cases, be able to manage our growth effectively or deliver our strategic growth objectives. Challenges that may result from our strategic growth decisions include our ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow our existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates, including local regulation that can reduce or eliminate expected synergies;
- finance strategic investments or acquisitions;
- align our current information technology systems adequately with those of an enlarged group;
- apply our risk management policy effectively to an enlarged group; and
- manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage growth effectively could have a material adverse effect on our operating results, financial condition and prospects.

In addition, any acquisition or venture could result in the loss of key employees and inconsistencies in standards, controls, procedures and policies.

Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond our control. Any of these factors, individually or collectively, could have a material adverse effect on us.

Any failure to improve or upgrade our information technology infrastructure and information management systems in an effective, timely and cost-effective manner, including in response to new or modified cybersecurity and data privacy laws, rules and regulations could have a material adverse effect on us.

Our ability to remain competitive depends in part on our ability to upgrade our information technology in an effective, timely and cost-effective manner. We must continually make significant investments in and improvements to our information technology infrastructure and information management systems in order to meet the needs of our customers. We cannot guarantee that in the future we will be able to maintain the level of capital expenditures necessary to support the continuous improvement and upgrading of our information technology infrastructure and information management systems. To the extent we are dependent on any particular technology or technological solution, we may be harmed if such technology or technological solution becomes non-compliant with existing industry standards or applicable laws, rules or regulations, fails to meet or exceed the capabilities of our competitors' equivalent technologies or technological solutions, becomes increasingly expensive to service, retain and update, becomes subject to third-party claims of intellectual property infringement, misappropriation or other violation, or malfunctions or functions in a way we did not anticipate. Additionally, new technologies and technological solutions are continually being released. As such, it is difficult to predict the problems we may encounter in improving our technologies' functionality. There is no assurance that we will be able to successfully adopt new technology as critical systems and applications become obsolete and better ones become available. Any failure to effectively improve or upgrade our information technology infrastructure and information management systems in an effective, timely and cost-efficient manner could have a material adverse effect on us.

Data breaches and other security incidents with respect to our or our third-party vendors' systems could adversely affect our business or reputation, and create significant legal, regulatory or financial exposure.

Like other financial institutions, in conducting our banking operations, we receive, manage, hold, transmit and otherwise process certain proprietary, sensitive or confidential information, including personal information of customers and employees, as well as a large number of assets. Accordingly, our business relies on our ability to process a large number of transactions efficiently and accurately, and on our ability to rely on our digital technologies, computer and email services, software and networks, as well as on the secure storage, transmission, and other processing of confidential, sensitive or personal data and other information using our computer systems and networks or those of our third-party vendors. The proper and secure functioning of our financial controls, accounting and other data collection and processing systems is critical to our business and to our ability to compete effectively.

Data breaches, security incidents and data losses can result from, among other things, inadequate personnel, inadequate or failed internal control processes and systems, or external events or actors that interrupt normal business operations. We also face the risk that the design of our or our third-party vendors' cybersecurity controls and procedures prove to be inadequate or are circumvented such that our data or client records are incomplete, not recoverable or not securely stored. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products, produce customer claims and materially and adversely affect us.

Although we work with our clients, vendors, service providers, counterparties and other third parties to develop secure data and information processing, collection, authentication, management, usage, storage and transmission capabilities and to ensure the eventual destruction of sensitive and confidential information, including personal information, to prevent against information security risk, we routinely manage personal, confidential and proprietary information by electronic means, and we, our third-party vendors or other third parties with which we do business may be the target of attempted cyber-attacks or subject to other information security incidents or breaches. This is especially applicable in the current global environment, with the war in Ukraine resulting in an increased risk of cyber-attacks, and other disruptions in response to, or retaliation for, the sanctions and costs imposed on Russia and certain other countries directly or indirectly involved in the war. Additionally, the shift to remote work policies for a significant portion of our workforce, as they access our secure networks remotely, and our customers' increased reliance on digital banking products and other digital services, including mobile payment products, has also increased the risk of cyber-attacks (see risk factor—"Pandemics, including the global COVID-19 pandemic, and other public health emergencies have materially impacted, and may in the future materially impact, our financial condition, liquidity and results of operations."). If we cannot maintain effective and secure electronic data and information (including personal information), management and processing systems or if we fail to maintain complete physical and electronic records, it could result in disruptions to our operations, litigation or claims from customers, regulators, employees and other third parties, as well as violations of applicable privacy and other laws, rules or regulations, regulatory sanctions and serious reputational and financial harm to us.

Although we take protective measures and monitor and develop our systems to protect our technology infrastructure, data and information from misappropriation or corruption, our and our third-party vendors' systems, software and networks nevertheless may be vulnerable to breaches, disruptions, failures or other security incidents caused by, among other things, unauthorized access or misuse, computer viruses, malware, ransomware, disability devices, distributed denial-of-service attacks, phishing attacks, social engineering attacks, natural disasters such as fires, floods, hurricanes and tornadoes, power loss, telecommunications failures, employee or other third party misconduct, negligence, theft or fraud, human error, computer hackers, and other events that could have a serious impact on us. Although we have procedures and controls in place to safeguard personal and other confidential or sensitive information in our possession, we have been and continue to be subject to a range of cyber-attacks, such as denial of service, malware and phishing attacks. While we generally perform cybersecurity due diligence on our key vendors, because we do not control our vendors and our ability to monitor their cybersecurity is limited, we cannot ensure the cybersecurity measures they take will be sufficient to protect any information we share with them. Due to applicable laws and regulations or contractual obligations, we may be held responsible for security breaches, cyber-attacks or other similar incidents attributed to our vendors as they relate to the information we share with them. Moreover, it is not always possible to deter or prevent employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective.

In addition, we may also be impacted by cyber-attacks against national critical infrastructures of Chile, such as telecommunications networks. Our information technology systems are dependent on such national critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect our ability to service our customers. As we do not operate such national critical infrastructure, we have limited ability to protect our information technology systems from the adverse effects of a cyber-attack. For further information, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk—2. Non-financial risks—Cyber-security and data security plans."

We have seen in recent years the information technology and computer systems of companies and organizations being increasingly targeted, and the techniques used to obtain unauthorized, improper or illegal access to information technology and computer systems have become increasingly complex and sophisticated. Furthermore, such techniques change frequently and are often not recognized or detected until after they have been launched and can originate from a wide variety of sources, including not only cyber criminals, but also activists and terrorists, nation states, nation state-supported actors and others. As attempted attacks continue to evolve in scope and sophistication, we may incur significant costs in order to modify or enhance our protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to our customers, affected individuals or regulators, as applicable.

If we or our third-party vendors fall victim to successful cyber-attacks, penetrations, compromises, breaches or circumventions of our information technology systems or experience other security incidents in the future, we may incur substantial costs and suffer other negative consequences, such as disruption to our operations, misappropriation of personal, proprietary, confidential or sensitive information, remediation costs (including liabilities for stolen assets or information, repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorized use of personal, proprietary, confidential or sensitive information or the failure to retain or attract our customers following a cybersecurity incident, litigation and legal risks (including regulatory action, reporting obligations, investigation, fines and penalties), increased insurance premiums, reputational damage affecting our customers' and the investors' confidence, as well as damages to our competitiveness, stock price and long-term shareholder value. In addition, our remediation efforts may not be successful, and we may not have adequate insurance to cover these losses. Moreover, even when a failure of or interruption in our or our third-party vendors' systems or facilities is resolved in a timely manner or an attempted cyber-attack, data breach or security incident is successfully avoided or thwarted, substantial resources and management attention are expended in doing so, and to successfully avoid or resolve any such incidents, we may be required to take actions that could adversely affect customer satisfaction or retention, as well as harm our reputation.

Users and credit card issuers such as us also have obligations when a client's cards and/or online payment or transfer user information are lost, stolen or fraudulently used (including through hacking and cloning). Cardholders are obligated to notify the bank through an easily accessible channel when their cards have been lost, stolen, or fraudulently used. For those transactions realized prior to the notice of loss or theft of a credit card, the cardholder must also notify the issuer of all of the unauthorized transactions in the same notice or up to five business days following the original notification. In cases of fraud, the user will not be responsible for the transactions that they did not authorize, and which were made prior to the fraud notification within the 30 calendar days following the issuance of said notice. In these cases, issuers are responsible for assuming these costs or must demonstrate that the transaction was in fact authorized by the owner or user of the credit card. The law also considers increasing fines and jail time for those committing theft or fraud with credit cards, which must be legally pursued by the card issuer.

In light of these developments, we are trying to limit the exposure of our clients to credit card fraud through education, insurance coverage, marketing campaigns, daily transfer amount limits, chip technology, improved ATM software, and other technological improvements, but we cannot assure that this law will not increase the financial costs related to cybercrime and credit card fraud.

We rely on third parties and affiliates for important products and services.

Third party vendors and certain affiliated companies provide key components of our business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, Internet connections and network access. Relying on these third parties and affiliated companies can be a source of operational and regulatory risk to us, including with respect to security breaches affecting such parties. We are also subject to risk with respect to security breaches affecting the vendors and other parties that interact with these service providers. As our interconnectivity with these third parties and affiliated companies increases, we increasingly face the risk of operational failure with respect to their systems. We may be required to take steps to protect the integrity of our operational systems, thereby increasing our operational costs and potentially decreasing customer satisfaction.

In addition, any problems caused by these third parties or affiliated companies, including as a result of them not providing us their services for any reason, or performing their services poorly, could adversely affect our ability to deliver products and services to customers and otherwise conduct our business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third-party vendors could also entail significant delays and expense. Further, the operational and regulatory risk we face as a result of these arrangements may be increased to the extent that we restructure such arrangements. Any restructuring could involve significant expense to us and entail significant delivery and execution risks, which could have a material adverse effect on our business, operations and financial condition.

Damage to our reputation could cause harm to our business prospects.

Maintaining a robust risk management framework based on robust ethical principles and corporate values is critical to protect our reputation and our brand, attract and retain customers, investors and employees and conduct business transactions with counterparties. Damage to our reputation could therefore cause significant harm to our business and prospects. Harm to our reputation could arise from numerous sources, including, among others, employee misconduct, including the possibility of fraud perpetrated by our employees, litigation or regulatory enforcement, failure to deliver minimum standards of service and quality, negative perceptions regarding our ability to maintain the security of our technology systems and protect customer data (including as a result of a cybersecurity incident), dealing with sectors that are not well perceived by the public (weapons industries or embargoed countries, for example), dealing with customers in sanctions lists, rating downgrades, significant variations in our share price throughout the year, compliance failures, unethical behavior, actual or alleged conduct in any number of activities, including lending practices, sales and marketing, corporate governance and corporate culture, and the activities of customers and counterparties, including activities that negatively affect the environment. Further, negative publicity regarding us may result in harm to our prospects.

Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect our reputation. For example, the role played by financial services firms in the financial crisis and the seeming shift toward increasing regulatory supervision and enforcement has caused public perception of us and others in the financial services industry to decline.

Additionally, we could suffer significant reputational harm that could affect our business, results of operations and prospects from any negative perceptions regarding topics related to environmental, social and corporate governance policies. There has been increased focus by customers, shareholders, investor advocacy groups, employees, regulators and other stakeholders on these topics, and our policies, practices and disclosures in these areas could come under scrutiny. Governments may implement new or additional regulations and standards, or investors, customers and other stakeholders may impose new expectations or focus investments in ways that cause significant shifts in disclosure, consumption and behaviors that may have negative impacts on our business. If regulators or stakeholders consider our efforts to be ineffective, inadequate or unsatisfactory, whether real or perceived, it could harm our reputation, business and prospects and we could be subject to enforcement, other supervisory actions or other harm.

We could also suffer significant reputational harm if we fail to identify and manage potential conflicts of interest properly. The failure, or perceived failure, to adequately address conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions against us which could have an adverse effect on our operating results, financial condition and prospects.

We may be the subject of misinformation and misrepresentations deliberately propagated to harm our reputation or for other deceitful purposes, or by profiteering short sellers seeking to gain an illegal market advantage by spreading false information about us. There can be no assurance that we will effectively neutralize and contain a false information that may be propagated regarding the business, which could have an adverse effect on our operating results, financial condition and prospects.

Financial Risks

We may not effectively manage risks associated with the replacement or reform of benchmark indices. Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be “benchmarks,” including those in widespread and long-standing use, have been the subject of ongoing international, national and other regulatory scrutiny and initiatives for reform.

On March 5, 2021, the U.K. Financial Conduct Authority (the FCA), which regulates the London interbank offered rate (LIBOR), published an announcement to confirm the dates immediately after which all LIBOR settings would either cease to be provided by any administrator or no longer be representative. The FCA announced that on December 31, 2021 all tenors will cease to be provided by any administrator except for the overnight, 1-, 3-, 6- and 12-month USD LIBOR tenors, which will be discontinued on June 30, 2023.

In March 2022, the U.S. Congress passed the Adjustable Interest Rate (LIBOR) Act. This legislation establishes a uniform process, on a nationwide basis, for replacing LIBOR in existing contracts the terms of which do not contain fallback provisions by automatically replacing LIBOR, on the LIBOR replacement date (expected to be the first London banking day after June 30, 2023), with the ‘Board-selected benchmark replacement’. On December 16, 2022, the Federal Reserve Board published a final rule identifying interest rates based on SOFR to replace LIBOR in certain financial contracts based on U.S. Law after June 30, 2023. The Federal Reserve Board identified five benchmark replacement rates, including spread adjustments, to be implemented based on the type of contract.

We have focused and continue to focus on making all the contractual, commercial, operational and technological changes necessary to address relevant pending milestones.

These and other reforms have caused and may in the future cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which introduce a number of risks for us. These risks include (i) legal risks arising from potential changes required to documentation for new and existing transactions; (ii) risk management, financial and accounting risks arising from market risk models and from valuation, hedging, discontinuation and recognition of financial instruments linked to benchmark rates; (iii) business risk of a decrease in revenues of products linked to indices that will be replaced; (iv) pricing risks arising from how changes to benchmark indices could impact pricing mechanisms on some instruments; (v) operational risks arising from the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes; (vi) conduct risks arising from the potential impact of communication with customers and engagement during the transition period and inquiries, reviews or other actions from regulators regarding our preparation, readiness and transition plans; and (vii) litigation risks and risks relating to other disputes and actions with clients, counterparties, investors and other parties regarding our existing products and services, which could adversely impact our profitability. The implementation of alternative benchmark rates may have a material adverse effect on our business, results of operations, financial condition and prospects. We may also be adversely affected if the change restricts our ability to provide products and services or if it necessitates the development of additional information technology systems.

Credit, market and liquidity risk may have an adverse effect on our credit ratings and our cost of funds. Any downgrade in Chile’s, our controlling shareholders or our credit rating would likely increase our cost of funding, require us to post additional collateral or take other actions under some of our derivative and other contracts and adversely affect our interest margins and results of operations.

Credit ratings affect the cost and other terms upon which we can obtain funding. Rating agencies regularly evaluate us, and their ratings of our debt are based on several factors, including our financial strength and conditions affecting the financial services industry. In addition, due to the methodology of the main rating agencies, our credit rating is affected by the rating of Chile’s sovereign debt. If Chile’s sovereign debt is downgraded, our credit rating would also likely be downgraded by an equivalent amount. In addition, our ratings may be adversely affected by any downgrade in the ratings of our parent company, Santander Spain.

During 2020, as a result of the social unrest in Chile and the COVID-19 pandemic, Standard and Poor’s Ratings Services (“S&P”) and Moody’s revised the Republic of Chile and the Bank’s credit ratings to a negative outlook. In March 2021, due to the ongoing pandemic and the consequent increase in government spending with a higher fiscal deficit, S&P downgraded the Chilean sovereign rating from A+ to A. As a direct effect of the Chilean sovereign rating downgrade, S&P downgraded Santander Chile’s rating from A to A-, maintaining a negative outlook. In September 2021, S&P changed Santander Chile’s outlook from negative to stable. In September 2022, Moody’s downgraded the Republic of Chile and Santander Chile’s credit ratings to A2 with a stable outlook. This downgrade was driven by fiscal and economic trends that have gradually but persistently weakened Chile’s sovereign credit profile.

Downgrades in our debt credit ratings have in the past, and would likely in the future, increase our borrowing costs and require us to post additional collateral or take other actions under some of our derivative and other contracts, and could limit our access to capital markets and adversely affect our commercial business. For example, a ratings downgrade could adversely affect our ability to sell or market some of our products, engage in certain longer-term and derivatives transactions and retain our customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of our derivative contracts and other financial commitments, we may be required to maintain a minimum credit rating or terminate such contracts or require the posting of collateral. Any of these results of a ratings downgrade could reduce our liquidity and have an adverse effect on us, including our operating results and financial condition.

While certain potential impacts of these downgrades are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend on numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of our long-term credit rating precipitates downgrades to our short-term credit rating, and assumptions about the potential behaviors of various customers, investors and counterparties. Actual outflows could be higher or lower than the preceding hypothetical examples, depending upon certain factors including which credit rating agency downgrades our credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from money market funds) or loss of secured funding capacity. Although unsecured and secured funding stresses are included in our stress testing scenarios and a portion of our total liquid assets is held against these risks, a credit rating downgrade could still have a material adverse effect on us.

In addition, if we were required to cancel our derivatives contracts with certain counterparties and were unable to replace such contracts, our market risk profile could be altered.

There can be no assurance that the rating agencies will maintain the current ratings or outlooks. In general, the future evolution of our ratings will be linked, to a large extent, to the general macroeconomic outlook, including the impact of rising inflation, labor shortages, supply chain issues and rising commodity prices, the war in Ukraine and the COVID-19 pandemic (including, for example, new variants, new lockdowns, etc.) on the macro-outlook of our asset quality, profitability and capital. Failure to maintain favorable ratings and outlooks could increase our cost of funding and adversely affect interest margins, which could have a material adverse effect on us.

Market conditions have resulted and could result in material changes to the estimated fair values of our financial assets. Negative fair value adjustments could have a material adverse effect on our operating results, financial condition and prospects.

In the past, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads, including as a result of the war in Ukraine or the COVID-19 pandemic. We have material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then-prevailing market conditions, may result in negative changes in the fair values of our financial assets and these may also translate into increased impairments. In addition, the value ultimately realized by us on disposal may be lower than the current fair value. Any of these factors could require us to record negative fair value adjustments, which may have a material adverse effect on our operating results, financial condition or prospects.

In 2021, pension fund withdrawals and political uncertainty in Chile led to significant rate increases along the entire yield curve. Furthermore, the Central Bank increased the MPR from 0.5% to 4.0% in December 2021 and to 11.25% in December 2022. This has negatively impacted the fair value of various financial assets, including our debt instruments at fair value through other comprehensive income. As of December 31, 2022, these instruments include balances of unrealized net loss of Ch\$109,392 million recognized as “Valuation accounts” in equity.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, our valuation methodologies require us to make assumptions, judgements and estimates in order to establish fair value, and reliable assumptions are difficult to make and are inherently uncertain and valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on our operating results, financial condition and prospects.

The value of the collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.

The value of the collateral securing our loan portfolio may fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting Chile's economy, the war in Ukraine or a prolonged COVID-19 pandemic with the emergence of variants resistant to existing vaccines. The value of the collateral securing our loan portfolio may be adversely affected by force majeure events, such as natural disasters (including as a result of climate change), particularly in locations where a significant portion of our loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage, which could impair the asset quality of our loan portfolio and could have an adverse impact on Chile's economy. The real estate market is particularly vulnerable in the current economic climate and this may affect us, as real estate represents a significant portion of the collateral securing our residential mortgage loan portfolio. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral. If any of the above were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may materially and adversely affect our results of operations and financial condition.

At December 31, 2022, 63% of our loans and advances to customers are collateralized, which includes 11% of our consumer loans, 98% of our mortgage loans and 56% of our commercial loans. In addition, auto industry technology changes, accelerated by environmental rules, could affect our auto consumer business in Chile, particularly residual values of leased vehicles, which could have a material adverse effect on our operating results, financial condition and prospects.

The credit quality of our loan portfolio may deteriorate, and our loan loss reserves could be insufficient to cover our loan losses, which could have a material adverse effect on us.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent to a wide range of our businesses. Non-performing or low credit quality loans have in the past negatively impacted our results of operations and could do so in the future. In particular, the amount of our reported credit impaired loans may increase in the future as a result of growth in our total loan portfolio, including as a result of loan portfolios that we may acquire in the future (the credit quality of which may turn out to be worse than we had anticipated), or factors beyond our control, such as adverse changes in the credit quality of our borrowers and counterparties or a general deterioration in economic conditions in Chile or in global economic and political conditions, including as a result of inflationary pressures, supply chain issues, labor shortages and increases in commodity prices (including as a result of the war in Ukraine) and/or a prolonged COVID-19 pandemic with the emergence of variants resistant to existing vaccines. If we are unable to control the level of our credit impaired or poor credit quality loans, this could have a material adverse effect on us.

As of December 31, 2022, our non-performing loans were Ch\$717,411 million, and the ratio of our non-performing loans to total loans at amortized cost was 1.8%. As of December 31, 2022, our allowance for loan losses was Ch\$1,153,267 million, and the ratio of our allowance for loan losses to total loans at amortized cost was 3.0%. For additional information on our asset quality, see "Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information—Analysis and Classification of Loan Portfolio Based on the Borrower's Payment Performance."

Our loan loss reserves are based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Chile's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. Because many of these factors are beyond our control and there is no infallible method for predicting loan and credit losses, we cannot assure you that our current or future loan loss and reserves will be sufficient to cover actual losses. If our assessment of and expectations concerning the above-mentioned factors differ from actual developments, if the quality of our total loan portfolio deteriorates, for any reason, or if the future actual losses exceed our estimates of expected losses, we may be required to increase our loan loss reserves, which may adversely affect us. Additionally, in calculating our loan loss reserves, we employ qualitative tools and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete.

Our financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect us and our profitability.

Our financial results are constantly exposed to market risk. In 2022, inflationary pressures, increases in the prices of energy, oil, gas and other commodities, the lingering effects of the COVID-19 pandemic and the military conflict between Russia and Ukraine have caused and could continue to cause high market volatility, which could materially and adversely affect us and our trading and banking book.

Economic activities exposed to market risk include (i) transactions where risk is assumed as a consequence of potential changes in interest rates, inflation rates, exchange rates, stock prices, credit spreads, commodity prices, volatility and other market factors; (ii) the liquidity risk from our products and markets; and (iii) the balance sheet liquidity risk.

As described below, market risk affects (i) our interest income / (charges); (ii) the market value of our assets and liabilities, in particular of our securities holdings, loans and deposits and derivatives transactions; and (iii) other areas of our business such as the volume of loans originated or credit spreads.

The performance of financial markets may cause changes in the value of our investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of our investments in equity securities and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against our results.

Market risk could include unexpected or unpredictable risks related to periods in which the market does not calculate prices efficiently (for example, during market interruptions or shocks).

Interest rates are sensitive to many factors beyond our control, including increased regulation of the financial sector, the reserve policies of the Central Bank, deregulation of the financial sector in Chile, monetary policies and domestic and international economic and political conditions. Variations in interest rates could affect the interest earned on our assets and the interest paid on our borrowings, thereby affecting our interest income / (charges), which comprises the majority of our revenue, reducing our growth rate and potentially resulting in losses. In addition, costs we incur as we implement strategies to reduce interest rate exposure could increase in the future, which, in turn, will impact our results.

Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increases or fluctuations in delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of our financial assets and may reduce gains or require us to record losses on sales of our loans or securities. Additionally, a shrinking yield premium between short-term and long-term market interest rates, coupled with inflation, could adversely affect our business and results of operations.

While it would likely decrease funding costs, if interest rates decrease then the income we receive from our investments in securities and loans with similar maturities could be adversely affected. In addition, we may also experience increased delinquencies in a low interest rate environment when such an environment is accompanied by high unemployment and recessionary conditions. “See Item 11. Quantitative and Qualitative Disclosure About Market Risks—Market Risk: Quantitative Disclosure—Impact of Interest Rates.”

The market value of a security with a fixed interest rate generally decreases when the prevailing interest rates rise, which may have an adverse effect on our earnings and financial condition. In addition, we may incur costs as we implement strategies to reduce interest rate exposure in the future (which, in turn, will impact our results). The market value of an obligation with a floating interest rate can be adversely affected when interest rates increase, due to a lag in the implementation of repricing terms or an inability to refinance at lower rates.

High levels of inflation in Chile could adversely affect the Chilean economy and our business, financial condition and results of operations (see risk factor —“Inflation, government efforts to control inflation, and changes in interest rates may hinder the growth of the Chilean economy and could have an adverse effect on us.”). Any change in the methodology of how the CPI index or the UF are calculated could also adversely affect our business, financial condition and results of operations. Extended periods of deflation could also have an adverse effect on our business, financial condition and results of operations. The UF is revalued in monthly cycles. On each day in the period beginning on the tenth day of any given month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. For more information regarding the UF, see “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Impact of Inflation.” Although we benefit from inflation in Chile due to the current structure of our assets and liabilities (*i.e.*, a significant portion of our loans are indexed to the inflation rate, but there are no corresponding features in deposits, or other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation, including from extended periods of inflation that adversely affect economic growth or periods of deflation. “See Item 11. Quantitative and Qualitative Disclosure About Market Risks—Market Risk: Quantitative Disclosure—Impact of Inflation.”

We are also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect our earnings and value of our assets and securities. Therefore, while the Bank seeks to avoid significant mismatches between assets and liabilities due to foreign currency exposure, from time to time, we may have mismatches. The Chilean peso has been subject to large devaluations and appreciations in the past and could be subject to significant fluctuations in the future. Our results of operations may be affected by fluctuations in the exchange rates between the peso and the dollar despite our policy and Chilean regulations relating to the general avoidance of material exchange rate exposure. In order to avoid material exchange rate exposure, we enter into forward exchange transactions. We may decide to change our policy regarding exchange rate exposure. Regulations that limit such exposures may also be amended or eliminated. Greater exchange rate risk will increase our exposure to the devaluation of the peso, and any such devaluation may impair our capacity to service foreign currency obligations and may, therefore, materially and adversely affect our financial condition and results of operations. Notwithstanding the existence of general policies and regulations that limit material exchange rate exposures, the economic policies of the Chilean government, new foreign currency regulations by the Central Bank and any future fluctuations of the peso against the dollar could affect our financial condition and results of operations. “See Item 11. Quantitative and Qualitative Disclosure About Market Risks—Market Risk: Quantitative Disclosure—Foreign exchange fluctuations.”

If any of these risks were to materialize, our interest income or the market value of our assets and liabilities could suffer a material adverse impact.

We are subject to market, operational and other related risks associated with our derivative transactions that could have a material adverse effect on us.

We enter into derivative transactions for trading purposes as well as for hedging purposes. We are subject to market, credit and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

Market practices and documentation for derivative transactions in Chile may differ from those in other countries. For example, documentation may not incorporate terms and conditions of derivatives transactions as commonly understood in other countries. In addition, the execution and performance of these transactions depend on our ability to maintain adequate control and administration systems. Moreover, our ability to adequately monitor, analyze and report derivative transactions continues to depend, largely, on our information technology systems. These factors further increase the risks associated with these transactions and could have a material adverse effect on us.

At December 31, 2022, the notional value of the trading derivatives in our books amounted to Ch\$375,070,999 million (with a market value of Ch\$11,672,960 million of debit balance and Ch\$11,319,320 million of credit balance).

At December 31, 2022, the nominal value of the hedging derivatives in our books within our financial risk management strategy and with the aim of reducing asymmetries in the accounting treatment of our operations amounted to Ch\$36,182,980 million (with market value of Ch\$477,762 million in assets and Ch\$2,788,794 million in liabilities).

We are subject to counterparty risk in our banking business.

We are exposed to counterparty risk in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, clearing houses or other financial intermediaries.

We routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties.

Liquidity and funding risks are inherent in our business and could have a material adverse effect on us.

Liquidity risk is the risk that we either do not have sufficient financial resources available to meet our obligations as they are due, or we can only secure them at excessive cost. This risk is inherent in any banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation, including as a result of the war in Ukraine or new outbreaks of the COVID-19 pandemic. While we have in place liquidity management processes to mitigate and control these risks, systemic market factors make it difficult to eliminate these risks completely. Constraints in the supply of liquidity, including in inter-bank lending, could materially and adversely affect the cost of funding of our business, and extreme liquidity constraints may affect our current operations and our ability to fulfill regulatory liquidity requirements, as well as limit growth possibilities.

Our cost of obtaining funding is directly related to prevailing interest rates and to our credit spreads. Increases in interest rates, such as those announced throughout 2022 by the Central Bank, the European Central Bank, the Bank of England and the Federal Reserve, and/or in our credit spreads could significantly increase the cost of our funding. Credit spreads variations are market-driven and may be influenced by market perceptions of our creditworthiness. Changes to interest rates and our credit spreads may occur frequently and could be unpredictable and highly volatile.

We rely, and will continue to rely, primarily on retail deposits to fund lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors beyond our control, such as general economic conditions and the confidence of retail depositors in the economy and in the financial services industry, and the availability and extent of deposit guarantees, as well as competition for deposits between banks or with other products, such as mutual funds. Any of these factors could increase the amount of retail deposit withdrawals in a short period of time, thereby reducing our ability to access retail deposit funding on appropriate terms, or at all, in the future. If these circumstances were to arise, this could have a material adverse effect on our operating results, financial condition and prospects.

We anticipate that our customers will continue, in the near future, to make short-term deposits (particularly demand deposits and short-term time deposits), and we intend to maintain our emphasis on the use of banking deposits as a source of funds. As of December 31, 2022, 99.9% of our customer deposits had remaining maturities of one year or less or were payable on demand. A significant portion of our assets have longer maturities, resulting in a mismatch between the maturities of liabilities and the maturities of assets. Historically, one of our principal sources of funds has been time deposits. Time deposits represented 20.6% and 15.0% of our total liabilities and equity as of December 31, 2022 and 2021, respectively. The Chilean time deposit market is concentrated given the importance in size of various large institutional investors such as pension funds and corporations relative to the total size of the economy. As of December 31, 2022, the Bank's top 20 time deposits represented 1.6% of total time deposits, or 0.3% of total liabilities and equity, and totaled U.S.\$237 million. No assurance can be given that future economic instability in the Chilean market will not negatively affect our ability to continue funding our business or to maintain our current levels of funding without incurring increased funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, we could be materially adversely affected.

The short-term nature of this funding source could cause liquidity problems for us in the future if deposits are not made in the volumes we expect or are not renewed. If a substantial number of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, we may be materially and adversely affected.

Central banks took extraordinary measures to increase liquidity in the financial markets as a response to the financial crisis and the COVID-19 pandemic. If these facilities, which are progressively being reduced, were to be rapidly removed, this could have an adverse effect on our ability to access liquidity and on our funding costs.

In response to the COVID-19 pandemic, the Central Bank has made available two lines of credit to banks to reinforce their liquidity. Pursuant to these lines of credit, a bank may borrow up to 3% of the aggregate amount of its consumer and commercial loan portfolios as of February 29, 2020 and may borrow up to an additional 12% if it uses the funds to provide loans to companies and individuals. The first line of credit is a facility available conditionally on loan growth (the "FCIC") to ensure that banks continue to finance households and businesses in Chile. Loans provided by this line of credit may have maturities of up to four years and must be secured by government bonds, corporate bonds or highly rated large commercial loans as collateral. In stages 1 and 2, the Board of the Central Bank had allocated a total of U.S.\$40 billion to this facility, of which approximately U.S.\$30 billion was disbursed. The Central Bank in its Monetary Policy Meeting held on January 27, 2021 announced the beginning of a third stage of this instrument (FCIC3) commencing on March 1, 2021 for approximately U.S.\$10 billion. The FCIC instruments bear interest at 0.5% (the lowest Central Bank MPR) for the duration of the program. Loans provided under the second line of credit, the LCL, are unsecured and may have maturities of up to 2 years, bearing interest in accordance with the current Central Bank MPR. In addition, borrowings by a bank under the LCL are limited to the aggregate amount of the liquidity reserve requirements of such bank. Ultimately, these lines of credit are intended to ensure banks have ample liquidity to enable them to continue financing companies and individuals. As of December 31, 2022, we had borrowed Ch\$5,584,084 million (U.S.\$6.5 billion) under the FCIC programs and had no debt outstanding under the LCL.

Additionally, our activities could be adversely impacted by liquidity tensions arising from generalized drawdowns of committed credit lines to our customers.

We cannot assure that in the event of a sudden or unexpected shortage of funds in the banking system, we will be able to maintain levels of funding without incurring high funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, we could be materially adversely affected.

Changes to the pension fund system may affect our liquidity levels and/or funding costs

The current pension fund system dates from the 1980s when pensions went from being state-funded to privately-funded, which requires Chilean employees to set aside 10% of their wages. As of September 30, 2022, the most recent date as of which information is available, the Chilean pension fund management companies (Administradora de Fondos de Pensión, or “AFPs”) had U.S.\$3.3 billion invested in the Bank via equity, deposits and fixed income. The demographics of Chilean society have changed, resulting in a need to modify the system. In November 2022, the Chilean government presented a new bill for pension reform to Congress. The proposed bill would create a mixed pension system, maintain the individual capitalization system and complement it with a contributory pillar with a social security logic. It also imposes a 6% additional contribution charged to employers to be allocated to social security, the benefits of which are distributed among pensioners using social security criteria, better diversifying idiosyncratic risks among the population. In addition, a new institutional structure would be created where public and private entities coexist. An Autonomous Pension Administrator would be created to be in charge of the collection of individual and social security contributions, pension payments and support activities for beneficiary individuals. Such public institution, together with private institutions, would take charge of the financial management of pension funds. Beneficiary individuals would be given the right to choose which type of institution invests their individual capitalization savings. Moreover, the proposed bill increases the Universal Guaranteed Pension (Pensión Garantizada Universal or PGU) to Ch\$250,000 and provides that pensioners who receive an annuity will be able to choose if a part of such annuity can be transmitted to their successors. This bill has yet to be approved by Congress and we are unable to predict the final content of the law. The potential adverse effect, if any, of the proposed bill on our financial condition and results of operations cannot yet be ascertained.

Chilean regulations also impose a series of restrictions on how Chilean AFPs may allocate their assets. In the particular case of financial issuers’ there are three restrictions, each involving different assets and different limits determined by the amount of assets in each fund and the market and book value of the issuer’s equity. As a consequence, limits vary within funds of AFPs and issuers. According to our estimates in September 2022, latest information available, the AFPs still had the possibility of being able to invest another U.S.\$6.3 billion in the Bank via equity, deposits and fixed income. If the exposure of any AFP to Santander-Chile exceeds the regulatory limits, if the regulatory limits are reduced or the amount of funds available in the pension funds falls significantly, we would need to seek alternative sources of funding, which could be more expensive and, as a consequence, may have a material adverse effect on our financial condition and results of operations.

In July 2020, a law was passed permitting Chileans to withdraw a minimum of UF35 (U.S.\$1,430) and a maximum of UF150 (U.S.\$6,127) from their pension funds. For those that have funds below UF35, they were able to take out the total amount of their savings. The draw down was tax-free and approximately U.S.\$19.7 billion was withdrawn. In December 2020, a second pension fund withdrawal was approved, although withdrawals under this approval were not tax-exempt. This added another U.S.\$16.0 billion in liquidity to the system. On April 27, 2021, a third withdrawal was approved and added a further U.S.\$13.3 billion of liquidity into the system. Withdrawals had an immediate impact on local fixed income capital markets and between December 31, 2020 and December 31, 2021, the yield on Chile’s 10-year Central Bank nominal bond increased from 2.6% to 5.7%, reaching a peak at 6.8% on October 13, 2021. In 2022 there were no additional pension fund withdrawals, but given the higher interest rates resulting from a shift in monetary policy during the year and high levels of liquidity in households from the prior withdrawals, the 10-year Central Bank nominal bond yield averaged 6.28%, which is well above pre-pandemic levels. No assurances can be made as to whether there will be additional withdrawals in the future or whether the withdrawals will have a material adverse effect on our financial condition, liquidity levels, and our ability to obtain funding from the AFPs.

Legal and Regulatory Risks

We are subject to regulatory capital requirements that could limit our operations, and changes to these requirements may further limit and adversely affect our operating results, financial condition and prospects.

On October 9, 2020, the FMC published the final regulations on regulatory capital to comply with effective net worth rules in accordance with Basel III and the General Banking Law. The new regulation became effective on December 1, 2021 and are being gradually implemented and adjusted to be fully effective by December 1, 2025. Pursuant to the new regulation, there are three levels of capital: ordinary capital level 1 or CET1 (basic capital), additional capital level 1 or AT1 (perpetual bonds and preferred stock) and capital level 2 or T2 (subordinated bonds and voluntary provisions). Regulatory capital is composed of the sum of CET1, AT1 and T2 after making some deductions, mainly for intangible assets, hybrid securities issued by foreign subsidiaries, partial deduction for deferred taxes and some reserve and profit accounts. For further details of capital requirements, please see “Item 4 Information on the Company—B. Business Overview-Regulation and Supervision—Minimum Capital.”

We believe our current capital levels are adequate, but we cannot rule out having to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required by the FMC. Our ability to raise additional capital may be limited by numerous factors, including: our future financial condition, results of operations and cash flows; any necessary government regulatory approvals; our credit ratings; general market conditions for capital raising activities by commercial banks and other financial institutions; and domestic and international economic, political and other conditions. If we require additional capital in the future, we cannot assure you that we will be able to obtain such capital on favorable terms, in a timely manner or at all. Furthermore, the FMC may increase the minimum capital adequacy requirements applicable to us. Accordingly, although we currently meet the applicable capital adequacy requirements, we may face difficulties in meeting these requirements in the future. If we fail to meet the capital adequacy requirements, we may be required to take corrective actions. These measures could materially and adversely affect our business reputation, financial condition and results of operations. In addition, if we are unable to raise enough capital in a timely manner, the growth of our loan portfolio and other risk-weighted assets may be restricted, and we may face significant challenges in implementing our business strategy. As a result, our prospects, results of operations and financial condition could be materially and adversely affected.

We are subject to liquidity requirements that could limit our operations, and changes to these requirements may further limit and adversely affect our operating results, financial condition and prospects.

The FMC and the Central Bank published new liquidity standards in 2015 and ratios that must be implemented and calculated by all banks. These new liquidity standards are in line with those established in Basel III. The most important liquidity ratios that have been adopted by Chilean banks are:

- Liquidity coverage ratio (LCR), which measures the percentage of liquid assets over net cash outflows. The new guidelines also define liquid assets and the formulas for calculating net cash outflows.
- Net Stable Funding Ratio (NSFR) which will measure a bank’s available stable funding relative to its required stable funding. Both concepts are also defined in the new regulations.

The implementation of internationally accepted liquidity ratios might require changes in business practices that affect our profitability. The LCR is a liquidity standard that measures if banks have enough high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. The net stable funding ratio (NSFR) provides a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their activities. As of December 31, 2022 our LCR and NSFR were 175.2% and 116.0%, respectively. While we are in compliance of regulatory requirements, no assurance can be made as to whether we will remain in compliance in the future. Moreover, there can be no assurance that the application of the existing regulatory requirements, standards or recommendations will not require us to issue additional securities that qualify as own funds or eligible liabilities, to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the our business, results of operations and/or financial position.

We are subject to extensive regulatory risk, or the risk of not being able to meet all of the applicable regulatory requirements and guidelines.

As a financial institution, we are subject to extensive regulation, inspections, examinations, inquiries, audits and other regulatory requirements by Chilean regulatory authorities, which materially affect our businesses. We cannot assure you that we will be able to meet all of the applicable regulatory requirements and guidelines, or that we will not be subject to sanctions, fines, restrictions on our business or other penalties in the future as a result of noncompliance. If higher capital requirements, sanctions, fines, restrictions on our business or other penalties are imposed on us for failure to comply with applicable requirements, guidelines or regulations, our business, financial condition, results of operations and our reputation and ability to engage in business may be materially and adversely affected.

In August 2021, Law No. 21,365 was enacted, regulating interchange fees in the credit card payment market in Chile. An autonomous and technical committee was formed to determine the interchange fee limits, conformed by 4 members designated by the Central Bank, the FMC, the National Economic Prosecutor (*Fiscalía Nacional Económica*) and the Ministry of Finance. This committee had six months to announce the first transitory limits. Interchange fee limits will be determined every three years. On February 5, 2022, the committee announced the new limits for interchange fees with a maximum fee of 0.6% for debit cards, 1.48% for credit cards and 1.04% for prepaid cards. As a result of this regulation, card fees were reduced by Ch\$17 billion in 2022.

In addition, Congress is currently discussing a bill that would introduce certain debtor rights, limiting interest rates, accelerating clauses and commissions. If enacted as currently proposed, this legislation may negatively affect our interest rate income and fees, which in turn could have a material adverse effect on our operating results, financial condition and prospects. No assurances can be made as to whether this law will be enacted or, if enacted, as to the final provisions contained therein.

In their supervisory roles, the regulators seek to maintain the safety and soundness of financial institutions with the aim of strengthening the protection of customers and the financial system. The supervisors' continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy. In general, these regulators have a more outcome-focused regulatory approach that involves more proactive enforcement and more punitive penalties for infringement. As a result, we face increased supervisory scrutiny (resulting in increasing internal compliance costs and supervision fees), and in the event of a breach of our regulatory obligations we are likely to face more stringent regulatory fines.

Changes in regulations may also cause us to face increased compliance costs and limitations on our ability to pursue certain business opportunities and provide certain products and services. As some of the banking laws and regulations have been recently adopted, the way those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent that regulations are implemented inconsistently in the various jurisdictions in which we operate, we may face higher compliance costs.

No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on our business and results of operations.

Modifications to reserve requirements may affect our business.

Deposits are subject to a reserve requirement of 9.0% for demand deposits and 3.6% for time deposits (with terms of less than one year). The Central Bank has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which these deposits are denominated) to implement monetary policy. In addition, to the extent that the aggregate amount of the following types of liabilities exceeds 2.5 times the amount of a bank's regulatory capital, a bank must maintain a 100% reserve against them: demand deposits, deposits in checking accounts, obligations payable on sight incurred in the ordinary course of business and, in general, all deposits unconditionally payable immediately. The General Banking Law also states that the FMC, with the approval from the Central Bank, may lower this threshold from 2.5 times to 1.5 times a bank's regulatory capital for a bank considered to be a SIB. This could lead to lower loan growth and have a negative effect on our business. In 2021 the strong rise in demand deposits since the beginning of the pandemic led to a technical reserve of Ch\$4,272,695 million, representing 15.2% of our demand deposits as of December 31, 2021. In 2022, our demand deposits decreased and as of December 31, 2022, the Bank was not required to, and did not constitute, a corresponding technical reserve.

We may not be able to detect or prevent money laundering and other financial crime activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us.

We are required to comply with applicable anti-money laundering anti-terrorism (“AML/CFT”), anti-bribery and corruption, sanctions and other laws and regulations (collectively, financial crime compliance (“FCC”) regulations). These laws and regulations require us, among other things, to conduct full customer due diligence (including sanctions and politically-exposed person screening), keep our customer, account and transaction information up to date and have implemented FCC policies and procedures detailing what is required from those responsible. We are also required to conduct FCC training for our employees and to report suspicious transactions and activity to appropriate law enforcement following full investigation by our FCC team.

Financial crime continues to be the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML/CFT, anti-bribery and corruption and sanctions laws and regulations are increasingly complex and detailed. The Basel Committee has introduced guidelines to strengthen the interaction and cooperation between prudential and AML/CFT supervisors. Compliance with these laws and regulations requires automated systems, sophisticated monitoring and skilled compliance personnel.

We maintain updated policies and procedures aimed at detecting and preventing the use of our banking network for money laundering and other financial crime related activities. However, emerging technologies, such as cryptocurrencies and innovative payment methods, could limit our ability to track the movement of funds. Our ability to comply with the legal requirements depends on our ability to improve detection and reporting capabilities and reduce variation in control processes and oversight accountability. These require implementation and embedding within our business effective controls and monitoring, which in turn requires on-going changes to systems and operational activities. Financial crime is continually evolving and is subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptable responses from us so that we are able to deter threats and criminality effectively. Even known threats can never be fully eliminated, and there will be instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, we rely heavily on our employees to assist us by spotting such activities and reporting them, and our employees have varying degrees of experience in recognizing criminal tactics and understanding the level of sophistication of criminal organizations. Where we outsource any of our customer due diligence, customer screening or anti financial crime operations, we remain responsible and accountable for full compliance and any breaches. If we are unable to apply the necessary scrutiny and oversight of third parties to whom we outsource certain tasks and processes, there remains a risk of regulatory breach.

If we are unable to comply fully with applicable laws, regulations and expectations, our regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties on us, including requiring a complete review of our business systems, day-to-day supervision by external consultants and ultimately the revocation of our banking license.

The reputational damage to our business and global brand would be severe if we were found to have breached AML/CFT, anti-bribery and corruption or sanctions requirements. Our reputation could also suffer if we are unable to protect our customers’ bank products and services from being used by criminals for illegal or improper purposes.

In addition, while we review our relevant counterparties’ internal policies and procedures with respect to such matters, we expect our relevant counterparties to maintain and properly apply their own appropriate compliance procedures and internal policies. Such measures, procedures and internal policies may not be completely effective in preventing third parties from using our (and our relevant counterparties’) services as a conduit for illicit purposes (including illegal cash operations) without our (and our relevant counterparties’) knowledge. If we are associated with, or even accused of being associated with, breaches of AML/CFT, anti-bribery and corruption or sanctions requirements, our reputation could suffer and/or we could become subject to fines, sanctions and/or legal enforcement (including being added to “watch lists” that would prohibit certain parties from engaging in transactions with us), any one of which could have a material adverse effect on our operating results, financial condition and prospects.

Any such risks could have a material adverse effect on our operating results, financial condition and prospects.

We are subject to extensive regulation and regulatory and governmental oversight which could adversely affect our business, operations and financial condition.

As a financial institution, we are subject to extensive regulation, inspections, examinations, inquiries, audits and other regulatory requirements by Chilean regulatory authorities, which materially affect our businesses. We cannot assure you that we will be able to meet all of the applicable regulatory requirements and guidelines, or that we will not be subject to sanctions, fines, restrictions on our business or other penalties in the future as a result of noncompliance. If sanctions, fines, restrictions on our business, higher capital requirement or other penalties are imposed on us for failure to comply with applicable requirements, guidelines or regulations, our business, financial condition, results of operations and our reputation and ability to engage in business may be materially and adversely affected.

In their supervisory roles, the regulators seek to maintain the safety and soundness of financial institutions with the aim of strengthening the protection of customers and the financial system. The supervisors' continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy. In general, these regulators have a more outcome-focused regulatory approach that involves more proactive enforcement and more punitive penalties for infringement. As a result, we face increased supervisory scrutiny (resulting in increasing internal compliance costs and supervision fees), and in the event of a breach of our regulatory obligations we are likely to face more stringent regulatory fines.

Changes in regulations may also cause us to face increased compliance costs and limitations on our ability to pursue certain business opportunities and provide certain products and services. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which we operate, we may face higher compliance costs. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on our business and results of operations.

The main regulations and regulatory and governmental oversight that can adversely impact us include but are not limited to the following (see more details on "Item 4. Information on the Company—B. Business Overview—Regulation and Supervision").

We are subject to regulation by the FMC and by the Central Bank with regard to certain matters, including reserve requirements, interest rates, foreign exchange mismatches and market risks. Chilean laws, regulations, policies and interpretations of laws relating to the banking sector and financial institutions are continually evolving and changing. Any new reforms could result in increased competition in the industry and thus may have a material adverse effect on our financial condition and results of operations.

Pursuant to the General Banking Law, all Chilean banks may, subject to the approval of the FMC, engage in certain businesses other than commercial banking depending on the risk associated with such business and their financial strength. Such additional businesses include securities brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. The General Banking Law also applies to the Chilean banking system a modified version of the capital adequacy guidelines issued by the Basel Committee on Banking Regulation and Supervisory Practices and limits the discretion of the FMC to deny new banking licenses. There can be no assurance that regulators will not in the future impose more restrictive limitations on the activities of banks, including us. Any such change could have a material adverse effect on our financial condition or results of operations.

Historically, Chilean banks have not paid interest on amounts deposited in checking accounts. We have begun to pay interest on some checking accounts under certain conditions. If competition or other factors lead us to pay higher interest rates on checking accounts, to relax the conditions under which we pay interest or to increase the number of checking accounts on which we pay interest, any such change could have a material adverse effect on our financial condition or results of operations.

We are exposed to risk of loss from legal and regulatory proceedings.

We face risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject us to monetary judgements, regulatory enforcement actions, fines and penalties. The current regulatory and tax enforcement environment in the jurisdictions in which we operate reflects an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, and may lead to material operational and compliance costs.

We are from time to time subject to regulatory investigations and civil and tax claims, and party to certain legal proceedings incidental to the normal course of our business, including among others in connection with conflicts of interest, lending and derivatives activities, relationships with our employees and other commercial, data protection or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of investigation or discovery, we cannot state with certainty what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be.

The amount of our reserves in respect of these matters, which considers the likelihood of future cash flows associated with each of such claims, is substantially less than the total amount of the claims asserted against us, and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us. As a result, the outcome of a particular matter may be material to our operating results for a particular period. At December 31, 2022, we had provisions for legal contingencies of Ch\$5,533 million.

RISK FACTORS IN RESPECT OF CHILE

Political, legal, regulatory and economic uncertainty arising from social unrest and the resulting social reforms, as well as the enactment of Chile's new constitution could adversely impact the Bank's business.

During October 2019, growing public concern over perceived social inequality led to a rise in social unrest. The social unrest caused commercial disruptions throughout the country, especially in Santiago and other major cities, including Valparaíso and Concepción. After three weeks of nationwide protests, the Chilean government announced in November 2019 that it would initiate a process to draft a new constitution for Chile. When the government announced the process of enacting a new constitution, there was increased volatility in the Chilean stock market and exchange rate fluctuations that resulted in a weakening of the Chilean peso against the U.S. dollar. The share prices on local banks and bond spreads, including Santander Chile, suffered significant declines in the market. In November 2020, a referendum was held to vote on two matters: (i) whether a new constitution should be enacted and (ii) if so, whether a constituent convention should be comprised of an elected mixed assembly of current Congress members and newly elected persons or entirely comprised of newly-elected citizens. This referendum resulted in ample support for convening a fully elected Constitutional Convention to draft Chile's new constitution. The election of the members of this convention was held in April 2021. In May 2021 the convention began the process of drafting Chile's new constitution. The final text was finished by July 2022 and submitted to popular vote in September of that year, where 62% of voters rejected the proposed constitution amidst general criticism. In December 2022, the different political parties reached an agreement for a new constitutional process with a defined set of principles for the new constitution. Such an agreement was passed into law by Congress and enactment by President Boric is expected. The current law provides the establishment of a constitutional council of 50 popularly elected members, including representatives of indigenous minorities, constrained by an expert commission of 24 members with veto powers and a technical commission of 14 members with authority to modify the constitutional text to conform it to principles of Chilean law. The senate and the lower house will appoint both commissions. The new constitutional process started in January 2023 with the enactment of the new law and will continue with the appointment of commissions in March, the election of the constitutional council on May 7, 2023 and a popular vote on a new draft constitution on December 17, 2023.

No assurance can be given that any changes to the constitution will not adversely affect our business, financial condition or results of operations.

Our growth, asset quality and profitability may be adversely affected by macroeconomic and political conditions in Chile.

A substantial number of our loans are to borrowers doing business in Chile. Chile's economy has experienced significant volatility in recent decades, characterized, in some cases, by slow or regressive growth and declining investment. For example, the Chilean economy contracted 5.8% in 2020 as a result of the COVID-19 pandemic but recovered in 2021, growing 11.7%. In 2022, the rate of growth is expected to have slowed to 2.4% as a result of deteriorating economic conditions in Chile and globally, including high inflation and increasing interest rates. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend. The Chilean economy may not continue to grow at similar rates as in the past or future developments may negatively affect Chile's overall levels of economic activity.

Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate and inflationary environment, impact our profitability by causing lending margins to decrease and credit quality to decline and leading to decreased demand for higher margin products and services. Negative and fluctuating economic conditions in Chile could also result in government defaults on public debt. This could affect us in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in Chile.

Our revenues are also subject to risk of loss from unfavorable political and diplomatic developments, social instability, international conflicts, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies.

Any future fluctuation in oil prices may give rise to volatility in the global financial markets and further economic instability in oil-dependent regions, such as Chile. In addition, the ability of borrowers in or exposed to the oil sector has been and may be further adversely affected by such price fluctuations.

Our growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions in Chile.

Any material change to United States trade policy with respect to Chile could have a material adverse effect on the economy, which could in turn materially harm our financial condition and results of operations.

Portions of our loan portfolio are subject to risks relating to force majeure events and any such event could materially adversely affect our operating results.

Chile lies on the Nazca tectonic plate, making it one of the world's most seismically active regions. Our financial and operating performance may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of our loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of our loan portfolio and could have an adverse impact on the economy of the affected region.

Changes in taxes, including the corporate tax rate, in Chile may have an adverse effect on us and our clients.

The Chilean Government enacted various tax reforms in 2014, 2016 and 2020 in order to finance greater social expenditures. The most relevant change was the rise of the corporate tax rate to 27% in 2018. There is currently discussion of another tax reform to finance an expected increase in social spending. In July 2022, the government of President Gabriel Boric sent a comprehensive tax reform bill to Congress, which is still subject to legislative approval and, according to the current administration, aims to increase tax collections by 3.6% of GDP when fully implemented. Among its key aspects, the proposed bill contemplates significant changes to individual income tax, which would be determined by tax brackets and would progressively increase up to a maximum rate of 43%. It also contemplates a new capital gains tax on Chilean securities, eliminates tax exemptions on rental income, limits tax exemptions on mortgage interest payments, proposes a new wealth tax on assets held in Chile or by Chilean tax residents and establishes a royalty applicable to income generated by copper mining companies. In November 2022, the Chilean government announced that it is working on a further tax reform proposal which contemplates corrective (also called "green") taxes that would apply to carbon tax emissions. This proposal is still subject to further review in both houses of the Chilean Congress.

We cannot predict at this time if these proposed reforms will have a material impact on our business or clients or if further tax reforms will be implemented in the future. Banco Santander Chile's effective corporate tax rate could rise in the future, including as a result of the proposed reforms described above, which may have an adverse impact on our results of operations. Please see "Item 10—Additional information—E. Taxation" for more information regarding the impacts of these tax reforms on ADR holders.

Developments in other countries may affect us, including the prices for our securities.

The prices of securities issued by Chilean companies, including banks, are influenced to varying degrees by economic and market considerations in other countries. We cannot assure you that future developments in or affecting the Chilean economy, including consequences of economic difficulties in other markets, will not materially and adversely affect our business, financial condition or results of operations.

We are exposed to risks related to the weakness and volatility of the economic and political situation in Asia, the United States, Europe (including Spain, where Santander Spain, our controlling shareholder, is based), Brazil, Argentina and other nations. Although economic conditions in Europe and the United States may differ significantly from economic conditions in Chile, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Chilean issuers. In particular, investor perceptions of the risks associated with our securities may be affected by perception of risk conditions in Spain.

If these, or other nations' economic conditions deteriorate, the economy in Chile, as both a neighboring country and a trading partner, could also be affected and could experience slower growth than in recent years, with possible adverse impact on our borrowers and counterparties. If this were to occur, we would potentially need to increase our allowances for loan losses, thus affecting our financial results, our results of operations and the price of our securities. As of December 31, 2022, the Bank's foreign exposure, including counterparty risk in the derivative instruments' portfolio, was U.S.\$3,987 million or 5.0% of our total assets. There can be no assurance that the effects of a global financial crisis will not negatively impact growth, consumption, unemployment, investment and the price of exports in Chile. Crises and political uncertainties in other Latin American countries could also have an adverse effect on Chile, the price of our securities or our business.

Chile has considerable economic ties with China, the United States and Europe. In 2022, approximately 38.9% of Chile's exports went to China, mainly copper. China's economy has grown at a strong pace in recent times, but a slowdown in economic activity in China may affect Chile's GDP and export growth as well as the price of copper, which is Chile's main export. Chile exported approximately 14.4% of total exports to the United States and 7.5% to Europe in 2022.

Chile was recently involved in international litigation with Bolivia regarding maritime borders. We cannot assure you that crises and political uncertainty in other Latin American countries will not have an adverse effect on Chile, the price of our securities or our business.

A change in labor laws in Chile or a worsening of labor relations in the Bank could impact our business.

As of December 31, 2022, on a consolidated basis, we had 9,389 employees, of which 72.2% were unionized. In February 2021, a new collective bargaining agreement was signed with the main unions, which became effective as of September 1, 2021 and expires on December 31, 2024. We generally apply the terms of our collective bargaining agreement to unionized and non-unionized employees. We have traditionally had good relations with our employees and their unions, but we cannot assure you that in the future, a strengthening of cross-industry labor movements will not materially and adversely affect our business, financial condition or results of operations.

There is currently a new labor reform being discussed in Congress, which, among other items, shortens the work week from 45 hours to 40 hours, excluding the lunch break. Additionally, the minimum wage formerly set at Ch\$350,000/month (U.S.\$411/month) was raised to Ch\$410,000/month (U.S.\$483/month) as of January 1, 2023. At Santander Chile, the weekly working hours agreed under the collective bargaining agreement are 40 hours, excluding lunch, and our minimum wage is set above the legal minimum. Despite this, we cannot assure at this time that the new labor reform, or any further increases to the minimum wage, will not have material impact on our expenses.

In addition, a bill was introduced to Congress to modify the terms of the “*gratificación legal*,” which consists of an annual participation to employees of a company’s profit. The new bill being discussed seeks to modify the Labor Code regarding the participation of workers in the profits of companies. The new bill proposes to modify the Labor Code to increase the *gratificación legal* distributed to employees and change the way it is calculated. This bill was approved by the Chamber of Deputies of the Chilean Congress and is currently in the Senate with no set date for discussion. No assurances can be made as to whether the proposed bill will be approved and as to whether, if approved, it will have a material impact on our financial condition.

These and any additional legislative or regulatory actions in Chile, Spain, the European Union, the United States or other countries, and any required changes to our business operations resulting from such legislation and regulations, could result in reduced capital availability, significant loss of revenue, limit our ability to continue organic growth (including increased lending), pursue business opportunities in which we might otherwise consider engaging and provide certain products and services, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, we cannot provide assurance that any such new legislation or regulations would not have an adverse effect on our business, results of operations or financial condition in the future.

Our corporate disclosure may differ from disclosure regularly published by issuers of securities in other countries, including the United States.

Issuers of securities in Chile are required to make public disclosures that are different from, and that may be reported under presentations that are not consistent with, disclosures required in other countries, including the United States. In particular, as a Chilean regulated financial institution, we are required to submit to the FMC on a monthly basis unaudited consolidated balance sheets and income statements, excluding any note disclosure, prepared in accordance with Chilean Bank GAAP as issued by the FMC. This disclosure differs in a number of significant respects from generally accepted accounting principles in the United States and information generally available in the United States with respect to U.S. financial institutions or IFRS. In addition, as a foreign private issuer, we are not subject to the same disclosure requirements in the United States as a domestic U.S. registrant under the Exchange Act, including the requirements to prepare and issue quarterly reports, the proxy rules applicable to domestic U.S. registrants under Section 14 of the Exchange Act or the insider reporting and short-swing profit rules under Section 16 of the Exchange Act. Accordingly, the information about us available to you will not be the same as the information available to shareholders of a U.S. company and may be reported in a manner that you are not familiar with.

RISKS FACTORS IN RESPECT OF OUR CONTROLLING SHAREHOLDER AND OUR ADSS

Investors may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are a Chilean corporation. None of our directors are residents of the United States and most of our executive officers reside outside of the United States. In addition, all or a substantial portion of our assets and the assets of our directors and executive officers are located outside of the United States. Although we have appointed an agent for service of process in any action against us in the United States, none of our directors, officers or controlling persons has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult for investors to effect service of process within the United States on such persons.

It may also be difficult for ADS holders to enforce in the United States or in Chilean courts money judgments obtained in United States courts against us or our directors and executive officers based on civil liability provisions of the U.S. federal securities laws. If a U.S. court grants a final money judgment in an action based on the civil liability provisions of the federal securities laws of the United States, enforceability of this money judgment in Chile will be subject to the obtaining of the relevant “exequatur” (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law currently in force, and consequently, subject to the satisfaction of certain factors. The most important of these factors are the existence of reciprocity, the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances and the Chilean courts’ determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant and that enforcement would not violate Chilean public policy. Failure to satisfy any of such requirements may result in non-enforcement of your rights.

Our controlling shareholder has a great deal of influence over our business and its interests could conflict with yours.

Santander Spain controls Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones S.A. and Santander Chile Holding S.A., which are controlled subsidiaries. Santander Spain has control over 67.18% of our shares and an actual participation, excluding non-controlling shareholders that participate in Santander Chile Holding, S.A., of 67.12%.

Due to its share ownership, our controlling shareholder has the ability to control us and our subsidiaries, including the ability to:

- elect the majority of the directors and exercise control over our company and subsidiaries;
- cause the appointment of our principal officers;
- declare the payment of any dividends;
- agree to sell or otherwise transfer its controlling stake in us; and
- determine the outcome of substantially all actions requiring shareholder approval, including amendments of our by-laws, transactions with related parties, corporate reorganizations, acquisitions and disposals of assets and issuance of additional equity securities, if any.

We operate as a stand-alone subsidiary within the Santander Group. Our controlling shareholder has no liability for our banking operations, except for the amount of its holdings of our capital stock. The interests of Santander Spain may differ from the interests of our other shareholders, and the concentration of control in Santander Spain may differ from the interests of our other shareholders, and the concentration of control in Santander Spain will limit other shareholders’ ability to influence corporate matters. As a result, we may take actions that our other shareholders do not view as beneficial.

Our status as a controlled company and a foreign private issuer exempts us from certain of the corporate governance standards of the New York Stock Exchange (“NYSE”), limiting the protections afforded to investors.

We are a “controlled company” and a “foreign private issuer” within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a controlled company is exempt from certain NYSE corporate governance requirements. In addition, a foreign private issuer may elect to comply with the practice of its home country and not to comply with certain NYSE corporate governance requirements, including the requirements that (1) a majority of the board of directors consist of independent directors, (2) a nominating and corporate governance committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities, (3) a compensation committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities and (4) an annual performance evaluation of the nominating and corporate governance and compensation committees be undertaken. Although we have similar practices, they do not entirely conform to the NYSE requirements for U.S. issuers; therefore, we currently use these exemptions and intend to continue using them. Accordingly, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements.

There may be a lack of liquidity and market for our shares and ADSs.

Our ADSs are listed and traded on the NYSE (under the ticker “BSAC”). Our common stock is listed and traded on the Santiago Stock Exchange (under the ticker “BSANTANDER”), which we refer to as the Chilean Stock Exchange, although the trading market for the common stock is small by international standards. At December 31, 2022, we had 188,446,126,794 shares of common stock outstanding. The Chilean securities markets are substantially smaller, less liquid and more volatile than major securities markets in the United States. According to Article 14 of the Ley de Mercado de Valores, Ley No. 18,045, or the Chilean Securities Market Law, the FMC may suspend the offer, quotation or trading of shares of any company listed on one or more Chilean stock exchanges for up to 30 days if, in its opinion, such suspension is necessary to protect investors or is justified for reasons of public interest. Such suspension may be extended for up to 120 days. If, at the expiration of the extension, the circumstances giving rise to the original suspension have not changed, the FMC will then cancel the relevant listing in the registry of securities. In addition, the Santiago Stock Exchange may inquire as to any movement in the price of any securities in excess of 10% and suspend trading in such securities for a day if it deems necessary.

Although our common stock is traded on the Chilean Stock Exchange, there can be no assurance that a liquid trading market for our common stock will continue to exist. Approximately 32.82 % of our outstanding common stock is held by the public (*i.e.*, shareholders other than Santander Spain and its affiliates), including our shares that are represented by ADSs trading on the NYSE. A limited trading market in general and our concentrated ownership in particular may impair the ability of an ADS holder to sell in the Chilean market shares of common stock obtained upon withdrawal of such shares from the ADR facility in the amount and at the price and time such holder desires, and could increase the volatility of the price of the ADSs.

Chile imposes controls on foreign investment and repatriation of investments that may affect your investment in, and earnings from, our ADSs.

Equity investments in Chile by persons who are not Chilean residents have generally been subject to various exchange control regulations, which restrict the repatriation of the investments and earnings therefrom. In April 2001, the Central Bank eliminated the regulations that affected foreign investors, except that investors are still required to provide the Central Bank with information relating to equity investments and conduct such operations within Chile’s Formal Exchange Market. The ADSs are subject to a contract, dated May 17, 1994, among the Depositary, us and the Central Bank (the “Foreign Investment Contract”) that remains in full force and effect. The ADSs continue to be governed by the provisions of the Foreign Investment Contract subject to the regulations in existence prior to April 2001. The Foreign Investment Contract grants the Depositary and the holders of the ADSs access to the Formal Exchange Market, which permits the Depositary to remit dividends it receives from us to the holders of the ADSs. The Foreign Investment Contract also permits ADS holders to repatriate the proceeds from the sale of shares of our common stock withdrawn from the ADR facility, or that have been received free of payment as a consequence of spin offs, mergers, capital increases, wind ups, share dividends or preemptive rights transfers, enabling them to acquire the foreign currency necessary to repatriate earnings from such investments. Pursuant to Chilean law, the Foreign Investment Contract cannot be amended unilaterally by the Central Bank, and there are judicial precedents (although not binding with respect to future judicial decisions) indicating that contracts of this type may not be abrogated by future legislative changes or resolutions of the Advisory Council of the Central Bank. Holders of shares of our common stock, except for shares of our common stock withdrawn from the ADS facility or received in the manner described above, are not entitled to the benefits of the Foreign Investment Contract, may not have access to the Formal Exchange Market, and may have restrictions on their ability to repatriate investments in shares of our common stock and earnings therefrom.

Holders of ADSs are entitled to receive dividends on the underlying shares to the same extent as the holders of shares. Dividends received by holders of ADSs will be paid net of foreign currency exchange fees and expenses of the Depositary and will be subject to the Chilean withholding tax, currently imposed at a rate of 35.0% (subject to credits in certain cases). If for any reason, including changes in Chilean law, the Depositary was unable to convert Chilean pesos to U.S. dollars, investors would receive dividends and other distributions, if any, in Chilean pesos.

We cannot assure you that additional Chilean restrictions applicable to holders of our ADSs, the disposition of the shares underlying them or the repatriation of the proceeds from such disposition or the payment of dividends will not be imposed in the future, nor can we advise you as to the duration or impact of such restrictions if imposed.

You may be unable to exercise preemptive rights.

The *Ley Sobre Sociedades Anónimas, Ley No. 18,046* and the *Reglamento de Sociedades Anónimas*, which we refer to collectively as the Chilean Companies Law, and applicable regulations require that whenever we issue new common stock for cash, we grant preemptive rights to all of our shareholders (including holders of ADSs), giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Such an offering would not be possible in the United States unless a registration statement under the U.S. Securities Act of 1933 (“Securities Act”), as amended, was effective with respect to such rights and common stock or an exemption from the registration requirements thereunder were available.

Since we are not obligated to make a registration statement available with respect to such rights and the common stock, you may not be able to exercise your preemptive rights in the United States. If a registration statement is not filed or an applicable exemption is not available under U.S. securities law, the Depositary will sell such holders’ preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of any such sale.

As a holder of ADSs you will have different shareholders’ rights than in the United States and certain other jurisdictions.

Our corporate affairs are governed by our *estatutos*, or by-laws, and the laws of Chile, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Chile. Under Chilean corporate law, you may have fewer and less well-defined rights to protect your interests than under the laws of other jurisdictions outside Chile. For example, under legislation applicable to Chilean banks, our shareholders would not be entitled to appraisal rights in the event of a merger or other business combination undertaken by us.

Although Chilean corporate law imposes restrictions on insider trading and price manipulation, the form of these regulations and the manner of their enforcement may differ from that in the U.S. securities markets or markets in certain other jurisdictions. In addition, in Chile, self-dealing and the preservation of shareholder interests may be regulated differently, which could potentially disadvantage you as a holder of the shares underlying ADSs.

Holders of ADSs may find it difficult to exercise voting rights at our shareholders’ meetings.

Holders of ADSs will not be our direct shareholders and will be unable to enforce directly the rights of shareholders under our by-laws and the laws of Chile. Holders of ADSs may exercise voting rights with respect to the common stock represented by ADSs only in accordance with the deposit agreement governing the ADSs. Holders of ADSs will face practical limitations in exercising their voting rights because of the additional steps involved in our communications with ADS holders. Holders of our common stock will be able to exercise their voting rights by attending a shareholders’ meeting in person or voting by proxy. By contrast, holders of ADSs will receive notice of a shareholders’ meeting by mail from the Depositary following our notice to the Depositary requesting the Depositary to do so. To exercise their voting rights, holders of ADSs must instruct the Depositary on a timely basis on how they wish to vote. This voting process necessarily will take longer for holders of ADSs than for holders of our common stock. If the Depositary fails to receive timely voting instructions for all or part of the ADSs, the Depositary will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote their ADSs, except in limited circumstances.

Holders of ADSs also may not receive the voting materials in time to instruct the Depositary to vote the common stock underlying their ADSs. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have little, if any, recourse if the common stocks underlying their ADSs are not voted as requested.

ADS holders may be subject to additional risks related to holding ADSs rather than shares.

Because ADS holders do not hold their shares directly, they are subject to the following additional risks, among others:

- as an ADS holder, you may not be able to exercise the same shareholder rights as a direct holder of ordinary shares;
- we and the Depositary may amend or terminate the deposit agreement without the ADS holders' consent in a manner that could prejudice ADS holders or that could affect the ability of ADS holders to transfer ADSs; and
- the Depositary may take or be required to take actions under the Deposit Agreement that may have adverse consequences for some ADS holders in their particular circumstances.

GENERAL RISK FACTORS

Disclosure controls and procedures over financial and non-financial reporting may not prevent or detect all errors or acts of fraud.

Disclosure controls and procedures, including internal controls, over financial and non-financial reporting (including climate-related reporting) are designed to provide reasonable assurance that information required to be disclosed by the company in reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the SEC's U.S. Securities and Exchange Commission's rules and forms.

These disclosure controls and procedures have inherent limitations, which include the possibility that judgements in decision-making can be faulty and that breakdowns can occur because of errors or mistakes. Additionally, controls can be circumvented by any unauthorized override of the controls. Consequently, our businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions, civil claims and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective. Accordingly, because of the inherent limitations in the control system, misstatements due to error or fraud may occur and not be detected.

Our financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of our operations and financial position.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to our results and financial position, based upon materiality and significant judgements and estimates, include impairment of loans and advances, good will impairment, valuation of financial instruments, deferred tax assets –provisions and pension obligations for liabilities.

If the judgement, estimates and assumptions we use in preparing our consolidated financial statements are subsequently found to be incorrect, there could be a material effect on our results of operations and a corresponding effect on our funding requirements and capital ratios.

Changes in accounting standards could impact reported earnings.

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. Changes made to accounting standards can materially impact how we record and report our financial condition and results of operations, as well as affect the calculation of our capital ratios. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. Various amendments were made to financial and accounting standards in 2021 and 2022 for implementation in future periods without an impact in 2022. The Bank's management is still evaluating the potential impact of these new standards. For further information about developments in financial accounting and reporting standards, see Note 1 to our Audited Consolidated Financial Statements.

We rely on recruiting, retaining and developing appropriate senior management and skilled personnel.

Our continued success depends in part on the continued service of key members of our senior executive team and other key employees. The ability to continue to attract, train, motivate and retain highly qualified and talented professionals is a key element of our strategy. The successful implementation of our strategy and culture depends on the availability of skilled and appropriate management, both at our head office and in each of our business units. If we or one of our business units or other functions fails to staff its operations appropriately, or loses one or more of its key senior executives or other key employees and fails to replace them in a satisfactory and timely manner, our business, financial condition and results of operations, including control and operational risks, may be adversely affected.

Our ability to attract and retain qualified employees is affected by perceptions of our culture, social and corporate governance policies and management, our profile in the markets in which we operate and the professional opportunities we offer.

In addition, the financial industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on our ability to hire or retain the most qualified employees. If we fail or are unable to attract and appropriately train, motivate and retain qualified professionals, our business may also be adversely affected.

Our business could be affected if its capital is not managed effectively or if changes limiting our ability to manage our capital position are adopted.

Effective management of our capital position is important to our ability to operate our business, to continue to grow organically and to pursue our business strategy. However, in response to the global financial crisis, a number of changes to the regulatory capital framework have been adopted. As these and other changes are implemented or future changes are considered or adopted that limit our ability to manage our balance sheet and capital resources effectively or to access funding on commercially acceptable terms, we may experience a material adverse effect on our financial condition and regulatory capital position.

We are subject to review by tax authorities, and an incorrect interpretation by us of tax laws and regulations may have a material adverse effect on us.

The preparation of our tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by tax authorities.

We are subject to the income tax laws of Chile and certain foreign countries. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental tax authorities, which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, we must make judgements and interpretations about the application of these inherently complex tax laws.

If the judgement, estimates and assumptions we use in preparing our tax returns are subsequently found to be incorrect, there could be a material adverse effect on our results of operations. In some jurisdictions, the interpretations of the tax authorities are unpredictable and frequently involve litigation, which introduces further uncertainty and risk as to tax expense.

We engage in transactions with related parties that others may not consider to be on an arm's-length basis.

We and our affiliates have entered into a number of services agreements pursuant to which we render services, such as administrative, accounting, finance, treasury, legal services and others.

Chilean law applicable to public companies and financial groups and institutions and our by-laws provide for several procedures designed to ensure that the transactions entered into with or among our financial subsidiaries and/or affiliates do not deviate from prevailing market conditions for those types of transactions, including the requirement that our board of directors approve such transactions. Furthermore, all significant related party transactions must be approved by the Audit Committee and the Board. These significant transactions are also reported in our annual shareholders meeting. Please see Note 34 to our Audited Consolidated Financial Statements and "Item 7. Major Shareholders and Related Party Transactions."

We are likely to continue to engage in transactions with our affiliates. Future conflicts of interests between us and any of affiliates, or among our affiliates, may arise, which conflicts are not required to be and may not be resolved in our favor.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Overview

We are the largest bank in the Chilean market in terms of loans (excluding loans held by subsidiaries of Chilean banks abroad) and the second largest bank in terms of total deposits (excluding deposits held by subsidiaries of Chilean banks abroad). As of December 31, 2022, we had total assets of Ch\$68,422,026 million (U.S.\$80,535 million), outstanding loans at amortized cost, net of allowances for loan losses of Ch\$37,543,144 million (U.S.\$44,190 million), total deposits of Ch\$27,065,016 million (U.S.\$31,857 million) and shareholders' equity of Ch\$4,858,386 million (U.S.\$5,719 million). As of December 31, 2022, we employed 9,389 people. We have a leading presence in all the major business segments in Chile, and a large distribution network with national coverage spanning across all the country and a leading digital onboarding platform for new clients. We offer unique transaction capabilities to clients through our 286 branches and 1,647 ATMs. Our headquarters are in Santiago and we operate in every major region of Chile.

We provide a broad range of commercial and retail banking services to our customers, including Chilean peso and foreign currency denominated loans to finance a variety of commercial transactions, trade, foreign currency forward contracts and credit lines and a variety of retail banking services, including mortgage financing. We seek to offer our customers a wide range of products while providing high levels of service. In addition to our traditional banking operations, we offer a variety of financial services, including financial leasing, financial advisory services, mutual fund management, securities brokerage, insurance brokerage and investment management.

The legal predecessor of Santander-Chile was Banco Santiago ("Santiago"). Old Santander-Chile was established as a subsidiary of Santander Spain in 1978. On August 1, 2002, Santiago and Old Santander Chile merged, whereby the latter ceased to exist and Santander-Chile (formerly known as Santiago) being the surviving entity.

Our principal executive offices are located at Bandera 140, 20th floor, Santiago, Chile. Our telephone number is +562-320-2000 and our website is www.santander.cl. None of the information contained on our website is incorporated by reference into, or forms part of, this Annual Report. Our agent for service of process in the United States is Puglisi & Associates, 850 Library Ave., Suite 204, Newark, DE 19711. The SEC maintains a website on the Internet at <http://www.sec.gov> that contains reports and information statements and other information about us. The reports (including this annual report) and information statements and other information about us can be downloaded from the SEC's website www.sec.gov website or our investor relations website www.santandercl.gcs-web.com. None of the information contained on our website, or any website referred to in this Annual Report, is incorporated by reference into, or forms part of, this Annual Report.

Relationship with Grupo Santander

We believe that our relationship with our controlling shareholder, Santander Spain, offers us a significant competitive advantage over our peer Chilean banks. Grupo Santander, our parent company, is one of the largest financial groups in Brazil and the rest of Latin America, in terms of total assets measured on a regional basis. It is the largest financial group in Spain and is a major player elsewhere in Europe, including the United Kingdom, Poland and Portugal. Through Santander Consumer, it also operates a leading consumer finance franchise in the United States, as well as in Germany, Italy, Spain, and several other European countries.

Our relationship with Santander Spain provides us with access to the group's client base, while its multinational focus allows us to offer international solutions to our clients' financial needs. We also have the benefit of selectively borrowing from Santander Spain's product offerings in other countries, as well as of its know-how in systems management. We believe that our relationship with Santander Spain will also enhance our ability to manage credit and market risks by adopting policies and knowledge developed by Santander Spain. In addition, our internal auditing function has been strengthened as a result of the addition of an internal auditing department that concurrently reports directly to our Audit Committee and the audit committee of Santander Spain. We believe that this structure leads to improved monitoring and control of our exposure to operational risks.

Grupo Santander's support of Santander-Chile includes the assignment of managerial personnel to key supervisory areas of Santander-Chile, such as risks, auditing, accounting and financial control. Santander-Chile does not pay any management fees to Santander Spain in connection with these support services.

B. Business Overview

We have 286 branches, 182 of which are operated under the Santander brand name, with the remaining branches under certain specialty brand names, including 6 under the Select brand name, 7 specialized branches for the Middle Market and 17 as auxiliary and payment centers. During 2022, we also opened 11 Santander Workcafés, reaching a total of 74 Workcafés across all regions of Chile. We provide a full range of financial services to corporate and individual customers. We divide our clients into the following groups: (i) Retail banking, (ii) Middle-market, (iii) Corporate Investment Banking and (iv) Corporate Activities ("Other").

The Bank has the reportable segments noted below see "Segmentation Criteria" for further information.

Retail Banking

This segment consists of individuals and small to medium-sized entities (SMEs) with annual sales less than Ch\$3,000 million (U.S.\$3.5 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, securities brokerage, and insurance brokerage. Additionally, the SME clients are offered government-guaranteed loans, foreign trade services, leasing, factoring, and transactional services.

Middle-market

This segment serves companies and large corporations with annual sales exceeding Ch\$3,000 million (U.S.\$3.5 million). It also 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 (U.S.\$0.9 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, securities brokerage, and insurance brokerage. Also, companies in the real estate industry are offered specialized services to finance projects, chiefly residential, with the aim of expanding sales of mortgage loans.

Corporate Investment Banking

This segment consists of foreign and domestic multinational companies with sales over Ch\$10,000 million (U.S.\$11.8 million). The companies within this segment have access to many products including commercial loans, leasing, factoring, foreign trade, project finance, credit cards, mortgage loans, checking accounts, transactional services, treasury services, financial consulting, investments, savings products, securities brokerage, and insurance brokerage.

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

Corporate Activities (“Other”)

This segment mainly includes 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, with the exception of our inflation gap, 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 or her assessment on the segment’s interest income, fee and commission income, and expenses.

The tables below show the Bank’s results by reporting segment for the year ended December 31, 2022, in addition to the corresponding balances of loans and accounts receivable from customers:

For the year ended December 31, 2022								
	Loans and accounts receivable at amortized cost (1)	Demand deposits and time deposits	Net interest income	Net fee and commission income	Financial transactions, net (2)	Expected credit losses	Support expenses (3)	Segment’s net contribution
	(in millions of Ch\$)							
Retail Banking	27,081,897	13,553,898	1,129,553	312,706	34,721	(263,167)	(635,991)	577,822
Middle-market	8,641,652	6,110,529	389,297	62,644	22,979	(57,253)	(105,160)	312,506
Corporate								
Investment								
Banking	2,978,420	6,636,113	143,575	37,300	157,793	(8,082)	(91,926)	238,660
Other	27,432	764,476	(92,313)	(5,381)	1,685	(27,993)	(21,943)	(145,945)
Total	38,729,401	27,065,016	1,570,112	407,269	217,178	(356,494)	(855,020)	983,045
Other operating income								5,539
Other operating expenses and impairment								(106,306)
Results from non- current assets and non-continued operations								8,518
Income from investments in associates and other companies								10,310
Income tax expense								(93,624)
Result of continuous operations								807,482
Result of discontinued operations								-
Net income for the year								807,482

(1) Corresponds to loans and accounts receivable at amortized cost under IFRS 9, without deducting their allowances for loan losses.

(2) Corresponds to the sum of the net income from financial operations and the foreign exchange profit or loss.

(3) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation and amortization.

Operations through Subsidiaries

The General Banking Law permits us to directly provide the leasing and financial advisory services that we could formerly offer only through our subsidiaries, to offer investment advisory services outside of Chile and to undertake activities that we could not formerly offer directly or through subsidiaries, such as factoring, securitization, foreign investment funds, custody and transport of securities and insurance brokerage services. For the twelve-month period ended December 31, 2022, our subsidiaries collectively accounted for 2.1% of our total consolidated assets.

		Percent ownership share as of December 31,								
Name of the Subsidiary	Main activity	2022			2021			2020		
		Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
		(in %)								
Santander Corredora de Seguros Limitada	Insurance brokerage	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	50.59	0.41	51.00	50.59	0.41	51.00	50.59	0.41	51.00
Santander Asesorias Financieras Limitada	Financial advisory	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	99.64	—	99.64	99.64	—	99.64	99.64	—	99.64
Klare Corredora de Seguros S.A.	Insurance brokerage	50.10	—	50.10	50.10	—	50.10	50.10	—	50.10
Santander Consumer Chile S.A.	Financing	51.00	—	51.00	51.00	—	51.00	51.00	—	51.00
Sociedad operadora de Tarjetas de Pago Santander										
Getnet Chile S.A.	Card operator	99.99	0.01	100.00	99.99	0.01	100.00	99.99	0.01	100.00

On July 6, 2020, we registered “Sociedad Operadora de Tarjeta de Pago Santander Getnet Chile S.A.” as a new subsidiary and support company. On January 7, 2021, at the Extraordinary Shareholders’ Meeting of Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A., the members were agreed to pay the subscribed and unpaid capital, for an amount of Ch\$3,727 million. Santander Asesorias Financieras, made a cash payment of Ch\$800 thousand. Banco Santander-Chile made a cash payment of Ch\$38 million and also contributing assets valued at Ch\$3,689 million. On January 29, 2021, the FMC authorized Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A. to serve as a bank support company and registered the company in the payment card operators registry. On March 22, 2021, Getnet’s shareholders modified the company’s bylaws to increase their directors from 3 to 5.

As of December 18, 2019, changes were made to the company name and objective of Santander Agente de Valores Limitada, becoming Santander Asesorias Financieras Limitada.

As of October 19, 2019, Klare Corredores de Seguros S.A. was established as a digital insurance brokerage and is a banking subsidiary subject to banking regulations. The Bank owns 50.1% of the company’s capital share.

As of November 15, 2019, the FMC approved the acquisition of 51% of Santander Consumer Chile S.A. by the Bank. This acquisition had been previously approved in the extraordinary shareholders’ meeting held on July 20, 2019 where it was agreed that the Bank would acquire the ownership held by SK Bergé Financiamiento S.A. and a further 2% held by the Santander Group. The total payment for the total 51% was Ch\$62,136 million.

The following companies have been consolidated based on the determination that they are controlled by the Bank, in accordance with IFRS 10 Consolidated Financial Statements:

- Santander Gestión de Recaudación y Cobranza Limitada (collection services)
- Bansa Santander S.A. (management of repossessed assets, auto lending support, and leasing of properties)
- Multiplica SpA (management of co-branding agreements)

In December 2019, the main business activity of Bansa Santander S.A. (“Bansa”) became the financing of revolving inventory lines to automotive dealers. Accordingly, under IFRS 10, the Bank now consolidates Bansa’s financial results.

On October 4, 2019 the company Multiplica SpA was created as a banking business support company. In accordance with IFRS 10 Consolidated Financial Statement, the Bank controls the entity, since the relevant activities are addressed by the Bank, and the Bank is exposed, or has rights, to variable returns from its involvement with the investee.

The Bank also has significant influence over the following entities:

Associates	Main activity	Place of Incorporation and operation	Percentage of ownership share as of December 31,		
			2022	2021	2020
			(in %)		
Centro de Compensación Automatizado	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Delivery of securities on public offer	Santiago, Chile	29.29	29.29	29.29
Cámara Compensación de Pagos 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 for public transportation	Santiago, Chile	20.00	20.00	20.00
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
Redbanc S.A. ⁽¹⁾	ATM services	Santiago, Chile	33.43	33.43	33.43
Transbank S.A. ⁽¹⁾	Credit and debit card services	Santiago, Chile	25.00	25.00	25.00

(1) The Bank has re-evaluated the classification of Redbanc and Transbank, due to the time elapsed since those companies were classified as held-for-sale, and the fact that it was not possible to find buyers, due to global economic effects derived from COVID-19 and the current Chilean economic situation. Thus, the Bank has reclassified those investments as Investments in associates and accounted them using the equity method.

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

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

In 2018 the Bank announced it was selling its share participation on Redbank S.A. and Transbank S.A. Accordingly, we classified those investments in accordance to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” as investments available for sale. In June 2021 the FMC instructed Santander-Chile to participate in Transbank’s capital increase and therefore in July and September 2021, Santander Chile invested Ch\$2,500 million and Ch\$4,999 million, respectively, on Transbank’s capital. Since no potential buyers were identified, the Bank has reclassified those investments as investments in associates and accounted using the equity method. The Bank continues committed to the sale plan for these assets, actively seeking for potential buyers and continuing its plans to develop its own acquiring network, as evidenced by the recent creation of a payment card operating company.

Competition

Overview

The Chilean financial services market consists of a variety of largely distinct sectors. The most important sector, commercial banking, includes a number of privately-owned banks and one public-sector bank, Banco del Estado de Chile (which operates within the same legal and regulatory framework as the private sector banks). The private-sector banks include local banks and a number of foreign-owned banks operating in Chile. The Chilean banking system is comprised of 16 banks, including one public-sector bank. The six largest banks accounted for 88.5% of all outstanding loans by Chilean financial institutions as of December 31, 2022 (excluding assets held abroad by Chilean banks).

The Chilean banking system has experienced increased competition in recent years, largely due to consolidation in the industry and new legislation. We also face competition from non-bank and non-finance competitors, principally department stores, credit unions and *cajas de compensación* (private, non-profitable corporations whose aim is to administer social welfare benefits, including payroll loans, to their members) with respect to some of our credit products, such as credit cards, consumer loans and insurance brokerage. In addition, we face competition from non-bank finance competitors, such as leasing, factoring and automobile finance companies, with respect to credit products, and mutual funds, pension funds and insurance companies, with respect to savings products. Currently, banks continue to be the main suppliers of leasing, factoring and mutual funds, and the insurance sales business has grown rapidly.

All the competition data in the following sections is based on Chilean Bank GAAP.

The following tables set out certain statistics comparing our market position to that of our peer group, defined as the six largest banks in Chile in terms of total loans as of December 31, 2022 (excluding assets held by Chilean banks abroad).

	As of December 31, 2022, unless otherwise noted	
	Market Share	Rank
Commercial loans	14.8%	2
Consumer loans	19.0%	1
Residential mortgage loans	21.0%	1
Total loans	17.3%	1
Deposits	16.5%	3
Credit card usage ⁽¹⁾	23.2%	1
Checking accounts ⁽¹⁾	28.8%	1
Branches ⁽¹⁾	18.1%	2

Source: FMC

(1) As of November 2022, according to the latest publicly available information.

Loans

As of December 31, 2022, our loan portfolio was the largest among Chilean banks. Our loan portfolio, including interbank loans, represented 17.3% of the market for loans in the Chilean financial system as of such date. The following table sets forth our and our peer group's market shares in terms of loans (excluding assets held by Chilean banks abroad).

Loans	As of December 31, 2022 (Chilean Bank GAAP)		
	Ch\$ million	U.S.\$ million	Market Share
Santander-Chile	38,871,708	45,753	17.3%
Banco de Chile	37,068,496	43,631	16.5%
Scotiabank Chile	33,176,960	39,051	14.8%
Banco del Estado de Chile	32,118,154	37,804	14.3%
Banco de Crédito e Inversiones	30,666,285	36,095	13.7%
Itaú Corpbanca	26,758,033	31,495	11.9%
Others	25,598,545	30,130	11.4%
Chilean financial system	224,258,182	263,960	100.0%

Source: FMC.

Deposits

We had a 16.5% market share in deposits, ranking third among banks in Chile as of December 31, 2022. Deposit market share is based on total time and demand deposits as of the respective dates. The following table sets forth our and our peer group's market shares in terms of deposits (excluding assets held by Chilean banks abroad).

Deposits	As of December 31, 2022 (Chilean Bank GAAP)		
	Ch\$ million	U.S.\$ million	Market Share
Banco del Estado de Chile	32,882,716	38,704	20.1%
Banco de Chile	27,540,373	32,416	16.8%
Santander-Chile	27,065,015	31,857	16.5%
Banco de Crédito e Inversiones	20,881,214	24,578	12.8%
Scotiabank Chile	19,048,847	22,421	11.6%
Itaú Corpbanca	13,094,706	15,413	8.0%
Others	23,217,090	27,327	14.2%
Chilean financial system	163,729,960	192,716	100.0%

Source: FMC.

Total Equity

With Ch\$4,238,372 million (U.S.\$4,989 million) in equity in Chilean Bank GAAP as of December 31, 2022, we were the third largest commercial bank in Chile in terms of shareholders' equity. The following table sets forth our and our peer group's shareholders' equity.

Total Equity	As of December 31, 2022 (Chilean Bank GAAP)		
	Ch\$ million	U.S.\$ million	Market Share
Banco de Chile	4,858,328	5,718	17.2%
Banco de Crédito e Inversiones	4,776,801	5,622	16.9%
Santander-Chile	4,238,372	4,989	15.0%
Scotiabank Chile	3,322,759	3,911	11.8%
Itaú Corpbanca	3,187,318	3,752	11.3%
Banco del Estado de Chile	2,958,494	3,482	10.5%
Others	4,917,413	5,788	17.4%
Chilean financial system	28,259,483	33,262	100.0%

Source: FMC.

Efficiency

As of December 31, 2022, we were the fourth most efficient bank in our peer group. The following table sets forth our and our peer group's efficiency ratio (defined as operating expenses as a percentage of operating revenue, which is the aggregate of net interest income, fees and income from services (net), net gains from mark-to-market and trading, exchange differences (net) and other operating income (net)) in each case under Chilean Bank GAAP.

	As of December 31, 2022 (Chilean Bank GAAP)
Efficiency ratio as defined by the FMC	
Banco de Chile	32,0%
Banco del Estado de Chile	34,7%
Scotiabank Chile	41,8%
Santander-Chile	42,8%
Banco de Crédito e Inversiones	47,9%
Itaú Corpbanca	52,1%
Chilean financial system	40,6%

Source: FMC.

Net Income for the Period Attributable to Equity Holders

In 2022, we were the third largest bank in Chile in terms of net income attributable to shareholders, which was equivalent to Ch\$808,651 million (U.S.\$952 million) measured under Chilean Bank GAAP. The following table sets forth our and our peer group's net income.

	As of December 31, 2022 (Chilean Bank GAAP)		
Net income attributable to equity holders	Ch\$ million	U.S.\$ million	Market Share
Banco de Chile	1,409,433	1,659	26.1%
Banco de Crédito e Inversiones	820,822	966	15.2%
Santander-Chile	808,651	952	15.0%
Banco del Estado de Chile	694,056	817	12.9%
Scotiabank Chile	487,533	574	9.0%
Itaú Corpbanca	433,744	511	8.0%
Others	741,346	873	13.7%
Chilean financial system	5,395,585	6,351	100.0%

Source: FMC.

Return on equity

We were the third most profitable bank in our peer group (as measured by return on period-end equity under Chilean Bank GAAP) and the second most capitalized bank as measured by the Chilean BIS ratio as of December 31, 2022 and November 30, 2022, respectively. The following table sets forth our and our peer group's return on average equity and BIS ratio.

	Return on period-end equity as of December 31, 2022 (Chilean Bank GAAP)	BIS Ratio as of November 30, 2022 (Chilean Bank GAAP)
Banco de Chile	31.4%	18.5%
Banco del Estado de Chile	28.6%	14.5%
Santander-Chile	21.6%	17.5%
Scotiabank Chile	18.0%	13.5%
Banco de Crédito e Inversiones	17.8%	13.1%
Itaú Corpbanca	13.3%	15.2%
Chilean financial system	21.1%	15.7%

Source: FMC.

Asset Quality

As of December 31, 2022, we had the fourth lowest non-performing loan to loan ratio in our peer group. The following table sets forth our and our peer group's non-performing loan ratio as defined by the FMC as of December 31, 2021.

	Non-performing loans / total loans⁽¹⁾ as of December 31, 2022 (Chilean Bank GAAP)
Banco de Chile	1.1
Banco de Crédito e Inversiones	1.2
Scotiabank Chile	1.4
Santander-Chile	1.9
Itaú Corpbanca	2.0
Banco del Estado de Chile	3.0
Chilean financial system	1.7

Source: FMC

(1) Excluding interbank loans.

Regulation and Supervision

General

In Chile, only banks may maintain checking accounts for their customers, conduct foreign trade operations, and, together with non-banking financial institutions, accept time deposits. The principal authorities that regulate financial institutions in Chile are the FMC and the Central Bank. Chilean banks are primarily subject to the General Banking Law, and secondarily subject, to the extent not inconsistent with this statute, to the provisions of the Chilean Companies Law governing public corporations, except for certain provisions which that expressly excluded.

The modern Chilean banking system dates from 1925 and has been characterized by periods of substantial regulation and state intervention, as well as periods of deregulation. The most recent period of deregulation commenced in 1975 and culminated in the adoption of a series of amendments to General Banking Law. That law was amended in 2001 to grant additional powers to banks, including general underwriting powers for new issues of certain debt and equity securities and the power to create subsidiaries to engage in activities related to banking, such as brokerage, investment advisory and mutual fund services, administration of investment funds, factoring, securitization products and financial leasing services. The most recent amendment to the General Banking Law was introduced by law 21,130, passed in January 2019, which modernizes Chile's banking legislation by adopting capital and resolution standards in line with the requirements of the Basel Committee.

The Central Bank

The Central Bank is an autonomous legal entity created by the Chilean Constitution. It is subject to the Chilean Constitution and its own *ley orgánica constitucional*, or organic constitutional law. To the extent not inconsistent with the Chilean Constitution or the Central Bank's organic constitutional law, the Central Bank is also subject to private sector laws (but in no event is it subject to the laws applicable to the public sector). It is directed and administered by a Board of Directors composed of five members designated by the President of Chile, subject to the approval of the Chilean Senate.

The legal purpose of the Central Bank is to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payment systems. The Central Bank's powers include setting reserve requirements, regulating the amount of money and credit in circulation, establishing regulations and guidelines regarding finance companies, foreign exchange (including the Formal Exchange Market) and banks' deposit-taking activities.

Financial Market Commission

In 2017, Law 21,000 created the *Comisión para el Mercado Financiero* or Financial Market Commission (FMC). This law became a Law of the Republic in January 2018. The FMC is the sole supervisor for the Chilean financial system overseeing insurance companies, companies with publicly traded securities, credit unions, credit card and prepaid card issuers, and, as of June 1, 2019, banks. It is the responsibility of this commission to ensure the proper functioning, development and stability of the financial market, facilitating the participation of market agents and defending public faith in the financial markets. To do so, it must maintain a general and systemic vision of the market, considering the interests of investors and policyholders. Likewise, it shall be responsible for ensuring that the persons or entities audited, from their initiation until the end of their liquidation, comply with the laws, regulations, statutes and other provisions that govern them.

The Commission is in charge of a Council, which is composed of five members, who are appointed and are subject to the following rules:

- A commissioner appointed by the President of Chile, of recognized professional or academic prestige in matters related to the financial system, which will have the character of president of the FMC.
- Four commissioners appointed by the President of Chile, from among persons of recognized professional or academic prestige in matters related to the financial system, by supreme decree issued through the Ministry of Finance, after ratification of the Senate by the four sevenths of its members in exercise, in session specially convened for that purpose.

The Council's responsibilities include regulation, sanctioning and the definition of general supervision policies. In addition, there will be a prosecutor in charge of investigations and the Chairman will be responsible for supervision. The FMC will act in coordination with the Central Bank.

The date of entry into operation of the Commission for the Financial Market was December 14, 2017. The Superintendency of Banks and Financial Institutions (SBIF) was eliminated on January 15, 2018 and all functions of this Superintendency were absorbed by the FMC.

In January 2019, Law 21,130, which modernized the banking legislation contained in the General Banking Law and amended Law 21,000 (among others), was published in the Official Gazette. The law modernizes Chilean banking regulation in order to comply with Basel III practices and provisions. The law provides for stronger banking capital and reserves requirements in accordance with Basel III guidelines. The law also modernizes the corporate governance function of the FMC and, importantly, transfers the SBIF functions to the domain of the FMC. The FMC now has the faculty to determine the risk weighting of assets through a standardized model to be approved by the FMC or banks can implement their own methodology, subject to approval by the FMC. The law also imposes limitations on dividend distributions and puts in place intervention mechanisms in the event of insolvency.

The regulator examines all banks from time to time, generally at least once a year. Banks are also required to submit their financial statements monthly to the FMC, and the banks' financial statements are published at least four times a year in a newspaper with countrywide coverage. In addition, banks are required to provide extensive information regarding their operations at various periodic intervals to the FMC. A bank's annual financial statements and the opinion of its independent auditors must also be submitted to the FMC.

Any person wishing to acquire, directly or indirectly, 10.0% or more of the share capital of a bank must obtain the prior approval of the FMC. Absent such approval, the acquirer of shares so acquired will not have the right to vote. The FMC may only refuse to grant its approval, based on specific grounds set forth in the General Banking Law.

According to Article 35 *bis* of the General Banking Law, the prior authorization of the regulator is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a bank's assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

The intended purchase, merger or expansion may be denied by the regulator with an accompanying resolution recording the specific reasons for denial and with agreement of a majority of the Board of Directors of the Central Bank.

Pursuant to the regulations of the FMC, the following ownership disclosures are required:

- a bank is required to inform the FMC of the identity of any person owning, directly or indirectly, 5.0% or more of such banks' shares;
- holders of ADSs must disclose to the Depositary the identity of beneficial owners of ADSs registered under such holders' names;
- the Depositary is required to notify the bank as to the identity of beneficial owners of ADSs which such Depositary has registered and the bank, in turn, is required to notify the FMC as to the identity of the beneficial owners of the ADSs representing 5.0% or more of such banks' shares; and
- bank shareholders who individually hold 10.0% or more of a bank's capital stock and who are controlling shareholders must periodically inform the FMC of their financial condition.

Limitations on Types of Activities

Chilean banks can only conduct those activities allowed by the General Banking Law: making loans, accepting deposits and, subject to limitations, making investments and performing financial services. Investments are restricted to real estate for the bank's own use, gold, foreign exchange and debt securities. Through subsidiaries, banks may also engage in other specific financial service activities such as securities brokerage services, equity investments, securities, mutual fund management, investment fund management, financial advisory and leasing activities. Subject to specific limitations and the prior approval of the FMC and the Central Bank, Chilean banks may own majority or non-controlling interests in foreign banks.

Deposit Insurance

The Chilean government guarantees certain time and demand deposits and savings accounts held by natural persons with a maximum value of UF400 per person (Ch\$14,044,392 or U.S.\$16,340 as of December 31, 2022) per calendar year in the entire financial system and a maximum of UF200 per person per bank.

Reserve Requirements

Deposits are subject to a reserve requirement of 9.0% for demand deposits and 3.6% for time deposits (with terms of less than one year). For purposes of calculating the reserve obligation, banks are authorized to deduct daily from their foreign currency denominated liabilities, the balance in foreign currency of certain loans and financial investments held outside of Chile, the most relevant of which include:

- cash clearance account, which should be deducted from demand deposit for calculating reserve requirement;
- certain payment orders issued by pension providers; and
- the amount set aside for "technical reserve" (as described below), which can be deducted from reserve requirement.

The Central Bank has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which they are denominated) to implement monetary policy. In addition, to the extent that the aggregate amount of the following types of liabilities exceeds 2.5 times the amount of a bank's regulatory capital, a bank must maintain a 100.0% "technical reserve" against them: demand deposits, deposits in checking accounts, or obligations payable on sight incurred in the ordinary course of business, and in general all deposits unconditionally payable immediately but excluding interbank demand deposits. As of December 31, 2021, the Central Bank required us to maintain an additional technical reserve of Ch\$4,272,695 million, representing 15.2% of our demand deposits, due to the strong rise in demand deposits since the beginning of the pandemic. As of December 31, 2022, the Bank was not required to maintain this reserve.

Minimum Capital

On October 9, 2020, the FMC published the final regulations on regulatory capital to comply with effective net worth rules in accordance with Basel III and General Banking Law. The new regulation became effective on December 1, 2021 and is being gradually implemented and adjusted to be fully in place by December 1, 2025. Pursuant to the proposed regulation, there are three levels of capital: core capital level 1 or CET1 (core capital), additional tier I capital or AT1 (perpetual bonds and preferred stock) and Tier 2 or T2 capital (subordinated bonds and voluntary provisions). Regulatory capital is composed of the sum of CET1, AT and T2 after making some deductions, mainly for intangible assets, hybrid securities issued by foreign subsidiaries, partial deduction for deferred taxes and some reserve and profit accounts. Minimum total regulatory capital is 8% of risk-weighted assets, which includes credit, market, and operational risk. This minimum rises in line with the size, complexity and solvency of a bank and the FMC's assessment of a bank's management.

According to Chilean regulations regulatory core capital must be as a minimum 4.5% of risk weighted assets (RWA) of a Bank. In addition, and to avoid restrictions on dividend payments, a bank must have an additional conservation buffer of 2.5% of RWA. The conservation buffer will be gradually phased in by 2025 and must be comprised of core capital. The Central Bank may set an additional counter cyclical buffer of up to 2.5% of risk-weighted assets in agreement with the FMC, also comprised of core capital. As of the date hereof, the Central Bank has not decided to activate such counter cyclical buffer.

On November 2, 2020 the FMC published the final guidelines regarding the identification and core capital charge for banks considered Systemically Important Banks ("SIBs"). The FMC, in agreement with the Central Bank, also imposed additional capital requirements for SIBs of between 1-3.5% of risk-weighted assets. This additional capital is being gradually phased in by 25% beginning on December 2021 until December 2025. With the implementation of additional capital requirements for SIBs, the requirement imposed on Banco Santander Chile to have a minimum regulatory capital ratio of 11% compared to the 8% limit for most other banks in Chile will be gradually phased out and replaced by the new regulatory requirements for a SIB.

There are a total of four factors that are weighted to reach a market share:

1. Size (weighted at 30%): Includes total assets consolidated in the domestic market.
2. Domestic interconnection (weighted at 30%): Includes assets and liabilities with financial institutions (banks and non-banks) and assets in circulation in the Chilean financial market (equity and fixed income).
3. Domestic substitution (weighted at 20%): Includes the share in local payments, assets in custody, deposits and loans.
4. Complexity (weighted at 20%): Includes factors that could lead to greater difficulties regarding costs and/ or time for the orderly resolution of the Bank. These include the notional amount of OTC derivatives, inter-jurisdictional assets and liabilities and available-for-sale assets.

The minimum amount of the sum of the factors to be considered systemic is 1000 bp, equivalent to a weighted participation of 10% of all four factors. The core capital additional charge depends on the size of the total factor, as set out in the table below:

Systemic Level	Range (bp)	Core capital additional charge (% of risk-weighted assets)
I	1000-1300	1.0%-1.25%
II	1300-1800	1.25%-1.75%
III	1800-2000	1.75%-2.5%
IV	>=2000	2.5%-3.5%

The Central Bank may also require for a SIB: (1) the addition of up to 2% to the core capital to a bank's total assets ratios; (2) a reduction in the technical reserve requirement trigger from 2.5 times regulatory capital to 1.5 times regulatory capital; and/or (3) a reduction in the interbank loan limit to 20% of regulatory capital of any SIB. Under this framework, we are classified as a Level II SIB with a requirement of maintaining 1.5% of RWA as core capital to fulfill this requirement.

Banks must also have at least 1.5% of RWA in Additional Tier 1 capital (AT1), either in the form of preferred shares or perpetual bonds, both of which may be convertible to common equity. The maximum amount of AT1 is set at 1/3 of core capital. As a temporary measure, the FMC permits banks to fulfill their minimum AT1 requirement with Tier II instruments. In October 2021, the Bank issued an AT1 perpetual bond for U.S.\$700 million with no fixed maturity and not redeemable before five years from the date of issuance. The bond is convertible to shares if the banks CET1 ratio falls below 5.125% in line with the FMC conditions and requirements for the issuance of perpetual bonds and preferred equity.

Tier 2 capital is now set at a minimum of 2% of RWA. Tier 2 includes subordinated bonds and up to the equivalent of 50% of core capital can be considered Tier 2. Additional provision in accordance to the rules of General Banking Law can also be considered Tier 2 in amount up to 1.25% of RWA.

The General Banking Law also incorporates Pillar 2 capital requirements with the objective of assuring an adequate risk management. The objective of this pillar is to ensure that banks maintain capital levels that are consistent with their risk profile and business model and encourages the development and use of appropriate processes to monitor and manage their risks. Pillar 2 also granted the regulators the power to impose greater capital requirements as a result of deficient evaluations of a bank's internal capital adequacy assessment process (ICAAP), which should consider a bank's risk profile and a strategy to sustain adequate levels of capital, even under stress scenarios. Pillar 2 also focuses on risks not considered in Pillar 1 such as reputational risks, concentration risks, liquidity risks and interest rate risks. The FMC, with at least four votes from the Council of the FMC, will have the power to impose additional regulatory capital demands of up to 4% of risk-weighted assets, either Tier I or Tier II, if it determines that the previous capital levels and buffers are not enough for a particular financial institution. Following the FMC latest revision of the Bank's solvency and management, a 0% Pillar II requirement was set in January 2023 for the Bank.

The following table sets forth the regulatory capital demands under the General Banking Law:

Minimum capital requirements: Basel III, previous GBL and new requirements	
Capital categories	General Banking Law
(% over risk weighted assets)	
(1) Core capital	4.5%
(2) Additional Tier 1 Capital (AT1)	Minimum 1.5% up to 1/3 of core capital
(3) Total Tier 1 Capital (1+2)	6.0%
(4) Tier 2 Capital	Minimum 2.0% with subordinated bonds up to 50% of core capital and additional provisions up to 1.25% of RWAs
(5) Total Regulatory Capital (3+4)	8.0%
(6) Conservation Buffer	2.5 CET1
(7) Total Equity Requirement (5+6)	10.5%
(8) Counter Cyclical Buffer	up to 2.5 CET1
(9) SIB Requirement	Between 1 – 3.5% CET1
(10) Pillar 2	Up to 4% CET1 or Tier 2

Risk Weightings

The Basel Committee on Banking Supervision (BCBS) defines credit risk (CR) as the risk that a debtor or bank counterparty does not meet its obligations in accordance with the agreed terms. Credit risk is the most relevant in the Chilean banking industry. The prior mechanism estimated Risk Weighted Assets by Credit Risk (RWCR) using a methodology based on the Basel I standard. The standard method with Basel III standards is more advanced, since it has categories that depend on the type of counterparty and different risk factors. These categories are not based on accounting criteria, but rather on the underlying risk. Thus, all exposures that have mortgage guarantees, for example mortgage loans for housing, have a different treatment from those exposures not guaranteed by a mortgage. Additionally, in the case of mortgage-backed exposures, there are different types of treatment depending on the type of real estate and whether the obligations are paid with income generated by the property itself. The new framework also allows the use of internal methodologies, subject to compliance with minimum requirements. The new standards for weighting credit risk includes the possibility of reducing RWCR when considering credit risk mitigators, such as compensation agreements, guarantees and other compensations.

The Basel Committee on Banking Supervision (BCBS) defines operational risk (OR) as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational that a debtor or bank counterparty does not meet its obligations in accordance with the agreed terms. In order to estimate the operational risk coefficient, two factors are considered:

1. The business indicator component (BIC): A component that considers interest income, interest earning assets, dividend income, financial transactions, fees, and other operational income and expenses. These are then multiplied by a marginal coefficient.
2. Internal Loss Multiplier (ILM): This component is based on 10 years of historical operational losses, or at least five years in some special cases.

BCBS defines market risk (MR) as the risk of losses arising from movements in market prices. The risks subject to market risk capital requirements mainly includes: interest rate risk, credit spread risk, equity risk, foreign exchange (FX) risk and commodities risk for trading book instruments; and FX risk and commodities risk for banking book instruments. The FMC does not permit banks to use internal models for calculating MRWA and instead only permits the usage of simple standardized models.

The following table sets forth our RWA and regulatory capital as of December 31, 2022 under Basel III as required by the Chilean regulator as of this reporting date.

Risk-weighted assets	December 31, 2022	
	Ch\$ million	
Market risk	5,554,604	
Operational risk	4,070,594	
Credit risk	28,324,909	
Total RWA	37,950,107	

	Ratio	
	December 31, 2022	December 31, 2022
	(Ch\$ million)	(% of RWA)
Core capital	4,212,916	11.1%
Additional Tier I	779,997	2.1%
Tier I	4,992,913	13.2%
Tier II	1,766,133	4.7%
Regulatory capital	6,759,047	17.8%

We believe our current capital levels are adequate, but we cannot rule out having to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required by the FMC.

Lending Limits

Under the General Banking Law, Chilean banks are subject to certain lending limits, including the following material limits:

- A bank may not extend to any entity or individual (or any one group of related entities), except for another financial institution, directly or indirectly, unsecured credit in an amount that exceeds 10.0% of the bank's regulatory capital, or in an amount that exceeds 30.0% of its regulatory capital if the excess over 10.0% is secured by certain assets with a value equal to or higher than such excess. In the case of financing infrastructure projects built by government concession, the 10.0% ceiling for unsecured credits is raised to 15.0% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession in the case of export loans in foreign currency the ceiling is raised to 30%;
- a bank may not extend loans to another financial institution subject to the General Banking Law in an aggregate amount exceeding 30.0% of its regulatory capital;
- a bank may not grant loans to a single business group, as defined in Title XV of Law 18,045, that exceeds 30% of the Bank's regulatory capital, provided that such limit excludes interbank loans;
- if a bank originates a loan in excess of these limits, a fine equivalent to 10% of the excess will be applied to the bank;
- a bank may not directly or indirectly grant a loan whose purpose is to allow an individual or entity to acquire shares of the lender bank;
- a bank may not lend, directly or indirectly, to a director or any other person who has the power to act on behalf of the bank; and
- a bank may not grant loans to related parties (including holders of more than 1.0% of its shares) on more favorable terms than those generally offered to non-related parties. Loans granted to related parties are subject to the limitations described in the first bullet point above. In addition, the aggregate amount of loans to related parties may not exceed a bank's regulatory capital.

In addition, the General Banking Law limits the aggregate amount of loans that a bank may grant to its employees to 1.5% of its regulatory capital, and provides that no individual employee may receive loans in excess of 10.0% of this 1.5% limit. Notwithstanding these limitations, a bank may grant to each of its employees a single residential mortgage loan for personal use during such employee's term of employment.

Allowance for Loan Losses under Chilean Bank GAAP

Chilean banks are required to provide to the FMC detailed information regarding their loan portfolio on a monthly basis. The FMC examines and evaluates each financial institution's credit management process, including its compliance with the loan classification guidelines. Banks are classified into four categories: 1, 2, 3 and 4. Each bank's category depends on the models and methods used by the bank to classify its loan portfolio, as determined by the FMC. Category 1 banks are those banks whose methods and models are satisfactory to the FMC. Category 1 banks will be entitled to continue using the same methods and models they currently have in place. A bank classified as a category 2 bank will have to maintain the minimum levels of reserves established by the FMC while its Board of Directors will be made aware of the problems detected by the FMC and required to take steps to correct them. Banks classified as categories 3 and 4 will have to maintain the minimum levels of reserves established by the FMC until they are authorized by the FMC to do otherwise. Santander-Chile is categorized as a "Category 1" bank.

Differences between IFRS and Chilean Bank GAAP

Chilean Bank GAAP, as prescribed by the Compendium of Accounting Standards (the "Compendium"), differs in certain respects from IFRS. The main differences that should be considered by an investor are the following:

Suspension of Income Recognition on Accrual Basis

In accordance with the Compendium, financial institutions must suspend recognition of income on an accrual basis in their statements of income for certain loans included in the impaired portfolio. IFRS 9 does not allow the suspension of accrual of interest on financial assets for which an impairment loss has been determined. Under IFRS 9, interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or "Stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of ECL provision). Off-balance interests are recorded as interest income only if related payments are received. This difference does not materially impact our Audited Consolidated Financial Statements.

Charge-offs and Accounts Receivable

The Compendium requires companies to establish deadlines for the charge-off of loans and accounts receivable. IFRS does not require any such deadline for charge-offs. A charge-off due to impairment would be recorded, if and only if, all efforts at collection of the loan or account receivable had been exhausted. Accordingly, this difference does not materially impact our Audited Consolidated Financial Statements.

Assets Received in Lieu of Payment

The Compendium requires that the initial value of assets received in lieu of payment be the value agreed upon with a debtor as a result of the loan settlement or the value awarded in an auction, as applicable. These assets are required to be written off one year after their acquisition, if the assets have not been previously disposed of. IFRS requires that assets received in lieu of payment be initially accounted for at fair value. Subsequently, asset valuation depends on the classification provided by the entity for that type of asset. No deadline is established for charging-off an asset. The Bank has adjusted the Audited Consolidated Financial Statements accordingly.

Loan Loss Allowances

According to both Chilean Bank GAAP and IFRS, loan loss allowances are calculated using expected loss models. The main difference between Chilean Bank GAAP and IFRS 9 regarding loan loss allowances is that loan loss allowances under Chilean GAAP are calculated using expected loss models based on specific guidelines set by the FMC. The models adopted with IFRS 9 use an expected loss approach, however these are not in accordance with specific guidelines under Chilean Bank GAAP given by the FMC. The FMC has not adopted the IFRS 9 Impairment chapter and therefore the Bank has adjusted the Audited Consolidated Financial Statements to fully comply with IFRS standards.

Provisions for Country Risk and for Contingent Loan Risk

Under Chilean Bank GAAP, the Bank provisions 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 established by the FMC and therefore are not in accordance with IFRS. Our provisions for country risk as of December 31, 2022 were not material.

Also under Chilean Bank GAAP, the Bank has established allowances related to the undrawn available credit lines and contingent loans in accordance with the FMC. Under IFRS 9, provisions for contingent loans are calculated based on expected credit loss. The Bank has adjusted the Audited Consolidated Financial Statements accordingly.

These differences do not materially impact our financial statements.

Mark-to-market of debt instruments at amortized cost

In the past years and in response to the pandemic the Chilean government rolled out a series of measures to increase liquidity for households as well as passing a law that enabled Chileans to make up to three withdrawals from their pension fund. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Chilean Economy” for more information. The increased liquidity of our clients led to an increase in demand deposits that surpassed the technical reserve threshold defined by the Central Bank as 2.5 times the Bank’s regulatory capital. Therefore, the Bank was required to maintain a 100% reserve requirement in the Central Bank for any deposit unconditionally payable immediately that surpassed this threshold. This reserve requirement may also be composed of notes issued by the Central Bank.

Additionally, in 2020 and 2021 the Central Bank issued low-cost Central Bank Credit lines (FCIC), whereby banks had to provide eligible collateral to access these lines. The eligible collateral included debt instruments issued by the Central Bank and the Chilean Treasury.

Due to exceptional changes arising in the liquidity market, the Bank created a new business model “Held-to-collect” whose objective is to properly manage the prevailing high level of liquidity, and maintain the required reserves and collateral.

As a result, the Bank reclassified a portion of the portfolio of high rated Central Bank bonds from debt instruments at fair value through other comprehensive income to debt instruments at amortized cost that matched the estimated duration of our excess technical reserves and the duration of the FCIC lines with the Central Bank.

Under IFRS 9, the financial asset is reclassified at its fair value at the reclassification date, and the cumulative gain or loss previously recognized in other comprehensive income is removed from equity. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortized cost and the cumulative gain or loss previously recognized in OCI is removed from equity and applied against the fair value of the financial asset at the reclassification date.

Perpetual bonds

The Bank has classified the perpetual bonds it has issued as other equity instruments issued other than capital in accordance with IFRS, with interest being recognized in interest expense in the consolidated statement of income. Under Chilean Bank GAAP these instruments are recognized as liabilities under the line item issued regulatory capital financial instruments, with interest recognized in equity.

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. Due to the adjustments made to our consolidated financial statements for the differences between Chilean Bank GAAP and IFRS, we adjust deferred taxes accordingly.

Provision for Mandatory Dividends

This provision is made in accordance with the Bank’s internal policy and Article 79 of the Chilean Companies Law, pursuant to which at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders’ meeting by unanimous vote of the outstanding shares. While the Bank uses the same policy under Chilean Bank GAAP and IFRS, the net income used to calculate the provision is adjusted in accordance with IFRS principles. However, for the distribution of dividends, the Bank uses the net income according to Chilean Bank GAAP.

Capital Markets

Under the General Banking Law, banks in Chile may purchase, sell, place, underwrite and act as paying agents with respect to certain debt securities. Likewise, banks in Chile may place and underwrite certain equity securities. Bank subsidiaries may also engage in debt placement and dealing, equity issuance advice and securities brokerage, as well as in financial leasing, mutual fund and investment fund administration, investment advisory services and merger and acquisition services. These subsidiaries are regulated by the FMC.

Legal Provisions Regarding Banking Institutions with Economic Difficulties

Article 112 of the General Banking Law provides that if specified adverse economic circumstances exist at any bank, its Board of Directors must approve a financing plan to correct the situation and present it to the FMC. In its proposal, the bank must state the scheduled time within which the plan will be completed, which may not exceed 6 months. If one of the measures contained in the financing plan is to increase the capital of the bank by the amount necessary to return the bank to financial stability, the Board of Directors must call a special shareholders' meeting to the capital increase. If the shareholders reject the capital increase, the FMC may apply one or more of the restrictions stated in Article 116 of the General Banking Law for a period not exceeding 6 months, which may be renewed once for the same period. These restrictions include limiting the bank's ability to grant loans to any person or legal entity linked (directly or through third parties) to the property or management of the bank, limiting loan renewals for more than 180 days, limiting security documents governing existing loans, among others.

If the approval of shareholders is required for a different measure included in the plan, the Board of Directors must call the shareholders' meeting within 15 days. The General Banking Law provides that the bank may receive a three-year term loan from one or more banking institutions. The terms and conditions of such a loan must be approved by the directors of both banks, as well as by the FMC, but need not be submitted to any institution's shareholders for their approval. In any event, a creditor bank cannot grant interbank loans to an insolvent bank in an amount exceeding 25.0% of the creditor bank's regulatory capital. If the bank is unable to pay the loan to its creditors, article 115 of the General Banking Law provides that a bank's unpaid debt may be: (i) capitalized in a merger between the bank and creditor bank, where the creditor bank may establish the terms and conditions of the merger provided such terms and conditions are approved by the FMC; (ii) used to complete a capital increase agreed by the bank, provided that the shares are issued by a third party; and (iii) to subscribe and pay a capital increase. The shares acquired by the creditor bank must be sold within a period of 180 days, which can be extended by the FMC for a further 180 days.

Dissolution and Liquidation of Banks

The FMC may establish that a bank should be liquidated for the benefit of its depositors or other creditors when such bank does not have the necessary solvency to continue its operations. In such case, the FMC must revoke a bank's authorization to exist and order its mandatory liquidation, subject to agreement by the Central Bank. The FMC must also revoke a bank's authorization if the reorganization plan of such bank has been rejected twice. The resolution by the FMC must state the reason for ordering the liquidation and must name a liquidator, unless the FMC assumes this responsibility. When a liquidation is declared, all checking accounts and other demand deposits received in the ordinary course of business are required to be paid by using existing funds of the bank, its deposits with the Central Bank or its investments in instruments that represent its reserves. If these funds are insufficient to pay these obligations, the liquidator may seize the rest of the bank's assets, as needed. If necessary and in specified circumstances, the Central Bank will lend the bank the funds necessary to pay these obligations. Any such loans are preferential to any claims of other creditors of the liquidated bank.

On January 12, 2019, Law No. 21,130 was published in the Official Gazette of Chile. The law modernizes banking legislation including the General Banking Law by, among other things, transferring the supervisory powers of the Superintendency of Banks and Financial Institutions (SBIF) to the FMC, updating the capital and risk management requirements applicable to banking companies in accordance with the Basel III standards, and introducing measures for the early regularization and intervention of banking companies that are at risk of insolvency.

With respect to measures for early regularization, Law No. 21,130 establishes an obligation on banks to inform the FMC if any of the regulatory non-compliance situations listed in Article 112 of the General Banking Law arise or if it has detected any event indicative of financial instability or deficient administration. Within five days of notifying the FMC, the bank must present a regularization plan approved by its board of directors containing concrete measures that shall remedy the relevant situation and ensure the bank's normal performance. The bank must comply with the regularization plan within 6 months of the resolution approving it. During the implementation of the plan, the bank must also submit periodic reports on its progress to the FMC, and the FMC may require the implementation of additional measures and/or prohibitions it deems necessary for the plan's success.

Article 161 of the General Banking Law provides that directors, managers, administrators and attorneys-in-fact who, without written authorization from the FMC, agree to, perform or cause the execution of any of the acts prohibited under Article 116 of the General Banking Law shall be imprisoned for a term within the medium to maximum range. If a bank fails to submit the regularization plan, the plan is rejected by the FMC, the bank fails to comply with any of the measures set out in the plan, the bank repeatedly breaches the plan's terms or is subject to fines, or if any serious event occurs that raises concerns for the bank's financial stability, the FMC may appoint a delegated inspector, who shall have powers to, among other things, suspend any agreement of the board of directors or act of the attorneys-in-fact of the institution, and/or a provisional administrator, who shall have all the ordinary faculties that the law and the by-laws provide for the board of directors, or whoever acts in its place, and for the general manager.

Other amendments incorporated by Law No. 21,130 include the elimination of creditors' agreements as a mechanism for regularizing a bank's financial situation, the incorporation of modifications to financial system capitalization and preventive capitalization, and the incorporation of further requirements for bank directors.

Obligations Denominated in Foreign Currencies

Santander-Chile must also comply with various regulatory and internal limits regarding exposure to movements in foreign exchange rates (See "Item 11. Quantitative and Qualitative Disclosures About Market Risk").

Loans and Investments in Foreign Securities

Under current Chilean banking regulations, banks in Chile may grant loans to foreign individuals and entities and invest in certain securities of foreign issuers. Banks may grant commercial loans and foreign trade loans, and can buy loans granted by banks abroad. Banks in Chile may also invest in debt securities traded in formal secondary markets. Such debt securities must be (1) securities issued or guaranteed by foreign sovereign states or their central banks or other foreign or international financial entities, and (2) bonds issued by foreign companies. If the sum of investment in foreign securities and loans granted outside of Chile surpasses 70.0% of regulatory capital, the amount that exceeds 70.0% is subject to a mandatory reserve of 100.0%.

Table 1

Rating Agency	Short Term	Long Term
Moody's	P2	Baa3
Standard and Poor's	A3	BBB-
Fitch	F2	BBB-
Dominion Bond Rating (DBRS)	R-2	BBB (low)

In the event that the sum of: (a) loans granted abroad that are not to subsidiaries of Chilean companies, and that have a rating of BB- or less and do not trade on a foreign stock exchange, and (b) the investments in foreign securities which have a rating that is below that indicated in Table 1 above, but is equal to or exceeds the ratings mentioned in the Table 2 below and exceeds 20.0% (and 30.0% for banks with a BIS ratio equal or exceeding 10% of the regulatory capital of such bank), the excess is subject to a mandatory reserve of 100.0%.

Table 2

Rating Agency	Short Term	Long Term
Moody's	P2	Ba3
Standard and Poor's	A-2	BB-
Fitch	F2	BB-
Dominion Bond Rating (DBRS)	R-2	BB (low)

In addition, banks may invest in foreign securities whose ratings are equal or exceed those mentioned in Table 3 below for an additional amount equal to 70% of their regulatory capital. This limit constitutes an additional margin and is not subject to the 100% mandatory reserve.

Additionally, a Chilean bank may invest in foreign securities whose rating is equal to or exceeds those mentioned in Table 3 below in: (i) demand deposits with foreign banks, including overnight deposits in a single entity; and (ii) securities issued or guaranteed by sovereign states or their central banks or securities issued or guaranteed by foreign entities within the Chilean State, though investment will be subject to the limits by issuer up to 30.0% and 50.0%, respectively, of the regulatory capital of the Chilean bank that makes the investment. If these foreign securities do not have a rating, the individual limit will be 10.0% of regulatory capital.

Table 3

Rating Agency	Short Term	Long Term
Moody's	P1	Aa3
Standard and Poor's	A1+	AA-
Fitch	F1+	AA-
DBRS	R-1 (high)	AA(low)

Moreover, the sum of all demand deposits with foreign banks, including overnight deposits to related parties, as defined by the Central Bank and the FMC cannot surpass 25.0% of a bank's regulatory capital. This limit excludes foreign branches of Chilean banks or their subsidiaries, but must include amounts deposited by these entities in related parties abroad.

Chilean banks may only invest in equity securities of foreign banks and certain other foreign companies which may be affiliates of the bank or which would be complementary to the bank's business if such companies were incorporated in Chile.

United States Supervision and Regulation

Financial Regulatory Reform

Banking statutes and regulations are continually under review by the United States Congress. In addition to laws and regulations, the U.S. bank regulatory agencies may issue policy statements, interpretive letters and similar written guidance. Many changes have occurred as a result of the 2010 Dodd-Frank Act and its implementing regulations, most of which are now in place. More recently, there have been several statutory and regulatory initiatives aimed at providing relief for the financial services industry. The Board of Governors of the Federal Reserve System (the "Federal Reserve Board") retains the right to apply enhanced prudential standards to foreign banking organizations ("FBOs") with greater than \$100 billion in global total consolidated assets, such as Santander Spain. In October 2019, the federal banking agencies issued final rules that adjust the thresholds at which certain enhanced prudential standards and capital and liquidity requirements apply to certain banking organizations, including large FBOs such as Santander Spain. As a result, Santander Spain is now generally subject to less restrictive enhanced prudential standards and capital and liquidity requirements than under previously applicable regulations.

Under the current administration, however, banking organizations, including large FBOs, may become subject to increased scrutiny and more extensive legal and regulatory requirements than under the prior presidential and congressional regime. In addition, changes in key personnel at the agencies that regulate such banking organizations, including the federal banking regulators, may result in differing interpretations of existing rules and guidelines and potentially more stringent enforcement and more severe penalties than previously.

Volcker Rule

Section 13 of the U.S. Bank Holding Company Act and its implementing rules (collectively, the "Volcker Rule") prohibit "banking entities" from engaging in certain forms of proprietary trading or from sponsoring or investing in "covered funds," in each case subject to certain exceptions. The Volcker Rule also limits the ability of banking entities and their affiliates to enter into certain transactions with covered funds with which they or their affiliates have certain relationships. Banking entities such as Santander-Chile and Santander Spain were required to bring their activities and investments into compliance with the requirements of the Volcker Rule by the end of the conformance period applicable to each requirement. Santander Spain has assessed how the Volcker Rule affects its businesses and subsidiaries, including Santander-Chile, and has brought its activities into compliance. The Group has adopted processes to establish, maintain, enforce, review and test the compliance program designed to achieve and maintain compliance with the Volcker Rule. The Volcker Rule contains exclusions and certain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations, as well as certain foreign government obligations, and trading solely outside the United States, and also permits certain ownership interests in certain types of funds to be retained. Santander Spain's non-U.S. banking organization subsidiaries, including Santander-Chile, are largely able to continue their activities outside the United States in reliance on the "solely outside the U.S." exemptions from the Volcker Rule. Those exemptions generally exempt proprietary trading, and sponsoring or investing in covered funds if, among other restrictions, the essential actions take place outside the United States and any transactions are not with U.S. persons.

In July, 2017 the five regulatory agencies charged with implementing the Volcker Rule announced the coordination of reviews of the treatment of certain foreign funds that are investment funds organized and offered outside of the United States and that are excluded from the definition of covered fund under the agencies' implementing regulations. Also, in July 2017, the Federal Reserve issued guidelines for banking entities seeking an extension to conform certain "seeding" investments in covered funds to the requirements of the Volcker Rule.

In June 2019, the five regulatory agencies charged with implementing the Volcker Rule finalized amendments to the Volcker Rule. These amendments tailor the Volcker Rule's compliance requirements to the amount of a firm's trading activity, revise the definition of trading account, clarify certain key provisions in the Volcker Rule, and modify the information companies are required to provide the federal agencies. Santander-Chile will still largely rely on the "solely outside the U.S. exemption" to conduct its trading activities.

In June 2020, the five federal agencies finalized additional amendments to the Volcker Rule related to the restrictions on ownership interests in, sponsorship of and relationships with covered funds. These amendments became effective on October 1, 2020 with no impact on Santander Chile. Santander Spain will continue to monitor Volcker Rule-related developments and assess their impact on its operations, including those of Santander-Chile, as necessary.

U.S. Anti-Money Laundering, Anti-Terrorist Financing, and Foreign Corrupt Practices Act Regulations

Santander-Chile, as a foreign private issuer whose securities are registered under the U.S. Securities Exchange Act of 1934, is subject to the U.S. Foreign Corrupt Practices Act (the "FCPA"). The FCPA generally prohibits such issuers and their directors, officers, employees and agents from using any means or instrumentality of U.S. interstate commerce in furtherance of any offer or payment of money to any foreign official or political party for the purpose of influencing a decision of such person in order to obtain or retain business. It also requires that the issuer maintain books and records and a system of internal accounting controls sufficient to provide reasonable assurance that accountability of assets is maintained, and accurate financial statements can be prepared. Penalties, fines and imprisonment of Santander-Chile's officers and/or directors can be imposed for violations of the FCPA.

Furthermore, Santander-Chile is subject to a variety of U.S. anti-money laundering and anti-terrorist financing laws and regulations, such as the Bank Secrecy Act of 1970, as amended, and the USA PATRIOT Act of 2001, as amended, and a violation of such laws and regulations may result in substantial penalties, fines and imprisonment of Santander-Chile's officers and/or directors.

The Anti-Money Laundering Act of 2020 ("AML Act"), enacted on January 1, 2021 as part of the National Defense Authorization Act, does not directly impose new requirements on banks, but requires the U.S. Treasury Department to issue National Anti-Money Laundering and Countering the Financing of Terrorism Priorities, and conduct studies and issue regulations that may, over the next few years, significantly alter some of the due diligence, recordkeeping and reporting requirements that the Bank Secrecy Act and Patriot Act impose on banks. The AML Act also contains provisions that promote increased information-sharing and use of technology, and increases penalties for violations of the Bank Secrecy Act and includes whistleblower incentives, both of which could increase the prospect of regulatory enforcement.

Disclosure pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), an issuer is required to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with individuals or entities designated pursuant to certain Executive Orders. Disclosure is generally required even where the activities, transactions or dealings were conducted in compliance with applicable law.

The following activities are disclosed in response to Section 13(r) with respect to the Group and its affiliates. During the period covered by this report:

- (a) Santander UK holds seven blocked accounts for five customers that are currently designated by the U.S. under the Specially Designated Global Terrorist (SDGT) sanctions program. Revenues and profits generated by Santander UK on these accounts in the year ended 31 December 2022 were negligible relative to the overall profits of Banco Santander S.A.
- (b) Santander Consumer Finance, S.A. holds through its Belgian branch seven blocked correspondent accounts for an Iranian bank that is currently designated by the U.S. under the Specially Designated Global Terrorist (SDGT) sanctions program. The accounts have been blocked since 2008. No revenues or profits were generated by the Belgian branch on these accounts in the year ended 31 December 2022.
- (c) Banco Santander (Brasil) S.A. (Santander Brasil) holds three blocked accounts for three customers with domicile in Brazil designated by the U.S. under the Specially Designated Global Terrorist (SDGT) sanctions programme. Revenues and profits generated by Santander Brasil on these accounts in the year ended 31 December 2022 were negligible relative to the overall profits of Banco Santander S.A.
- (d) Santander Consumer Finance, S.A. also held through its branch in Greece an auto finance loan for a client designated by the U.S. under the Specially Designated Global Terrorist (SDGT) sanctions program. The relationship was terminated before the year end. Revenues or profits generated by the branch in Greece on this position in the year ended December 31, 2022 were negligible relative to the overall profits of Banco Santander S.A.
- (e) The Group also has certain legacy performance guarantees for the benefit of an Iranian bank that is currently designated by the U.S. under the Specially Designated Global Terrorist (SDGT) sanctions program (stand-by letters of credit to guarantee the obligations – either under tender documents or under contracting agreements – of contractors who participated in public bids in Iran) that were in place prior to April 27, 2007.

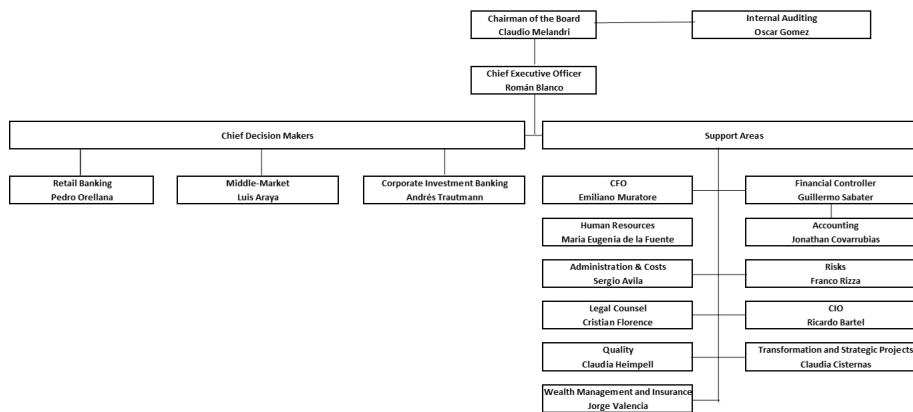
In the aggregate, all of the transactions described above resulted in gross revenues and net profits in the year ended December 31, 2022 which were negligible relative to the overall revenues and profits of Banco Santander, S.A. The Group has undertaken significant steps to withdraw from the Iranian market such as closing its representative office in Iran and ceasing all banking activities therein, including correspondent relationships, deposit taking from Iranian entities and issuing export letters of credit, except for the legacy transactions described above. The Group is not contractually permitted to cancel these arrangements without either (i) paying the guaranteed amount (in the case of the performance guarantees), or (ii) forfeiting the outstanding amounts due to it (in the case of the export credits). As such, the Group intends to continue to provide the guarantees and hold these assets in accordance with company policy and applicable laws.

C. Organizational Structure

Santander Spain controls Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones S.A. and Santander Chile Holding S.A. which are controlled subsidiaries. Santander Spain control over 67.18% of our shares and actual participation when excluding non-controlling interests participating in Santander Chile Holding S.A. of 67.12%.

Shareholder	Number of Shares	Percentage
Santander Chile Holding S.A.	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones S.A.	59,770,481,573	31.72

The chart below sets forth the names and areas of responsibility of our senior managers as of the date of the filing of this annual report:



D. Property, plants and equipment

We are domiciled in Chile and own our principal executive offices located at Bandera 140, 20th floor, Santiago, Chile. At December 31, 2022, we owned the locations at which 32.7% of our branches were located. The remaining branches operate at rented locations. We believe that our existing physical facilities are adequate for our needs.

Main Properties as of December 31, 2022

	Number
Central Offices	
Owned	4
Rented	5
Total	9
Branches	
Owned	79
Rented	207
Total	286
Other property⁽¹⁾	
Owned	36
Rented	33
Total	69

(1) Consists mainly of parking lots, mini-branches and property owned by our subsidiaries.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Accounting Standards Applied in 2022

Santander-Chile is a Chilean bank and maintains its financial books and records in Chilean pesos and prepares its consolidated financial statements in accordance with IFRS as issued by the IASB in order to comply with requirements of the SEC. As required by the General Banking Law, which subjects Chilean banks to the regulatory supervision of the FMC, and which mandates that Chilean banks abide by the accounting standards stipulated by the FMC, our locally-filed consolidated financial statements have been prepared in accordance with Chilean Bank GAAP as issued by the FMC. The accounting principles issued by the FMC are substantially similar to IFRS but there are some exceptions, as described in “Item 4. Information on the Company—Differences between IFRS and Chilean Bank GAAP.” Therefore, our locally filed consolidated financial statements have been adjusted according to IFRS as issued by the IASB.

Critical Accounting Policies

Our consolidated financial statements include various estimates and assumptions, including but not limited to the adequacy of the allowance for loan losses, estimates of the fair value of certain financial instruments and the selection of useful lives of certain assets.

We evaluate these estimates and assumptions on an ongoing basis. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances. Actual results in future periods could differ from those estimates and assumptions, and if these differences were significant enough, our reported results of operations would be affected materially. We believe that the following are the most critical judgment areas or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations.

Allowance for Loan Losses under IFRS 9

The impairment model applies to all financial assets measured at amortized cost and fair value through other comprehensive income (“FVOCI”), including loan commitments and contingent loans. The Bank accounted the expected credit losses (“ECL”) related to financial assets measured at amortized cost and FVOCI as a loss allowance in the statement of financial position and the carrying amount of these assets is stated net of the loss allowance. The ECL related to contingent loans are accounted as a provision in the statement of financial position. For financial assets that are measured at fair value through other comprehensive income, the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position. The new model uses a dual measurement approach, under which the loss allowance is measured as either: (a) 12-month expected credit losses or (b) lifetime expected credit losses.

Based on changes in credit quality since initial recognition, IFRS 9 outlines a “three-stage” impairment model as illustrated by the following chart:

← Change in credit quality since initial recognition →		
Stage 1	Stage 2	Stage 3
Initial recognition	Significant increase in credit risk since initial recognition	Credit impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The Bank, at the end of each reporting period, evaluates whether a financial instrument’s credit risk has increased since initial recognition, and consequently classifies the financial instrument in the relevant stage:

- Stage 1: At initial recognition of a loan or when there has been an improved credit risk following a significant increase or impairment of assets, the Bank recognizes an allowance based on 12 months ECL.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime ECL. Stage 2 loans also include loans where the credit risk has improved following a Stage 3 classification.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the lifetime ECL, setting the probability of default at 100%.

The Bank considers reasonable and verifiable information available without undue cost or effort to it that may affect the credit risk on a financial instrument, including forward-looking information to determine whether there is or has been a significant increase in credit risk since initial recognition of a loan. Forward-looking information includes past events that affect future performance, current conditions and forecasts of future economic conditions.

Expected credit loss measurement

The ECL is the probability-weighted estimate of credit losses, i.e., the present value of all cash shortfalls. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The three main components in measuring ECL are:

- PD: The probability of default is an estimate of the likelihood of default over a given time period. A default may only happen at a certain time over the assessed period, if the facility has not been previously de-recognized and is still in the portfolio.
- LGD: The loss given default is an estimate of the loss arising after a specific default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.
- EAD: The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdown on committed facilities and accrued interest from missed payments.

For measuring 12-month and lifetime expected credit losses, cash shortfalls are identified as follows:

- 12-month expected credit losses: the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on the financial instruments that are possible within the 12 months after the reporting date.
- Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Forward-looking information

The ECL model includes a broad range of forward-looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates;
- Central Bank interest rates; and
- Real estate prices.

Interbank loans

According to the balance presentation required under IFRS 9, the Bank has grouped interbank loans with loans and accounts receivable since both are measured at amortized cost and are evaluated together for impairment purposes.

Contingent loans

The Bank enters into various irrevocable loan commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank. When the Bank estimates the ECL for contingent loan commitments and letters of credit, it estimates the expected portion of the loan commitment that will be drawn down over its expected life.

Loans and account receivable measured at fair value through other comprehensive income

When the Bank enters into arrangements with its major customers for project finance and syndicated loans, the amount requested sometimes exceeds the Bank's limit for single client exposure under credit risk policy, so these operations are approved under the condition that a portion of the loans be sold in the near term. The Bank also has loans that it expects to sell if market conditions are favorable to the Bank. These loans are measured at fair value through other comprehensive income and are subject to impairment requirements.

Valuation of Financial Instruments

Fair value is the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 provides a hierarchy that 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 hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The Bank uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For financial instruments with no available market prices, fair values are estimated 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. See “Note 36—Fair Value of Financial Assets and Liabilities” in our Audited Consolidated Financial Statements.

Derivative Activities

Derivatives are measured at fair value on the statement of financial position and the net unrealized gain (loss) on derivatives is classified as a separate line item within the income statement. Under IFRS, banks must mark-to-market derivatives. 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 the Bank’s own risk. The CVA is a valuation adjustment to OTC derivatives as a result of the risk associated with the credit exposure assumed by each counterparty in each future period. The DVA is a valuation adjustment similar to the CVA but, in this case, it arises as a result of the Bank’s own risk assumed by its counterparties. The following inputs are used to calculate the CVA and DVA:

- Expected exposure: Including for each transaction the mark-to-market (MtM) value plus an add-on for the potential future exposure for each period. Mitigating factors such as collateral and netting agreements are taken into account, as well as a temporary impairment factor for derivatives with interim payments.
- LGD: percentage of final loss assumed in a counterparty credit event/default.
- Probability of default: for cases where there is no market information, proxies based on comparable companies in the same industry and with the same external rating as the counterparty, are used.
- Discount factor curve.

Deferred Tax Assets and Liabilities

The Bank records, when appropriate, deferred tax assets and liabilities for the estimated future tax effects attributable to differences between the carrying amount of assets and liabilities and their tax bases. The measurement of deferred tax assets and liabilities is based on the tax rate, in accordance with the applicable tax laws, using the tax rate that applies to the period when the deferred asset and liability will be settled. The future effects of changes in tax legislation or tax rates are recorded in deferred taxes beginning on the date on which the law is enacted or substantially enacted. See “Note 13—Current and Deferred Taxes” of our Audited Consolidated Financial Statements.

Provisions – Contingent Liabilities

Provisions related to contingencies associated to pending signature of contracts, potential clients and other administrative claims, operational risk arise from financial transactions, potential property tax associated to leasing contracts are quantified using the best available information of uncertain future events that are not wholly within control of the Bank. These are reviewed and adjusted at each reporting date. See “Note 19—Provisions and Contingent Provisions” of our Audited Consolidated Financial Statements.

A. Operating Results

Chilean Economy

All of our operations and substantially all of our customers are located in Chile. Accordingly, our financial condition and results of operations are substantially dependent upon economic conditions prevailing in Chile. In 2020, the Chilean economy suffered due to the COVID-19 pandemic with extensive lockdowns in place, which led to an economic contraction of 5.8% in 2020. During 2021, the Chilean economy started to recover as the extensive lockdowns were lifted, and GDP grew 11.7% in 2021. For 2022, the Central Bank expects GDP to have grown 2.4% and estimates a contraction of 1.75% in 2023 and growth between 2% and 3% in 2024.

As of December 2022, the unemployment rate for 2022 reached 7.2%, down from the 10.3% in the same period of 2021. The unemployment figures have increased again during recent months as economic growth slows down. However, the workforce has stopped expanding and the unemployment rate is expected to remain at around 8% for year 2023.

During the pandemic, the government rolled out a series of measures to increase liquidity for households, spending a total of around U.S.\$3.2 billion in direct government transfers. In July 2020, a law was enacted permitting Chileans to withdraw a minimum of UF35 (U.S.\$1,430) and a maximum of UF150 (U.S.\$6,127) from their pension funds. Approximately U.S.\$48.6 billion was withdrawn over the course of 2020 and 2021. This immediate injection of cash to households contributed to higher consumption, higher inflation and positively impacted asset quality. All this liquidity increased inflation, with CPI inflation reaching 7.2% in 2021 and 12.8% in 2022. As a result, the Central Bank has increased the MPR multiple times, after leaving it at the technical minimum of 0.5% throughout the pandemic and reaching 4.0% in December 2021 and 11.25% in October 2022.

The exchange rate depreciated by 19.9% in 2021 and appreciated by 0.5% in 2022. The depreciation of the Chilean peso in 2021 is mainly as a result of domestic political uncertainty together with a global strengthening of the U.S. dollar from the global uncertainty from the pandemic and the military conflict in Ukraine.

Total loans as of December 31, 2022, in the Chilean financial system, excluding loans held abroad by Chilean banks, grew 9.8% year-over-year. Total customer deposits (defined as time deposits plus checking accounts), excluding amounts held by Chilean banks abroad, increased 4.6% year-over-year as of December 31, 2022. The non-performing loans (defined as loans with an installment that is at least 90 days past-due) to total loans ratio increased from 1.2% at year-end 2021 to 1.7% at December 31, 2022 as the high liquidity levels in the system during the pandemic started to normalize.

Impact of Inflation

Our assets and liabilities are denominated in Chilean pesos, Unidades de Fomento (UF) and foreign currencies. Inflation impacts our results of operations as some loan and deposit products are contracted in UF. The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. One UF equaled Ch\$35,110.98 at December 31, 2022, Ch\$30,991.74 at December 31, 2021 and Ch\$29,070.33 at December 31, 2020. High levels of inflation in Chile could adversely affect the Chilean economy and could have an adverse effect on our business, financial condition, and results of operations. Negative inflation rates also negatively impact our results. Inflation measured as the annual variation of the UF was 13.3% in 2022, 6.6% in 2021 and 2.7% in 2020. There can be no assurance that Chilean inflation will not change significantly from the current level. Due to the current structure of our assets and liabilities (i.e., a significant portion of our loans are indexed to the inflation rate, but there are significantly less features in deposits and other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation. In summary:

- *UF-denominated assets and liabilities.* The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest-bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively. Our net interest income will be positively affected by an inflationary environment to the extent that our average UF-denominated interest earning assets exceed our average UF-denominated interest-bearing liabilities. Our net interest income will be positively affected by deflation in any period in which our average UF-denominated interest-bearing liabilities exceed our average UF-denominated interest earning assets. Our net interest income will be negatively affected in a deflationary environment if our average UF-denominated interest earning assets exceed our average UF-denominated interest-bearing liabilities.
- *Inflation and interest rate hedge.* A key component of our asset and liability policy is the management of interest rate risk. The Bank's assets generally have a longer maturity than our liabilities. As the Bank's mortgage portfolio grows, the maturity gap tends to rise as these loans, which are contracted in UF, have a longer maturity than the average maturity of our funding base. As most of our long-term financial instruments and mortgage loans are contracted in UF and most of our deposits are in nominal pesos, the rise in mortgage lending increases the Bank's exposure to inflation and to interest rate risk. The size of this gap is limited by internal and regulatory guidelines in order to avoid excessive potential losses due to strong shifts in interest rates or inflation. In order to keep this duration gap below regulatory limits, the Bank issues long term bonds denominated in UF or interest rate swaps. The financial cost of the bonds and the efficient part of these hedges is recorded as net interest income. The loss from the swaps taken in order to hedge mainly for inflation and interest rate risk and included in net interest income totaled a loss of Ch\$680,403 million in 2022 compared to a gain of Ch\$449,122 in 2021 and loss of Ch\$15,461 million in 2020. This larger loss in 2022 was mainly due to higher short-term interest rates. The average gap between our interest earnings assets and total liabilities linked to the inflation, including hedging, was Ch\$5,028,171 million in 2022, Ch\$6,252,221 million in 2021 and Ch\$6,173,541 million in 2020. Therefore, our sensitivity to a 100-basis point shift in UF inflation considering our year end gap would be approximately Ch\$50.3 billion.
- The financial impact of the gap between our interest earning assets and liabilities denominated in UFs including hedges was Ch\$1,015,855 million in 2022, Ch\$410,249 million in 2021 and Ch\$173,668 million in 2020. The 147.6% increase in these results was due to the higher UF inflation rate and a larger average UF gap in 2022 compared to 2021.

	As of December 31,			% Change	
	2022	2021	2020	2022/2021	2021/2020
	(in millions of Ch\$)				
Impact of inflation on net interest income					
Results from UF GAP ⁽¹⁾	1,015,855	410,249	173,668	147.6%	136.2%
Annual UF inflation	13.3%	6.6%	2.7%		

(1) UF GAP is net interest income from asset and liabilities denominated in UFs and include the results from hedging the size of this gap via interest rate swaps.

- *Peso-denominated assets and liabilities.* Interest rates prevailing in Chile during any period primarily reflect the inflation rate during the period and the expectations of future inflation. The sensitivity of our peso-denominated interest earning assets and interest-bearing liabilities to changes to such prevailing rates varies. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Interest Rates." We maintain a substantial amount of non-interest-bearing peso-denominated demand deposits. Because such deposits are not sensitive to inflation, any decline in the rate of inflation would adversely affect our net interest margin on inflation indexed assets funded with such deposits, and any increase in the rate of inflation would increase the net interest margin on such assets. The ratio of the average of such demand deposits and average shareholder's equity to average interest-earning assets was 32.0%, 38.9% and 33.5%, for the years ended December 31, 2022, 2021 and 2020, respectively.

Interest Rates

Interest rates earned and paid on our assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, changes in short term interest rates set by the Central Bank and movements in long term real rates. The Central Bank manages short term interest rates based on its objectives of balancing low inflation and economic growth. Because our liabilities are generally re-priced sooner than our assets, changes in the rate of inflation or short-term rates in the economy are reflected in the rates of interest paid by us on our liabilities before such changes are reflected in the rates of interest earned by us on our assets. Our Financial Management Division usually seeks to maintain liabilities with an average duration that is shorter than that of our assets, including through the use of derivatives, in order to hedge against sudden or rapid falls in the inflation rate, which in general triggers a reduction in short-term rates. Therefore, when short term interest rates fall, our net interest margin is positively impacted, but when short term rates increase, our interest margin is negatively affected. At the same time, our net interest margin tends to be adversely affected in the short term by a decrease in inflation rates since generally our UF-denominated assets exceed our UF-denominated liabilities. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Impact of Inflation—Peso-denominated assets and liabilities.” An increase in long term rates has a positive effect on our net interest margin, because our interest earning assets generally have longer terms than our interest-bearing liabilities. A flattening of the yield curve (i.e. long-term rates falling quicker than short-term rates) negatively affects our margins by lowering loan yields at a greater pace than deposits costs. In addition, because our peso-denominated liabilities have relatively short re-pricing periods, they are generally more responsive to changes in inflation or short-term rates than our UF-denominated liabilities. As a result, during periods when expected inflation exceeds the previous period’s inflation, customers often switch funds from UF-denominated deposits to peso-denominated deposits, which generally bear higher interest rates, thereby adversely affecting our net interest margin.

Foreign Exchange Fluctuations

The Chilean government’s economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could adversely affect our financial condition and results of operations. The Chilean peso has been subject to significant devaluation in the past and may be subject to significant fluctuations in the future. The exchange rate appreciated 0.5% in 2022 and depreciated 19.9% in 2021. A significant portion of our assets and liabilities are denominated in foreign currencies, principally the U.S. dollar, and we historically have maintained and may continue to maintain material gaps between the balances of such assets and liabilities. Our current strategy is not to maintain a significant difference between the balances of our assets and liabilities in foreign currencies. In 2022, the Bank held significant short-term assets in U.S.\$ overnight deposits in order to maintain strong liquidity levels in this currency due to the higher rates paid on these funds in 2022. In either case, any differences are usually hedged using forwards and cross-currency swaps. Including derivatives, the Bank seeks to run no foreign currency risk in its non-trading balance sheet. Because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains and losses realized upon the sale of such assets, are translated to Chilean pesos in preparing our financial statements, our reported income is affected by changes in the value of the Chilean peso relative to foreign currencies (principally the U.S. dollar). The translation gain or loss over assets and liabilities (excluding derivatives held for trading) and derivatives accounted under hedge accounting standards are included as foreign exchange transactions in the income statement. The translation and mark-to-market of foreign currency derivatives held for trading is recognized as a gain or loss in the net results from mark-to-market and trading. The Bank also uses a sensitivity analysis with both internal limits and regulatory limits to seek to manage the potential loss in net interest income resulting from fluctuations of interest rates on U.S. dollar denominated assets and liabilities and a VaR model to limit foreign currency trading risk.

See “Item 11. Quantitative and Qualitative Disclosures About Market Risk—E. Market Risks—Foreign exchange fluctuations” for more detail on the Bank’s exposure to foreign currency.

Consolidated Ratios

We use certain consolidated ratios to measure profitability and efficiency when planning, monitoring and evaluating our performance. The following tables set forth our consolidated ratios for each of the periods indicated.

	2022	2021
CONSOLIDATED RATIOS		
(IFRS)		
Profitability and performance:		
Net interest margin ⁽⁴⁾	3.1%	3.9%
Return on average total assets ⁽⁵⁾	1.2%	1.5%
Return on average equity ⁽⁶⁾	22.5%	20.7%
Capital:		
Average equity as a percentage of average total assets ⁽⁷⁾	5.2%	7.0%
Total liabilities as a multiple of equity ⁽⁸⁾	18.2	13.2
Credit Quality:		
Non-performing loans as a percentage of total loans ⁽⁹⁾	0.8%	1.2%
Allowance for loan losses as percentage of total loans ⁽¹⁰⁾	3.0%	2.9%
Operating Ratios:		
Operating expenses /operating revenue ⁽¹¹⁾	43.3%	39.8%
Operating expenses /average total assets	1.4%	1.6%
OTHER DATA		
CPI Inflation Rate ⁽¹²⁾	12.8%	7.2%
Revaluation (devaluation) rate (Ch\$/U.S.\$) at year end ⁽¹²⁾	0.5%	(19.9%)
Number of employees at period end	9,389	9,988
Number of branches and offices at period end	286	326

(1) Amounts stated in U.S. dollars at and for the year ended December 31, 2022 have been translated from Chilean pesos at the interbank market exchange rate of Ch\$849.59 = U.S.\$1.00 as of December 31, 2022 based on the interbank market rate published by Reuters at 1:30 pm on the last business day of the period. Per share data in U.S.\$ is not in thousands.

(2) Except per share data, percentages and ratios, share numbers, employee numbers and branch numbers.

(3) Total equity includes equity attributable to equity holders of the Bank plus non-controlling interests.

(4) Net interest income divided by average interest earning assets (as presented in “Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information”).

(5) Net income for the year divided by average total assets (as presented in “Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information”).

(6) Net income for the year divided by average equity (as presented in “Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information”).

(7) This ratio is calculated using total average equity (as presented in “Item 5. Operating and Financial Review and Prospects—C. Selected Statistical Information”) including non-controlling interest.

(8) Total liabilities divided by equity.

(9) Non-performing loans include the aggregate unpaid principal and accrued but unpaid interest on all loans with at least one installment over 90 days past-due. Total loans in 2022 and 2021 corresponds to loans at amortized cost.

(10) Allowance for loan losses as of December 31, 2022 and 2021 corresponds to allowances for loans at amortized cost according to IFRS 9.

(11) The efficiency ratio is equal to operating expenses over operating income. Operating expenses includes personnel salaries and expenses, administrative expenses, depreciation and amortization, impairment and other operating expenses. Operating income includes net interest income, net fee and commission income, net income from financial operations (net trading income), foreign exchange gain, net and other operating income.

(12) Based on the interbank market rate published by Reuters at 1:30 pm on the last business day of the period.

Segmentation Criteria

The accounting policies used to determine the Bank's income and expenses by reporting segment are the same as those described in the summary of accounting policies in "Note 1—Summary of Significant Accounting Policies" of the Bank's Consolidated Financial Statements and are customized to meet the needs of the Bank's management. 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 or her assessment on the segment's interest income, fee and commission income, and expenses. The Bank's reporting segments have three Chief Operating Decision Makers: (i) the Director of Retail banking, (ii) the Director of the Middle-market segment and (iii) the Director of Corporate Investment Banking, each of which report to our Chief Executive Officer. All reporting segment information is presented following this structure.

Under IFRS 8, the Bank has aggregated operating segments with similar economic characteristics according to the aggregation criteria specified in the standard. A reporting segment consists of clients that are offered differentiated but, considering how their performance is measured, homogenous services based on IFRS 8 aggregation criteria. The clients included in each business segment are constantly revised and reclassified if a client no longer meets the criteria for the segment they are in and transferred to a different CODM. Therefore, variations of loan volumes and profit and loss items reflect business trends as well as client migration effects. Overall, this aggregation has no significant impact on the understanding of the nature and effects of the Bank's business activities and the economic environment.

The Bank's reportable segments are (i) Retail banking, (ii) Middle-market, (iii) Corporate Investment Banking and (iv) Corporate Activities ("Other"). See "Note 3—Reporting Segments" of our Audited Consolidated Financial Statements for more information.

Reclassification

In 2022, the Bank made changes to the presentation of its consolidated financial statements and reclassified certain amounts in its consolidated statements of financial position and consolidated statements of income. The reclassifications consisted primarily of: (i) in the consolidated statements of financial position, changes to the presentation of assets and liabilities to group them by measurement category, (ii) in the consolidated statements of income, (a) the reclassification of prepayment commissions from interest income to fee and commission income, (b) presenting net income from financial operations by measurement category to provide additional detail regarding net income from financial assets and liabilities, and (c) breaking down other operating income and other operating expenses into additional categories to provide further detail on income from non-current assets and investments in associates. These reclassifications were applied retrospectively to the Bank's consolidated financial statements as of and for the year ended December 31, 2021 and all figures presented as of and for the year ended December 31, 2021 herein reflect such reclassifications. Please see Note 1—Summary of Significant Accounting Policies—(z) Reclassification to our Audited Consolidated Financial Statements for more detail.

Results of Operations for the Years Ended December 31, 2022 and 2021

In this section, we discuss the results of our operations for the year ended December 31, 2022 compared to the year ended December 31, 2021. For a discussion of the results of our operations for the year ended December 31, 2021 compared to the year ended December 31, 2020, please refer to "Item 5. – A. Operating Results – Results of Operations for the Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020" in our Annual Report on Form 20-F for the year ended December 31, 2021.

The following discussion is based upon and should be read in conjunction with the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the IASB. The following table sets forth the principal components of our net income for the years ended December 31, 2022 and 2021.

	2022 (U.S.\$ thousands) ⁽¹⁾	2022 (Ch\$ million)	2021 ⁽²⁾	% Change 2022/2021
Interest income and inflation	4,810,151	4,086,656	2,904,520	40.7%
Interest expense and inflation	(2,962,069)	(2,516,544)	(1,109,746)	126.8%
Net interest income	1,848,082	1,570,112	1,794,774	(12.5%)
Fees and commission income	858,135	729,063	595,181	22.5%
Fees and commission expense	(378,764)	(321,794)	(245,853)	30.9%
Total net fees and commission income	479,371	407,269	349,328	16.6%
Net income/(expense) from financial assets and liabilities for trading	92,034	78,191	(28,602)	—%
Net income from derecognizing financial assets and liabilities at amortized cost and financial assets at fair value through other comprehensive income	(1,916)	(1,628)	22,199	—%
Net income from exchange, adjustment and hedge accounting of foreign exchange	165,509	140,615	125,431	12.1%
Net income from financial operations	255,627	217,178	119,028	82.5%
Income from investments in associates and other companies	12,135	10,310	(475)	—%
Net income from non-current assets and groups available for sale not admissible as discontinued operations	10,026	8,518	2,297	270.8%
Other operating income	6,520	5,539	1,662	233.3%
Total operating income	2,611,761	2,218,926	2,266,614	(2.1%)
Personnel salaries and expenses	(488,245)	(414,808)	(397,675)	4.3%
Administrative expenses	(365,140)	(310,219)	(280,134)	10.7%
Depreciation and amortization	(153,007)	(129,993)	(122,055)	6.5%
Impairment of property, plant and equipment	—	—	—	—
Other operating expenses	(125,126)	(106,306)	(101,430)	4.8%
Total operating expenses	(1,131,518)	(961,326)	(901,294)	6.7%
Operating income before credit losses	1,480,243	1,257,600	1,365,320	(7.9%)
Provisions for loan losses for interbank loans and account receivable from customers	(519,540)	(441,396)	(355,638)	24.1%
Provisions for loan losses for contingent loans and others	(6,108)	(5,189)	(12,254)	(57.7%)
Recovery of loans previously charged-off	106,613	90,577	76,999	17.6%
Provision for loan losses for other financial assets at amortized cost and financial assets at fair value through OCI	(572)	(486)	(335)	45.1%
Provision for loan losses	(419,607)	(356,494)	(291,228)	22.4%
Net operating income before income tax	1,060,636	901,106	1,074,092	(16.1%)
Income tax expense	(110,199)	(93,624)	(221,664)	(57.8%)
Net income for the year	950,437	807,482	852,428	(5.3%)
Net income for the year attributable to:				
Shareholders of the Bank	932,539	792,276	842,467	(6.0%)
Non-controlling interests	17,898	15,206	9,961	52.7%

(1) Amounts stated in U.S. dollars at and for the year ended December 31, 2022 have been translated from Chilean pesos at the exchange rate of Ch\$849.59 = U.S.\$1.00 as of December 31, 2022.

(2) In 2022, the Bank reclassified amounts in certain line items and applied such reclassifications retrospectively to the Bank's consolidated statements of income for the year ended December 31, 2021. See Note 1—Summary of Significant Accounting Policies—(z) Reclassification to our Audited Consolidated Financial Statements for more detail.

Results of Operations for the Years Ended December 31, 2022 and 2021

Net income for the year attributable to equity holders of the Bank decreased 6.0% in 2022 compared to 2021 and totaled Ch\$792,276 million. Our return on annualized average equity was 22.5% in 2022 compared to 20.7% in 2021.

In 2022, net operating profit before credit losses was Ch\$1,257,600 million, a decrease of 7.9% compared to 2021.

Our net interest income decreased 12.5% in 2022 compared to 2021. Net interest income from our reporting segments totaled Ch\$1,662,425 million and increased 12.5% compared to 2021. This rise was mainly due to effect of a better spread on our products, partially offset by a more expensive funding mix. This was fully offset by a Ch\$92 billion loss in Other net interest income. Other net interest income consists mainly of net interest income from the Bank's ALCO, which includes the net interest income from the Bank's debt instruments recorded at fair value through other comprehensive income, deposits in the Central Bank, and the financial cost of supporting our cash position and financial investments held for trading (the interest income from which is recognized as net income from financial operations and not interest income). The result of the Bank's inflation gap is also included in this line as well as the net impact of derivatives used to hedge our inflation gap or views on interest rates. The decline in other net interest income was mainly due to Bank's negative sensitivity to rising short term interest rates which led to a higher cost of funding in 2022 and a lesser carry from our held to collect investment portfolio. Overall, our net interest margin decreased from 3.9% in 2021 to 3.0% in 2022.

Net fees and commission income increased 16.6% to Ch\$407,269 million in the twelve-month period ended December 31, 2022, compared to the same period in 2021. This increase was driven by higher fees from Santander Corporate and Investment Banking ("SCIB") and the Middle market divisions due to greater demand for the Bank's corporate products and services as well as higher fees from retail banking as a result of our digital strategy which led to an increase of 18.1% in the number of checking account clients as of December 31, 2022 compared to the same period in 2021.

Total net income from financial operations, which is the sum of Net income/(expense) from financial assets and liabilities for trading, Net income from derecognizing financial assets and liabilities at amortized cost and financial assets at fair value through other comprehensive income, and Net income from exchange, adjustment and hedge accounting of foreign exchange, totaled Ch\$217,178 million in the year ended December 31, 2021, an increase of 82.5% compared to the same period in 2021. These results include the results of our Treasury Division's transactions with customers, as well as the results of our non-client treasury operations, mainly the Financial Management Division. Client treasury services totaled Ch\$219,112 million, an increase of 30.1% compared to 2021. The results from client treasury products and market-making mainly include the results from the sale of derivatives, foreign exchange and fixed income instruments to our client base. In 2022, the higher market volatility due to the impact of the conflict in Ukraine on the global economy and the increase in inflation and rates led to greater demand from our Corporate and Middle-market clients. The results from non-client treasury income totaled a loss of Ch\$1,934 million in 2022 compared to a loss of Ch\$49,328 million in 2021. These results include the income from sale of loans, including charged-off loans, CVA adjustments and the results from our Financial Management Division.

For the year ended December 31, 2022, provisions for loan losses totaled Ch\$356,494 million and increased 22.4% compared to 2021. This rise was mainly due to our updated macro-economic information and scenarios, resulting in an increase of ECL allowance of Ch\$73,000 million, which were covered with post-model adjustment previously recorded and our maintenance of Ch\$91,351 million in residual overlays to face future macro-economic information and scenarios updates and to cover certain defaulted loans from mortgage and other commercial portfolios and specific clients (see "Note 08 --Financial Assets at Amortized Cost" of our Audited Consolidated Financial Statements for more detail on the constitution of these overlays). This variation was also due to a normalization of liquidity levels, especially in Chilean households. During the pandemic Chileans were permitted to access their pension funds and also received substantial direct transfers from the government. This resulted in a temporary improvement in asset quality as part of these funds were used to pay off current and overdue loans. As this excess liquidity has been used up and as the economy began to slow down with the hike in interest rates, asset quality began to return to pre-pandemic levels resulting in a rise in provisions.

Operating expenses in the year ended December 31, 2022 increased 6.7% compared to the corresponding period in 2021. The efficiency ratio was 43.3% in 2022 and 39.8% in 2021.

The 4.3% increase in personnel salaries and expenses was mainly due to the readjustment of fixed salaries for the higher inflation, partially offset by the decrease in salary costs as the headcount decreased 6.0% in 2022, ending the year at 9,389 employees in the Bank.

Administrative expenses increased 10.7% in the year ended December 31, 2022 compared to the corresponding period in 2021, mainly due to the higher inflation rate and volatility of the Chilean peso. This resulted in the rise of administrative expenses, as items such as rent and outsourced service contracts, such as the security transport vehicles, are indexed to inflation and various outsourced IT-related expenses are denominated in foreign currencies.

Depreciation and amortization expense increased 6.5% in 2022 compared to 2021. This increase was mainly due to a higher amortization of intangible assets in the period from the digital banking developments as part of our plan to improve productivity. There were no impairment charges in 2022 and 2021.

Other operating expenses were Ch\$106,306 million in 2022, an increase of 4.8% compared to 2021. This is explained by the increase in the Bank's client base, which increases the cost the Bank must pay to cover for the insurance policy it has contracted to cover cyber fraud losses.

Total income tax expense by the Bank in 2022 was Ch\$93,624 million, a decrease of 57.8% compared to 2021. Net operating income before income tax was Ch\$901,106 million, a decrease of 16.1% compared to 2021. The Bank paid an effective tax rate of 10.4% in 2022 compared to 20.6% in 2021. The statutory corporate tax rate in Chile in both 2022 and 2021 was 27%. The Bank usually pays a lower effective tax rate than the statutory rate since in our Chilean tax books we must re-measure capital each year for the variation in CPI inflation and this results in a tax loss.

Net Interest Income

	Year ended December 31,		% Change
	2022	2021⁽³⁾	2022/2021
	(in millions of Ch\$, except percentages)		
Retail banking	1,129,553	1,035,288	9.1%
Middle-market	389,297	327,519	18.9%
Corporate Investment banking	143,575	96,388	49.0%
Total reporting segments	1,662,425	1,459,195	13.9%
Other ⁽¹⁾	(92,313)	335,579	—%
Net interest income	1,570,112	1,794,774	(12.5%)
Average interest-earning assets	51,083,192	46,529,096	9.8%
Average non-interest-bearing demand deposits	12,844,814	14,035,242	(8.5%)
Net interest margin⁽²⁾	3.13%	3.90%	
Average shareholders' equity and average non-interest-bearing demand deposits to total average interest-earning assets	32.04%	38.90%	

(1) Consists mainly of net interest income from the Financial Management Division, including the result of the Bank's inflation gap as well as the net impact of derivatives used to hedge our exposure to inflation or shifts on interest rates and the cost of funding our financial assets held for trading. Each segment obtains funding from its clients. Any surplus deposits are transferred to the Financial Management Division, which in turn makes such excess available to other areas that need funding. The Financial Management Division also sells the funds it obtains in the institutional funding market at a transfer price equal to the market price of the funds. This segment also includes intra-segment income and activities not assigned to a given segment or product line.

(2) Net interest margin is net interest income divided by average interest-earning assets.

(3) In 2022, the Bank reclassified amounts in certain line items and applied such reclassifications retrospectively to the Bank's consolidated statements of income for the year ended December 31, 2021. See Note 1—Summary of Significant Accounting Policies—(z) Reclassification to our Audited Consolidated Financial Statements for more detail.

For the year ended December 31, 2022, our net interest income totaled Ch\$1,570,112 million and decreased 12.5% from Ch\$1,794,774 million in 2021. Average interest earning assets increased 9.8% in the same period. During 2022, the loan portfolio grew 6.0%, mainly in mortgage loans that are indexed to inflation and commercial loans that are in UF or foreign currency. The growth in these products was due to high levels of UF inflation, which grew 13.3% in 2022 compared to 2021. With this the average interest rate earned on interest earning assets indexed to the UF increased from 6.0% in 2021 to 10.2% in 2022. The higher rate environment also increased the average yield earned over peso denominated interest earning assets which increased from 5.5% in 2021 to 8.1% in 2022. Overall, the total average interest earned over interest earning assets increased to 8.0% in 2022 from 5.1% in 2021.

Average nominal interest rate earned on interest earning assets	2022	2021
Ch\$	8.1%	5.5%
UF	10.2%	6.0%
Foreign currencies	1.7%	1.4%
Total	8.0%	5.1%

The average rate paid on our interest-bearing liabilities increased from 2.0% in 2021 to 7.3% in 2022. This was mainly due to a higher rate environment in 2022 as the Central Bank's continued to tighten monetary policy due to higher inflation. With this the monetary policy rate went from 4.0% to 11.25% and led to an increase in the nominal rate paid on Ch\$ interest bearing liabilities from 0.8% in 2021 to 8.8% in 2022. The Bank usually has liabilities with a shorter duration than that of its assets, which acts as a natural hedge to its exposure to inflation. As the Central Bank tightened monetary policy during 2022, this produced an increase in the financial cost of our liabilities. These results also include the results from fair value hedges of interest rate risk on liabilities (macrohedges), mainly interest rate swaps that shortened the duration of our liabilities. As interest rates increased in 2022, the financial cost of these macrohedges increased, resulting in a higher cost of fund. Furthermore, average non-interest bearing demand deposits decreased 8.5% as compared to 2021, as clients switched their funds from current accounts to time deposits as they were attracted by the higher yields. Meanwhile higher UF inflation led to the nominal rate paid of UF interest bearing liabilities increasing from 7.4% in 2021 to 17.4% in 2022.

Average nominal interest rate paid on interest bearing liabilities	2022	2021
Ch\$	8.8%	0.8%
UF	17.4%	7.4%
Foreign currencies	0.2%	0.9%
Total	7.3%	2.0%

In summary, the positive effects of higher UF inflation were more than offset by the increase in the cost of funding and therefore our net interest margin decreased from 3.9% in 2021 to 3.1% in 2022.

Net interest income from our reporting segments totaled Ch\$1,662,425 million and increased 13.9% compared to 2021. This rise was mainly due to the effect of a better spread on our products, partially offset by a more expensive funding mix. The changes in net interest income by segment in 2022 as compared to 2021 were as follows:

- Net interest income from Retail banking increased 9.1% in 2022 as compared to 2021, as consumer lending started to recover, and demand for auto loans remained strong with this loan book growing 22.7% in 2022 and representing 16.8% of the total consumer loan book. Demand for new mortgages remained low due to the higher rates and strong UF variation during the year.
- Net interest income from the Middle-market segment increased 18.9% in 2022 mainly due to a better spread on financing sources and higher demand for foreign trade loans.
- Net interest income from the Corporate Investment Banking segment increased 49.0% in 2022 compared to 2021. Loans in this segment increased 32.4%, as these large corporates continued to demand bank loans while the fixed income markets faced reduced demand for the issuance of corporate debt.

The increase in net interest income from our reporting segments was fully offset by a decrease in "other" net income which totaled a loss of Ch\$92,313 million in 2022. Other net interest income consists mainly of net interest income from the Bank's ALCO, which includes the net interest income from the Bank's debt instruments recorded at fair value through other comprehensive income, deposits in the Central Bank, and the financial cost of supporting our cash position and financial investments held for trading (the interest income from which is recognized as net income from financial operations and not interest income). The result of the Bank's inflation gap is also included in this line as well as the net impact of derivatives used to hedge our inflation gap or views on interest rates. The decline in other net interest income was mainly due to Bank's negative sensitivity to rising short term interest rates which led to a higher cost of funding in 2022 and a lesser carry from our held to collect investment portfolio.

The following table shows our balances of loans and accounts receivable from customers and interbank loans by segment at the dates indicated.

	At December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch)		
Retail banking	27,081,897	25,784,719	5.0%
Middle-market	8,641,652	8,511,500	1.5%
Corporate Investment banking	2,978,420	2,154,325	38.3%
Other ⁽¹⁾	27,432	78,518	(65.1%)
Total loans	38,729,401	36,529,062	6.0%

(1) Includes interbank loans.

The following table shows interest income of financial assets by valuation as of December 31, 2022 and 2021.

	At December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Financial assets measured at amortized cost ⁽¹⁾	4,988,277	2,852,794	74.9%
Financial assets measured at FVOCI ⁽²⁾	316,478	58,873	437.6%
Interest income not including income from hedge accounting	4,988,277	2,852,794	74.9%

(1) Financial assets measured at amortized cost include loans measured at amortized cost as described above and investments under resale agreements. The effective interest method is used in the calculation of the amortized cost of the financial asset and in the allocation and recognition of the interest revenue over the relevant period.

(2) Financial assets measured at fair value through other comprehensive income include the interest income from debt instruments. These mainly consisted of securities and bonds of the Central Bank that contain contractual terms that give rise on specific dates to cash flows that are solely payments of principal and interest (SPPI), and are measured at FVOCI.

Fee and Commission Income

Net fees and commission income increased 16.6% to Ch\$407,269 million in the twelve-month period ended December 31, 2022 compared to the same period in 2021.

This increase was driven by higher fees from retail banking as a result of our digital strategy which led to a 18.1% increase in the number of checking account clients as of December 31, 2022 compared to the same date in 2021, with the number of active clients increasing 7.8% and the number of loyal clients increasing 2.7%. This was led by our Santander Life digital checking account product. Total clients decreased 5.0% in 2022 as compared to the same date in 2021, mainly due to the Bank actively closing unused accounts as permitted by local regulations once accounts have more than 12 months without movements in order to limit potential cyber-fraud. Any remaining funds are set aside in a cashier's check that can be accessed by the former client at any branch. The following table shows client growth in our Retail banking and Middle-market segments for the periods indicated:

	Year ended December 31,		% Change 2022/2021
	2022	2021	
Total clients ⁽¹⁾	3,910,094	4,116,301	(5.0%)
Active clients ⁽²⁾	2,195,847	2,036,893	7.8%
Loyal clients ⁽³⁾	855,156	832,405	2.7%
Checking accounts ⁽⁴⁾	2,580,051	2,184,012	18.1%
Digital clients ⁽⁵⁾	1,981,540	2,016,947	(1.8%)

(1) Number of clients registered for at least one product.

(2) Number of clients that have used at least one product at least one time in the past month.

(3) Clients with four or more products plus a minimum profitability level and a minimum usage indicator, all differentiated by segment. SME and Middle-market cross-selling is differentiated by client size using a point system that depends on the number of products, usage of products and income net of risk.

(4) Total checking accounts held by individuals and companies.

(5) Number of clients that used at least one digital channel with password during the last month.

The following table sets forth certain components of our income from services (net of fees paid to third parties directly connected to providing those services, principally fees relating to credit card processing and ATM network administration) in the years ended December 31, 2022 and 2021.

	Year ended December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Credit, debit and ATM cards ⁽¹⁾	104,929	92,717	13.2%
Collections	54,060	26,871	101.2%
Insurance brokerage	52,568	43,898	19.8%
Checking accounts	52,226	39,581	31.9%
Letters of credit	35,935	39,010	(7.9%)
Getnet	27,060	7,119	280.1%
Office banking	19,389	15,708	23.4%
Prepayment of loans	11,348	16,266	(30.2%)
Lines of credit	8,999	7,913	13.7%
Custody and brokerage services	1,468	2,749	(46.6%)
Others	39,287	57,496	(31.7%)
Total fees and commission income, net	407,269	349,328	16.6%

(1) Excludes Getnet, our acquiring business, which was launched in February 2021.

Fees from credit, debit and ATM cards increased 13.2% in 2022 due to the growth of our Santander Life debit and credit cards and Superdigital prepaid cards, as well as increased use by all our card-using customers. The Bank also increased the number of ATMs during the year, from 1,338 as of December 31, 2021 to 1,647 as of December 31, 2022, resulting in higher fees from clients from other banks and financial institutions using our machines. These increases were offset by an increase in the Bank's maximum interchange rates to 1.48% for credit cards, 0.6% for debit cards and 1.04% for prepaid cards. The implementation of these maximum rates had a negative impact on this commission line of approximately Ch\$29 billion in 2022. However, this has been mitigated by the increase in cards and their usage.

Fees from collections increased 101.2% in 2022 compared to 2021. This line item includes, among other items, credit-related insurance collected on behalf of insurance companies, such as fire and earthquake insurance that are mandatory for mortgage loans. This was mainly due to higher commissions for transfers and payment orders and customer collection.

Insurance brokerage fees increased 19.8% due to an increase in the sale of car and life insurance, primarily due to advances in our digital platforms that enable clients to search for and purchase these products online more easily.

Fees from checking accounts increased 31.9% in 2021 compared to 2020 due to the rise in the Bank's checking account base and an increase in the number of current accounts (including Superdigital accounts) of 18.1% in 2022 compared to 2021. Furthermore, customers can now digitally open a U.S. dollar checking account through our Santander Life platform, which had totaled 188,108 checking accounts in U.S. dollars in the last 12 months, according to data from the FMC as of October 2022.

Fees from letters of credit and other contingent operations decreased 7.9% in 2022 compared to 2021. This line corresponds to international and foreign trade financing business with clients. The decrease was mainly due to the normalization of business activities after a strong economic recovery in 2021, resulting in less demand for this product in 2022.

Fees from Getnet increased 280.1% in 2022 compared to 2021. Getnet is our new acquiring business that was launched in February 2021, which reached more than 157,641 POS machines and represented Ch\$27,060 million in fee income in 2022.

Fees from office banking increased 23.4% in 2022 compared to 2021 mainly due to improvement to our online platform for our middle-market clients to facilitate their company banking needs, which led to an increase in business during the year.

Fees from the prepayment of loans decreased 30.2% in 2022 compared to 2021. This was mainly due to the excess liquidity from Chilean households being used up as a result of the end of state aid measures due to the COVID-19 pandemic and withdrawals from pension funds lapsing in 2022, resulting in less demand from our clients to prepay debt.

Fees from lines of credit increased 13.7% in 2022 as household liquidity continued to normalize and Bank clients' demand for lines of credit increased. This increase was also driven by the expansion of our client base during the period.

Brokerage and custody fees decreased 46.6% in 2022 compared to 2021 due to lower activity in the local equity and fixed income market by Chilean institutional investors.

The 31.7% decrease in other fee income in 2022 compared to 2021 was mainly due to lower fees earned from our corporate activities related to the collection of insurance partially offset by greater fees from the brokerage of mutual funds, which increased 15.0% in 2022 and totaled Ch\$56,543 million. In December 2013, our Asset Management business was sold, but we continue to serve as an exclusive broker for Santander Asset Management, the acquirer of our asset management business.

The following table sets forth, for the periods indicated our fee income broken down by segment for the periods indicated:

	Year ended December 31,		% Change
	2022	2021	2022/2021
	(in millions of Ch\$)		
Retail banking	312,706	270,750	15.5%
Middle-market	62,644	49,545	26.4%
Corporate Investment banking	37,300	31,027	20.2%
Other	(5,381)	(1,994)	169.9%
Total fees and commission income, net	407,269	349,328	16.6%

Fees from Retail banking increased 15.5% in 2022 compared to 2021 mainly driven by card and checking account fees, increased by our digital initiatives such as Santander Life, which has helped increase the total number of checking accounts by 18.1% at December 31, 2022 as compared to the number of checking account as of December 31, 2021. This also contributed to the 13.2% increase in fees from cards during the year. Insurance brokerage fees increased 19.8% in 2022 compared to 2021 due to advances in our digital platforms that enable clients to search for and purchase insurance products online more easily.

The 26.4% increase in fees from the Middle-market segment compared to 2021 was mainly due to the enhancements to our office banking platforms and the resulting increase in business during the year.

Fees from the Corporate Investment banking segment increased 20.2% in 2022 compared to 2021, mainly due to higher fees for cash management services and other fees generated from greater activity of payment services and investment banking.

Fees in Other reached a loss of Ch\$5,381 million in 2022 mainly due to insurance fees paid to Zurich, our insurance partner.

Net Income from Financial Operations

The following table sets forth information regarding our income (loss) from financial transactions for the years ended December 31, 2022 and 2021.

	Year ended December 31,		% Change
	2022	2021	2022/2021
	(in millions of Ch\$)		
Net income/(expense) from financial assets and liabilities for trading ⁽¹⁾	78,191	(28,602)	(373.4%)
Net income from derecognizing financial assets and liabilities at amortized cost and financial assets at fair value through other comprehensive income	(1,628)	22,199	(107.3%)
Net income from exchange, adjustment and hedge accounting of foreign exchange	140,615	125,431	12.1%
Net income from financial operations	217,178	119,028	82.5%

(1) In 2022, the Bank reclassified amounts in certain line items and applied such reclassifications retrospectively to the Bank's consolidated statements of income for the year ended December 31, 2021. See Note 1—Summary of Significant Accounting Policies—(z) Reclassification to our Audited Consolidated Financial Statements for more detail.

Net income from financial operations totaled Ch\$217,178 million in the year ended December 31, 2022, an increase of 82.5% compared to the same period in 2021. These results include the results of our Treasury Division's trading business and financial transactions with customers, as well as the results of our Financial Management Division. Internal Bank policy does not allow significant foreign currency mismatches and requires that the results included in Net income from financial operations includes not only the market-to-market of our foreign currency spot position, but also the results of the derivatives used to hedge currency risk. The mark-to-market of our spot position and the derivatives used to hedge foreign currency risk are classified as trading and are included in the line item Net income from exchange, adjustment and hedge accounting of foreign exchange. For more details regarding our management and exposure to foreign currency risk, see "Item 11. Quantitative and Qualitative Disclosures About Market Risk—E. Market Risks—Market risk management—Market risk – local and foreign financial management."

Net income from financial assets and liabilities for trading totaled a gain of Ch\$78,191 million in the year ended December 31, 2022 compared to a loss of Ch\$28,602 million in the same period in 2021. This gain was mainly due to greater client demand for treasury products given the high market volatility and the increases in the monetary policy rate.

Net income from derecognizing financial assets and liabilities at amortized cost and financial assets at fair value through other comprehensive income totaled a loss of Ch\$1,628 million in the year ended December 31, 2022 compared to a gain of Ch\$22,199 million in the same period in 2021. In 2021, the Bank recognized a profit from the sale of assets at fair value through other comprehensive income related to Central Bank and Treasury instruments that was not repeated in 2022.

Net income from exchange, adjustment and hedge accounting of foreign exchange totaled Ch\$140,615 million in the year ended December 31, 2022, an increase of 12.1% compared to Ch\$125,431 million in the same period in 2021. The Bank uses cross-currency swaps to hedge the risk of the variability of cash flows attributable to changes in the interest rate of bonds and interbank loans issued at floating rates and to hedge foreign currency fluctuations, mainly in U.S. dollars.

In order to more easily compare the results from net income from financial operations, we present the following table that separates the results by lines of business for 2022 and 2021.

	Year ended December 31,		% Change
	2022	2021	2022/2021
	(in millions of Ch\$)		
Client treasury products	159,219	117,192	35.9%
Market-making with clients	59,893	51,163	17.1%
Client treasury services	219,112	168,355	30.1%
Sale of loans and charged-off loans	(485)	1,751	—
CVA adjustments	(9,560)	(5,756)	66.1%
Financial Management Division and others ⁽¹⁾	15,923	(45,323)	—
Non-client treasury income (loss)	(1,934)	(49,328)	(96.1%)
Total financial transactions, net	217,178	119,028	82.5%

(1) The Financial Management Division manages the structural interest rate risk, the structural position in inflation-indexed assets and liabilities, capital requirements and liquidity levels. The aim of the Financial Management Division is to provide stability and continuity in our net interest income from commercial activities, and to ensure that we comply with internal and regulatory limits regarding liquidity, regulatory capital, reserve requirements and market risk.

Client treasury services totaled Ch\$219,112 million, an increase of 30.1% compared to 2021. The results from client treasury products and market-making mainly include the results from the sale of derivatives, foreign exchange and fixed income instruments to our client base. In 2022, the results from client treasury products increased 35.9%. The higher market volatility due to impact of the conflict in Ukraine on the global economy, the depreciation of the Chilean peso and the tightening of monetary policy on behalf of the Central Bank of Chile led to higher demand for hedging from our Corporate and Middle-market clients. The results from market-making with client services increasing 17.1% in 2022 was mainly due to the increase in rates and inflation in the year which created market volatility and also increased business volumes of our corporate clients. These results may vary year-to-year as some large operations with corporate clients may not be repeated in subsequent years.

The results from non-client treasury income totaled a loss of Ch\$1,934 million in 2022 compared to a loss of Ch\$49,328 million in 2021. These results include the income from sale of loans, including charged-off loans, CVA adjustments and the results from our Financial Management Division. The results of the Bank's Financial Management Division totaled a gain of Ch\$15,923 million compared to a loss of Ch\$45,323 million in 2021. During 2021, as interest rates continued to rise, the Bank realized some liability management exercises including the unwinding of rate and currency hedges and the repurchase of bonds. In some instances, this resulted in an initial loss recognized in 2021 which was not repeated in 2022.

The results from the sale of loans totaled a loss of Ch\$485 million in 2022 compared to a gain of Ch\$1,751 million in 2021. The results from CVAs totaled a loss of Ch\$9,560 million. This was mainly due to a loss from CVA adjustments of our derivative portfolio, which is included in this line item, since the CVA generated by derivatives taken for hedging and on behalf of clients is not part of client income or part of Financial Management's profit and loss. During 2022, the CVA adjustment loss increased due to higher counterparty risk compared to 2021, especially as a result of the Ukraine conflict.

Other Operating Income

	Year ended December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Income from investments in associates and other companies	10,310	(475)	—
Net income from non-current assets and non-continued operations	8,518	2,297	270.8%
Other operating income:			—
Pension plan interest	963	640	50.5%
Compensation from insurance companies due to damages ⁽¹⁾	141	45	213.3%
Rental income	488	286	70.6%
Income from recovery tax and expenses	548	218	151.4%
Income from business alliance	1,180	440	168.2%
Other income	2,219	33	6,624.2%
Subtotal	5,539	1,662	233.3%
Total	24,367	3,484	599.4%

(1) Mainly related to recoveries from fraud claims.

Total other operating income increased by 599.4% in 2022 compared to 2021 and totaled a gain of Ch\$23,367 million. Income from investments in associates and other companies totaled a gain of Ch\$10,310 million in 2022 due to a strong increase in the results of associate companies that provide services to the Bank, especially Transbank. The rise in results from non-current assets and non-continued operations was mainly due to higher income from the sale and/or write-off of assets received in payment. Other operating income totaled a gain of Ch\$5,539 million in 2022 compared to a gain of Ch\$1,662 million in 2021 which includes higher income from compensation from insurance companies, income from recovery of expenses incurred in previous periods.

Expected Credit Loss Allowance

The following table sets forth certain information relating to our provision for expected credit losses for the year ended December 31, 2022.

For the year ended December 31, 2022	Stage 1		Stage 2		Stage 3		TOTAL ⁽¹⁾
	Corporate	Other ⁽²⁾	Corporate	Other ⁽²⁾	Corporate	Other ⁽²⁾	
	(in millions of Ch\$)						
Commercial loans	4,324	8,734	272	515	90,349	93,961	198,155
Mortgage loans	-	(5,010)	-	(4,936)	-	51,327	41,381
Consumer loans	-	16,234	-	72,115	-	113,510	201,859
Contingent loans	453	2,864	(837)	(231)	1,511	1,429	5,189
Loans and account receivable at FVOCI	58	-	-	-	-	-	58
Debt at FVOCI	-	(529)	-	-	-	-	(529)
Debt at amortized cost	-	957	-	-	-	-	957
Subtotal	4,837	23,249	(565)	67,463	91,860	260,227	447,071
Recovery of loans previously charged-off							(90,577)
TOTAL							356,494

(1) Includes overlays for an amount of Ch\$91,351 million. See Note 37, Risk management to our Audited Consolidated Financial Statements

(2) Includes Mortgages, Consumer and Other Commercial loans.

For the year ended December 31, 2022, provisions for expected credit loss totaled Ch\$356,494 million and increased 22.4% compared to 2021. In the course of 2022, the Bank has updated the macro-economic information and scenarios, resulting in an increase of ECL allowance of Ch\$73,000 million, which were covered with post-model adjustment previously recorded. As of December 31, 2022, the Bank maintains Ch\$91,351 million in residual overlays, to face future macro-economic information and scenarios updates and to cover certain defaulted loans from mortgage and other commercial portfolios and specific clients. The table below breaks down these results by main product item:

	Year ended December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Commercial loans ⁽¹⁾	(198,155)	(176,534)	12.2%
Mortgage loans	(41,381)	(44,437)	(6.9%)
Consumer loans	(201,859)	(134,667)	49.9%
Contingent loans	(5,189)	(12,254)	(57.7%)
Loans and AR at FVOCI	(58)	(59)	(1.7%)
Debt at FVOCI	529	435	21.6%
Debt at amortized cost	(957)	(711)	34.6%
Subtotal	(447,071)	(368,227)	21.4%
Recoveries	90,577	76,999	17.6%
Total Provision For Loan Losses	(356,494)	(291,228)	22.4%

(1) In 2022, the Bank reclassified amounts in certain line items and applied such reclassifications retrospectively to the Bank's consolidated statements of income for the year ended December 31, 2021. See Note 1—Summary of Significant Accounting Policies—(z) Reclassification to our Audited Consolidated Financial Statements for more detail.

Provisions for expected credit losses of our commercial loans totaled Ch\$198,155 million for the year ended December 31, 2022 and increased 12.2% compared to 2021. This was mainly due to the increase in loans that were transferred from Stage 1 to Stage 3 and Stage 2 to Stage 3. This was mainly due to a worsening of the economic outlook during 2022 and the reversal of overlays in 2021. During 2021, the Bank released Ch\$30,000 million in overlays that had been constituted in 2020 for commercial loans in Stage 2.

Provisions for expected credit losses for mortgage loans totaled an expense of Ch\$41,381 million for the year ended December 31, 2022, compared to an expense of Ch\$49,370 million in 2021. Mortgage loans increased 13.4% in 2022 compared to 2021 mainly driven by the higher value of the UF. This, together with the prevalence of higher rates, led to a slowdown in new origination of mortgage loans. Write-offs of loans classified as Stage 3 decreased from Ch\$31,895 million to Ch\$22,282 million. This was offset by greater transfers from Stage 2 to Stage 3.

The provisions for expected credit losses for consumer loans totaled a charge of Ch\$201,859 million and increased 49.9% in 2022 compared to 2021. During 2022, the consumer loan book increased 5.7% compared to 2021, mainly due to a strong growth of auto loans through our Santander Consumer subsidiary, and an acceleration in credit cards. Between the end of 2019 and 2021 credit card loans decreased 7.0% as clients reduced large purchases such as travel and hotels which fuels credit card loans. At the same time many clients paid off credit card debt with the liquidity obtained from government transfers and pension fund withdrawals. During 2022, as household liquidity levels returned to normal and holiday travel resumed, credit card loans began to grow again. Regardless of other factors, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition and consumer loans are written off after 6 months. In 2022, write-off for this loan book totaled Ch\$174,919 million compared to Ch\$118,953 million in 2021. Furthermore, in 2021, some Ch\$17,400 million in overlays were released, which was not repeated in 2022.

The following table shows the success rate of renegotiated consumer and residential loans used for management purposes, for the periods indicated. The success rate for consumer loans is defined for each reported period as: (i) the total amount of loans renegotiated in that period minus the amount of such renegotiated loans that are classified as non-performing loans as of December 31, 2022, minus the amount of such renegotiated loans that have been charged off as of December 31, 2022, divided by (ii) the total amount of such renegotiated loans. The success rate for residential mortgage loans is defined for each reported period as: (i) the total amount of loans renegotiated in that period minus the amount of such renegotiated loans that are classified as non-performing loans as of December 31, 2022, divided by (ii) the total amount of such renegotiated loans. A charge-off of a residential mortgage loan is not generally included in measuring the success rate of mortgage renegotiations since the period to charge-off a mortgage loan is 48 months after an installment is past-due.

Period of Renegotiation	Success Rate Consumer Loans at December 31, 2022	Success Rate Residential Mortgage Loans at December 31, 2022
First Quarter 2021	41.8%	75.0%
Second Quarter 2021	40.0%	73.4%
Third Quarter 2021	41.5%	67.5%
Fourth Quarter 2021	49.1%	67.0%
First Quarter 2022	53.8%	53.3%
Second Quarter 2022	68.4%	73.4%
Third Quarter 2022	95.7%	60.5%
Fourth Quarter 2022	98.4%	71.1%

As a general rule, charge-offs should be done when all collection efforts have been exhausted. These charge-offs consist of de-recognition from the Consolidated Statements of Financial Position of the corresponding loans operations in its entirety, and, therefore, include portions not past-due of a loan in the case of installments loans or leasing operations (no partial charge-offs exists). Subsequent payments obtained from charged-off loans will be recognized in the Consolidated Statement of Income as a recovery of loans previously charged-off. Loan and accounts receivable charge-offs are recorded for overdue, past due, and current installments based on the time periods expired since reaching overdue status, as described below:

Any payment agreement of an already charged-off loan will not give rise to income-as long as the operation is still in an impaired status-and the effective payments received are accounted for as a recovery from loans previously charged-off. In general, legal collection proceedings are commenced with respect to consumer loans once they are past-due for at least 90 days and, with respect to mortgage loans, once they are past-due for at least 120 days. Legal collection proceedings are always commenced within one year of such loans becoming past-due, unless we determine that the size of the past-due amount does not warrant such proceedings. In addition, the majority of our commercial loans are short-term, with single payments at maturity. Past-due loans are required to be covered by individual loan loss reserves equivalent to 100.0% of any unsecured portion thereof.

Recoveries on loans previously charged-off increased 17.6% in 2022 compared to 2021 as increasing mobility after lockdowns facilitated recovery efforts. The following table shows recoveries of loans previously charged-off by type of loan.

	Year ended December 31,		% Change
	2022	2021	2022/2021
	(in millions of Ch\$)		
Recovery of loans previously charged-off			
Consumer loans	44,862	36,166	24.0%
Residential mortgage loans	21,575	13,621	58.4%
Commercial loans	24,140	27,212	(11.3%)
Total recoveries	90,577	76,999	17.6%

In some instances, we will sell a portfolio of charged-off loans to a third party. Gain (loss) on these charged-off loans is recognized as net income from financial transactions as disclosed in “Note 27—Net Income (Expense) from Financial Operations” of our Audited Consolidated Financial Statements. The following table sets forth information about our sale of charged-off loans for the year ended December 31, 2022 and 2021.

	Year ended December 31,		% Change
	2022	2021	2022/2021
	(in millions of Ch\$)		
Gains (losses) on sale of loans previously charged-off	(485)	1,751	—%

The following table sets forth, for the periods indicated, our net provision expense broken down by business segment:

	Year ended December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Retail banking	(263,167)	(239,885)	9.7%
Middle-market	(57,253)	(53,281)	7.5%
Corporate Investment banking	(8,082)	2,884	—%
Other	(27,993)	(946)	2,859.1%
Total provisions, net	(356,495)	(291,228)	22.4%

Net provisions expense from retail banking increased 9.7% in 2022 compared to 2021 despite a 5.5% increase in this loan portfolio. During the pandemic, Chileans were permitted to access their pension funds, and many received an important amount of direct transfers from the government. This resulted in a temporary improvement in asset quality as part of these funds were used to pay off current and overdue loans. As this excess liquidity has been used up and as the economy began to slowdown, partly due to increasing interest rates, asset quality is returning to pre-pandemic levels, which resulted in a rise in provisions for this segment.

Net provision expense from the Middle-market segment increased 7.5% in 2022 despite a 3.7% increase in this loan portfolio as certain sectors, such as construction, came under financial strain during the period.

Net provision expense from Corporate Investment banking totaled an expense of Ch\$8,082 million in 2022 after a release of provisions in 2021 resulting from the sale of particular corporate loans in that year.

Total provisions, net included in Others totaled an expense of Ch\$27,993 million in 2022 compared to an expense of Ch\$946 million in 2021. This difference is explained by the release of overlays in 2021, which was not repeated in 2022. We believe that our loan loss allowances are currently adequate for all known and expected credit losses.

Operating Expenses

The following table sets forth information regarding our operating expenses in the years ended December 31, 2022 and 2021.

	Year ended December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Personnel salaries and expenses	(414,808)	(397,675)	4.3%
Administrative expenses	(310,219)	(280,134)	10.7%
Depreciation and amortization	(129,993)	(122,055)	6.5%
Impairment	—	—	—
Other operating expenses	(106,306)	(101,430)	4.8%
Total operating expenses	(961,326)	(901,294)	6.7%
Efficiency ratio ⁽¹⁾	43.3%	39.8%	

(1) The efficiency ratio is the ratio of total operating expenses to total operating income. Total operating income consists of net interest income, fee income, net income from financial operations, and other operating income.

Operating expenses in the year ended December 31, 2022 increased 6.7% compared to the corresponding period in 2021. The efficiency ratio was 43.3% in 2022 and 39.8% in 2021.

Personnel salaries and expenses in the year ended December 31, 2022 increased 4.3% compared to the corresponding period in 2021, mainly due to a higher salary costs as the fixed salaries were readjusted periodically for the higher CPI during the year. This was partially offset by a decrease of 6.0% in headcount in 2022, ending the year at 9,389 employees in the Bank compared to 9,988 in 2021.

Administrative expenses increased 10.7% in the year ended December 31, 2022 compared to the corresponding period in 2021, mainly due to the higher inflation rate and volatility of the Chilean peso, which resulted in the rise of administrative expenses, as items such as rent and outsourced service contracts, such as the security transport vehicles, are indexed to inflation. In addition, various outsourced IT-related expenses are denominated in foreign currencies.

As of December 31, 2022, the Bank had a total of 286 branches, 74 of which were in the WorkCafé format. The table below provides a breakdown of the Bank's branch network during the periods indicated.

	Year ended December 31,		% Change 2022/2021
	2022	2021	
Traditional branches	199	242	(17.8%)
Middle-market centers	7	7	0.0%
Santander Select	6	14	(57.1%)
WorkCafés	74	63	17.5%
Total branches	286	326	(12.3%)
Total ATMs (including depositary ATMs)	1,647	1,338	23.1%

Depreciation and amortization expense increased 6.5% in 2022 compared to 2021. This increase was mainly due to a higher amortization of intangible assets due to digital banking developments as part of our plan to improve productivity. There were no impairment charges in 2022 or 2021.

Other operating expenses were Ch\$106,306 million in 2022, an increase of 4.8% compared to 2021. This is explained by the increase in the Bank's client base, which increases the cost the Bank must pay to cover for the insurance policy it has contracted to cover cyber fraud losses. The Bank also increased the provision set aside for future severance payments which is included in this line item. See "Note 29—Other Operating Income and Expenses" to our Audited Consolidated Financial Statements for more detail on Other operating expenses.

The following table sets forth, for the periods indicated, our personnel salaries, administrative and depreciation and amortization expenses broken down by business segment. These amounts exclude impairment and other operating expenses.

	Year ended December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Retail banking	(635,991)	(616,287)	3.2%
Middle-market	(105,160)	(94,721)	11.0%
Corporate Investment banking	(91,926)	(77,051)	19.3%
Other	(21,943)	(11,805)	85.9%
Total personnel, administrative expenses, depreciation and amortization⁽¹⁾	(855,020)	(799,864)	6.9%

(1) Excludes impairment and other operating expenses.

By business segment, the 6.9% increase in costs was mainly due to the impact of higher inflation and the volatility of the Chilean peso. In retail banking, the increase was mainly due to the effect of the inflation on salaries while our Middle-market and CIB banking segments were most affected by the impact of inflation on fixed wages and higher costs for technological services, most of which are denominated in foreign currency.

Income tax

	Year ended December 31,		% Change 2022/2021
	2022	2021	
	(in millions of Ch\$)		
Net income before tax	901,106	1,074,092	(16.1%)
Income tax expense	(93,624)	(221,664)	(57.8%)
Effective tax rate ⁽¹⁾	10.4%	20.6%	

(1) The effective tax rate is the income tax expense divided by net income before tax.

Total income tax expense by the Bank in 2022 was Ch\$893,624 million, a decrease of 57.8% compared to 2021. Net income before tax decreased 16.1%. The Bank paid an effective tax rate of 10.4% in 2022 compared to 20.6% in 2021. The statutory corporate tax rate in Chile in both 2022 and 2021 was 27%. The Bank usually pays a lower effective tax rate than the statutory rate since in our Chilean tax books we must re-measure capital each year for the variation in CPI inflation and this produces a tax loss. As inflation was higher in 2022 than in 2021 the adjustment of capital for CPI resulted in a higher loss in our tax books which lowered the effective income tax rate. See “Note 13—Current and Deferred Taxes” of the Audited Consolidated Financial Statements for more detail on income tax expense.

B. Liquidity and Capital Resources

Sources of Liquidity

The following table sets forth Santander-Chile’s contractual obligations and commercial commitments by time remaining to maturity. As of the date of the filing of this Annual Report, the Bank does not have significant purchase obligations. As of December 31, 2022, the scheduled maturities of our contractual obligations and of other commercial commitments, including accrued interest, were as follows:

	Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Subtotal up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Subtotal after 1 year	Total
As of December 31, 2022	(in millions of Ch\$)									
Obligations under repurchase agreements	—	211,730	—	—	211,730	—	—	—	—	211,730
Checking accounts, time deposits and other time liabilities ⁽¹⁾	15,067,268	12,712,880	5,806	—	27,785,954	25,934	—	—	25,934	27,811,888
Financial derivatives contracts	—	67,236	151,948	2,541,236	2,760,420	4,686,662	2,415,134	4,245,898	11,347,694	14,108,114
Interbank borrowings	24,667	149,482	818,030	2,252,305	3,244,484	5,620,281	—	—	5,620,281	8,864,765
Issue debt instruments	—	—296,206	204,084	584,517	492,396	2,809,573	1,915,970	3,681,824	8,407,366	8,899,762
Obligations for lease agreements	—	292,756	—	—	292,756	142	97	—	239	292,995
Other financial liabilities ⁽²⁾	—	—	—	25,902	25,902	46,955	32,784	31,448	111,187	137,089
Subtotal	15,091,935	13,137,878	1,179,868	5,403,960	34,813,642	13,189,547	4,363,985	7,959,170	25,512,701	60,326,343
Contractual interest payments ⁽³⁾	1,497,095	55,270	154,158	689,289	2,395,812	65,941	63,355	59,157	188,454	2,584,266
Total	16,589,030	13,193,148	1,334,027	6,093,249	37,209,453	13,255,488	4,427,340	8,018,327	25,701,155	62,910,609

(1) Includes demand deposits and other demand liabilities, cash items in process of being cleared and time deposits and other time liabilities.

(2) Mainly includes amounts owed to credit card processors and to the Chilean Production Development Corporation (*Corporación de Fomento de la Producción de Chile*), the state development agency.

(3) The table above includes future cash interest payments. For variable rate obligations, we assume the same rate as the last rate known. Various of the payment obligations in the table above are variable debt instruments, since they are denominated in UF, for which we have estimated a long-term inflation rate equal to 3%, which is at the center of the Central Bank’s long-term inflation target. No exclusions requiring further explanation have been made in this table.

The Bank has checking accounts, time deposits and other time liabilities maturing within one year amounting to Ch\$27,811,888 million as of December 31, 2022. Santander-Chile’s liquidity depends upon its (i) capital, (ii) reserves and (iii) financial investments, including investments in government securities. To cover any liquidity shortfalls and to augment its liquidity position, Santander-Chile has established lines of credit with foreign and domestic banks and also has access to Central Bank borrowings. The Bank has a liquidity portfolio of Ch\$6,885,783 million as of December 31, 2022, including cash and liquid assets. For further discussion of the maturities of our liquid assets, see “Analysis of Investments”. Our general policy is to maintain liquidity adequate to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our own working capital needs. Our minimum amount of liquidity is determined by the statutory reserve requirements of the Central Bank.

Most instruments maturing after one year are financial derivative contracts and issued debt instruments. Our current funding strategy is to continue to utilize all sources of funding in accordance with their costs, their availability and our general asset and liability management strategy. Special emphasis is placed on lengthening the maturities of funding with institutional clients, diversifying our bondholder base. Overall the management of our liquidity and funding has led to an LCR ratio of 175% and a NSFR of 116%. Furthermore, the Bank also has regulatory capital of Ch\$6,759,047 million, representing 17.8% of our risk-weighted assets as of December 31, 2022.

Obligations for lease agreements

Certain bank premises and equipment are leased and the scheduled maturities of obligations for lease agreements as of December 31, 2022 were as follows:

	As of December 31, 2022 (in millions of Ch\$)
Due within 1 year	25,902
Due after 1 year but within 2 years	24,862
Due after 2 years but within 3 years	22,093
Due after 3 years but within 4 years	19,565
Due after 4 years but within 5 years	13,220
Due after 5 years	31,447
Total	137,089

Other Commercial Commitments

As of December 31, 2022, the scheduled maturities of other commercial commitments, including accrued interest, were as follows:

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Other Commercial Commitments	(in millions of Ch\$)						
Performance guarantee	170,241	269,424	529,148	469,625	33,671	4,491	1,476,600
Foreign letters of credit confirmed	66,001	106,876	75,179	7,466	0	0	255,522
Letters of credit issued	163,938	32,392	624,927	92,627	782	9,507	924,173
Personal guarantees	400,180	408,692	1,229,254	569,718	34,453	13,998	2,656,295
Total other commercial commitments	170,241	269,424	529,148	469,625	33,671	4,491	1,476,600

Risk-Weighted Assets and Regulatory Capital

On October 9, 2020, the FMC published the final regulations on regulatory capital to comply with effective net worth rules in accordance with Basel III and the General Banking Law. The new regulation became effective on December 1, 2021 and will be gradually implemented and adjusted to be fully in place by December 1, 2025. Our regulatory capital exceeds the minimum requirement under the current Chilean regulations. For further details of capital requirements, please see “Item 4. Information on the Company—B. Business Overview-Regulation and Supervision—Minimum Capital.”

The following table sets forth our risk-weighted assets and regulatory capital as of December 31, 2022 under Basel III as required by the Chilean regulator as of this reporting date.

	December 31, 2022
Risk-weighted assets (Ch\$ million)	
Market risk	5,554,604
Operational risk	4,070,594
Credit risk	28,324,909
Total RWA	37,950,107

	December 31, 2022	Ratio
	(Ch\$ million)	December 31, 2022
		(% of RWA)
Core capital	4,212,916	11.1%
Additional Tier I	779,997	2.1%
Tier I	4,992,913	13.2%
Tier II	1,766,133	4.7%
Regulatory capital	6,759,047	17.8%

(1) Core capital as a percentage of total risk-weighted assets.

(2) Regulatory capital as a percentage of total risk-weighted assets.

Other equity instruments

On October 2021, the Bank issued a perpetual bond for U.S.\$700 million at an annual rate of 4.63% with no fixed maturity and that is not redeemable before five years from the date of issuance. The trigger (going concern) was set at 5.125% and the bond considers an expiration absorption mechanism. The amount outstanding in Ch\$ million at year-end was as follows:

	As of December 31, 2022		
	Current	Non-current	Total
	Ch\$ million		
Perpetual bond	—	590,246	590,246
Total	—	590,246	590,246

We believe our current capital levels are adequate, but we cannot rule out having to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required by the FMC.

Financial Investments

On initial recognition, financial assets and financial liabilities are measured at the transaction price, i.e. the fair value of the consideration given or received (IFRS 13). In the case of financial instruments not at fair value through profit or loss, transaction costs are directly attributable to the acquisition or issue of the financial asset or financial liability. After initial recognition, an entity shall measure a financial liability at amortized cost and an entity shall measure a financial asset at:

(a) Amortized Cost

Financial assets that are held in a business model to collect the contractual cash flows and contain contractual terms that give rise on specific dates to cash flows that are SPPI, are measured at amortized cost.

The effective interest method is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

Debt instruments at amortized cost

These instruments include high rated loans and Central Bank bonds and were initially classified as debt instruments at fair value through other comprehensive income. However, since they are being used for collateral for the Central Bank Credit Lines (FCIC) and for technical reserve in the Central Bank, a portion of Debt instruments at fair value through other comprehensive income (FVOCI) were reclassified to Debt instruments at amortized cost in 2022. The portion reclassified matches the estimated duration of our excess technical reserve and the duration of the FCIC lines with the Central Bank.

	As of December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Central Bank and Government Securities	4,867,591	4,691,730	—
Other Chilean Securities	—	—	—
Foreign securities	—	—	—
Investments in mutual funds	—	—	—
Total (gross carrying amount)	4,867,591	4,691,730	—

(b) Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flow and selling, and that contain contractual terms that give rise on specific dates to cash flows that are SPPI, are measured at FVOCI. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognized in other comprehensive income, until the assets are sold. Upon disposal, the cumulative gain and losses in OCI are recognized in the income statement.

Debt instruments at fair value through other comprehensive income (FVOCI) – under IFRS 9

As of December 31, 2022, 2021 and 2020, the debt instruments at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9 are as follows:

	As of December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Chilean central bank and government securities			
Chilean Central Bank financial instruments	3,331,264	3,258,417	1,008,450
Chilean Treasury bonds and notes	742,717	981,939	5,344,910
Other Chilean government financial instruments	432	—	—
Subtotal	4,074,413	4,240,356	6,353,360
<i>of which sold under repurchase agreement</i>	<i>207,280</i>	<i>86,554</i>	<i>969,409</i>
Other Chilean debt financial securities			
Chilean Bank debt financial instruments	9,891	11,774	16,731
Other Chilean financial instruments	7	—	—
Subtotal	9,898	11,774	16,731
<i>of which sold under repurchase agreement</i>	<i>91</i>	<i>80</i>	<i>399</i>
Foreign financial securities			
Foreign Central Banks and Government securities	1,668,670	1,438,155	269,803
Other foreign financial securities	127,752	111,094	522,648
Subtotal	1,796,422	1,549,249	792,451
<i>of which sold under repurchase agreement</i>	<i>127,752</i>	<i>—</i>	<i>—</i>
Total	5,880,733	5,801,379	7,162,542

(c) Fair Value through Profit or Loss (FVTPL)

Financial assets that do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial assets, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling.

Financial assets held for trading are recognized at fair value through profit or loss, likewise derivatives contracts for trading purposes.

Financial Assets Held For Trading

	As of December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Central Bank and Government Securities	153,967	68,649	132,246
Other Chilean Securities	—	4,698	1,472
Foreign securities	79	—	—
Investments in mutual funds	—	—	—
Total	154,046	73,347	133,718

(d) Equity Instruments

For certain equity instruments, the Bank may make an irrevocable election to present subsequent changes in the fair value of the instrument in other comprehensive income, except for dividend income which is recognized in profit or loss. Gains or losses on derecognition of these equity instruments are not transferred to profit or loss.

Analysis of investments

The following table sets forth an analysis of our investments as of December 31, 2022 by remaining maturity and the weighted average nominal rates of such investments.

	Within one year	Weighted average Nominal Rate	After one year but within five years	Weighted average Nominal Rate	After five years but within ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total	Weighted average Nominal Rate
(in millions of Ch\$, except rates)										
As of December 31, 2022										
Financial Assets Held For Trading										
Central Bank and Government Securities										
Central Bank bonds	1,412	3.9	—	—	—	—	—	—	1,412	3.9
Central Bank notes	—	—	—	—	—	—	—	—	—	—
Central Bank and government securities	112,825	9.2	27,077	4.1	12,234	5.6	419	5.0	152,555	8.0
Subtotal	114,237		27,077		12,234		419		153,967	
Other Chilean Securities										
Time deposits in Chilean financial institutions	—	—	—	—	—	—	—	—	—	—
Mortgage bonds of Chilean financial institutions	—	—	—	—	—	—	—	—	—	—
Chilean financial institutions bonds	—	—	—	—	—	—	—	—	—	—
Chilean corporate bonds	—	—	—	—	—	—	—	—	—	—
Other Chilean securities	—	—	—	—	—	—	—	—	—	—
Subtotal	—		—		—		—		—	
Foreign Financial Securities										
Other foreign financial instruments	—	—	79	4.1	—	—	—	—	79	4.1
Subtotal	—		79		—		—		79	
Investment in mutual funds										
Mutual funds administered by related parties	—	—	—	—	—	—	—	—	—	—
Subtotal	—		—		—		—		—	
Total	114,237		27,156		12,234		419		154,046	114,237

	Within one year	Weighted average Nominal Rate	After one year but within five years	Weighted average Nominal Rate	After five years but within ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total	Weighted average Nominal Rate
As of December 31, 2022										
Debt instruments at amortized cost										
(in millions of Ch\$, except rates)										
Central Bank bonds										
Central Bank notes										
Central Bank and government securities	96,344	3.6	4,772,141	1.7	—	—	—	—	4,868,485	5.3
Total	96,344	3.6	4,772,141	1.7	—	—	—	—	4,868,485	5.3
Debt instruments at FVOCI										
Central Bank bonds	—	—	—	—	—	—	—	—	—	—
Central Bank notes	3,331,264	0.9	—	—	—	—	—	—	3,331,264	0.9
Central Bank and government securities	98,164	0.7	432	4.5	644,553	1.9	—	—	743,149	1.8
Subtotal	3,429,428		432		644,553		—		4,074,413	
Other Chilean Securities										
Time deposits in Chilean financial institutions	—	10.8	—	—	—	—	—	—	—	10.8
Mortgage bonds of Chilean financial institutions	6	4.2	7,191	3.5	1,629	3.7	1,0659	4.2	9,891	3.6
Chilean financial institutions bonds	—	—	—	—	—	—	—	—	—	—
Chilean corporate bonds	—	—	—	—	—	—	—	—	—	—
Other Chilean securities	—	—	—	—	—	—	7	—	7	—
Subtotal	7		7,191		1,629		1,072		9,898	
Other financial securities										
Central Bank and Government Foreign Securities	—	—	426,953	—	1,241,717	—	—	—	1,668,670	—
Other Foreign financial securities	—	—	55,582	2.5	72,170	2	—	—	127,752	2.2
Subtotal	—		482,535		1,313,887		—		1,796,422	
Total	3,429,435		490,158		1,960,069		1,072		5,880,733	

Working Capital

As a bank, we satisfy our working capital needs through general funding, the majority of which derives from deposits and other borrowings from the public. (See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Deposits and Other Borrowings”). In our opinion, our working capital is sufficient for our present needs.

Liquidity Management

Liquidity management seeks to ensure that, even under adverse conditions, we have access to the funds necessary to cover client needs, maturing liabilities and capital requirements. Liquidity risk arises in the general funding for our financing, trading and investment activities. It includes the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner at a reasonable price and the risk that we will be required to repay liabilities earlier than anticipated.

The following table sets forth the balance of our liquidity portfolio managed by our Financial Management Division in the manner in which it is presented to the Asset and Liability Committee (ALCO) and the Board. The ALCO now uses as its liquidity portfolio those defined by the FMC and the Central Bank, which are in line with those established in BIS III. As of December 31, 2022 and 2021, the breakdown of the Bank’s liquid assets by levels was the following:

	December 31, 2022 (Ch\$ million)	December 31, 2021 (Ch\$ million)
Balance as of:		
Cash and cash equivalent	1,453,265	1,106,152
Level 1 liquid assets ⁽¹⁾	5,424,452	1,223,824
Level 2 liquid assets ⁽²⁾	8,066	9,792
Total liquid assets	6,885,783	2,339,768

(1) Includes available balances held in the Central Bank of Chile, financial instruments issued by the Chilean Treasury or Central Bank and other financial instruments issued or guaranteed by states, multilateral development banks or foreign central banks that have a first class rating, in accordance with international rating agencies. Collateral under the FCIC funding program with the Central Bank of Chile and technical reserve in the Central Bank are not included.

(2) Includes instruments issued by governments, central banks and development banks of foreign countries with a risk rating of A- to AA+ and mortgage bonds issued by Chilean banks that are acceptable at the Central Bank’s repo window.

	December 31, 2022 (Ch\$ million)	December 31, 2021 (Ch\$ million)
Average balance as of:		
Cash and cash equivalent	1,237,652	1,047,936
Level 1 liquid assets ⁽¹⁾	3,957,449	1,514,748
Level 2 liquid assets ⁽²⁾	8,785	10,961
Total liquid assets	5,203,887	2,573,644

(1) Includes available balances held in the Central Bank of Chile, financial instruments issued by the Chilean Treasury or Central Bank and other financial instruments issued or guaranteed by states, multilateral development banks or foreign central banks that have a first class rating, in accordance with international rating agencies. Collateral under the FCIC funding program with the Central Bank of Chile and technical reserve in the Central Bank are not included.

(2) Includes instruments issued by governments, central banks and development banks of foreign countries with a risk rating of A- to AA+ and mortgage bonds issued by Chilean banks that are acceptable at the Central Bank's repo window.

Our general policy is to maintain liquidity adequate to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our own working capital needs. Our minimum amount of liquidity is determined by the statutory reserve requirements of the Central Bank. Deposits are subject to a statutory reserve requirement of 9.0% for demand deposits and 3.6% for Chilean peso-, UF- and foreign currency denominated time deposits with a term of less than a year. See "Item 4. Information on the Company—B. Business Overview—Competition—Regulation and Supervision." The Central Bank has statutory authority to increase these percentages to up to 40.0% for demand deposits and up to 20.0% for time deposits. In addition, a 100.0% special reserve (*reserva técnica*) applies to demand deposits, deposits in checking accounts, other demand deposits received or obligations payable on sight and incurred in the ordinary course of business, other than deposits unconditionally payable immediately. This special reserve requirement applies to the amount by which the total of such deposits exceeds 2.5 times the amount of a bank's regulatory capital. Interbank loans are deemed to have a maturity of more than 30 days, even if payable within the following 10 days. The Central Bank has also set other liquidity limits and ratios that minimize liquidity risk. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

Cash Flow

The tables below set forth our main sources of cash. The subsidiaries are not an important source of cash flow for us and therefore have no impact on our ability to meet our cash obligations. No legal or economic restrictions exist on the ability of subsidiaries to transfer funds to us in the form of loans or cash dividends as long as these subsidiaries abide by the regulations of the *Ley General de Bancos* and the *Ley de Sociedad Anónimas* regarding loans to related parties and minimum dividend payments. See our Consolidated Statements of Cash Flows in our Audited Consolidated Financial Statements for a detailed breakdown of the Bank's cash flow.

	Year ended December 31,		
	2022	2021	2020
	Millions of Ch\$		
Net cash (used in) provided by operating activities	(358,988)	(594,679)	(819,993)

Our operating activities used cash for Ch\$358,988 million in 2022, derived from lower loan growth, a decrease in checking accounts and the redemption of senior bonds in the year. This was partially offset by an increase in financial investment. Our operating activities used cash for Ch\$594,679 million in 2021, mainly derived from an increase in loans and financial investment, partially offset by an increase in deposits, principally demand deposits. The net cash used in 2021 was lower than in 2020 mainly due to a decrease in redemption of senior bonds and payments of interest and an increase of obligations with foreign banks.

	Year ended December 31,		
	2022	2021	2020
	Millions of Ch\$		
Net cash (used in) provided by investment activities	(94,602)	(84,271)	(70,105)

In 2022, the Bank's investment activities consumed cash in an amount of Ch\$94,602 million, mainly due to the purchase of intangible assets, mainly related to the digital strategy. In 2021 and 2020, the Bank's investment activities consumed cash in an amount of Ch\$84,271 million and Ch\$70,105 million, respectively, mainly due to purchases of property, plant and equipment, as well as intangible assets such as software. This was partially offset by the sale of some fixed assets.

	Year ended December 31,		
	2022	2021	2020
	Millions of Ch\$		
Net cash provided by (used in) financing activities	(384,323)	238,661	102,090

In 2022, net cash used in financing activities was Ch\$384,323 million due to the annual dividend payment, which was partially offset by issuance of subordinated bonds, which amounted to a cash increase of Ch\$102,481 million.

In 2021, net cash provided by financing activities was Ch\$238,661 million due to the placement of a perpetual bond, which amounted to a cash increase of Ch\$595,175 million. This was partially offset by the annual dividend payment.

In 2020, net cash provided in financing activities was Ch\$102,090 million due to the placement of subordinated bonds, which amounted to a cash increase of Ch\$475,390 million. This was partially offset by the annual dividend payment. In 2019, the net cash used in financing activities can be explained by the Bank's annual dividend payment each year.

Deposits and Other Borrowings

The following table sets forth our average balance of liabilities for the years ended December 31, 2022, 2021, and 2020, in each case together with the related average nominal interest rates paid thereon.

	2022			2021			2020		
	Average Balance	% of Total Average Liabilities	Average Nominal Rate	Average Balance	% of Total Average Liabilities	Average Nominal Rate	Average Balance	% of Total Average Liabilities	Average Nominal Rate
(in millions of Ch\$, except percentages)									
Interest-bearing liabilities									
Savings accounts	198,478	0.3%	11.3%	177,779	0.3%	5.9%	138,671	0.2%	2.5%
Time deposits	14,114,807	20.8%	5.8%	13,174,290	22.8%	0.8%	14,248,478	25.5%	1.2%
Central Bank borrowings	5,441,584	8.0%	0.0%	5,546,895	9.6%	0.5%	2,881,600	5.2%	0.0%
Repurchase agreements	450,632	0.7%	3.7%	135,078	0.2%	0.7%	243,280	0.4%	0.8%
Mortgage finance bonds	5,058	0.0%	17.3%	9,105	0.0%	10.9%	14,580	—%	7.6%
Commercial paper	298,142	0.4%	2.4%	277,666	0.5%	0.3%	—	—%	—%
Other interest bearing liabilities	12,105,458	17.8%	13.6%	9,781,372	16.9%	9.8%	11,202,635	20.1%	4.2%
Subtotal interest-bearing liabilities	32,614,159	48.1%	7.7%	29,102,186	50.3%	3.8%	28,729,244	51.5%	2.2%
Non-interest bearing liabilities									
Non-interest bearing deposits	12,844,814	18.9%		14,035,242	24.3%		10,403,347	18.6%	
Derivatives	12,773,821	18.8%		7,666,801	13.2%		9,793,162	17.5%	
Other non-interest bearing liabilities	6,079,681	9.0%		3,000,598	5.2%		3,171,540	5.7%	
Shareholders' equity	3,524,063	5.2%		4,062,407	7.0%		3,734,243	6.7%	
Subtotal non-interest bearing liabilities	35,222,379	51.9%		28,765,048	49.7%		27,102,291	48.5%	
Total liabilities	67,836,539	100.0%		57,867,233	100.0%		55,831,535	100.0%	

Our most important source of funding is our deposits. Average time deposits plus non-interest bearing demand deposits represented 39.7% of our average total liabilities and shareholders' equity in 2022. Our current funding strategy is to continue to utilize all sources of funding in accordance with their costs, their availability and our general asset and liability management strategy. Special emphasis is being placed on lengthening the maturities of funding with institutional clients, diversifying our bond holder base and broadening our core deposit funding. We believe that broadening our deposit base by increasing the number of account holders has created a more stable funding source.

Composition of Deposits

The following table sets forth the composition of our deposits and similar commitments at December 31, 2022, 2021, 2020, 2019 and 2018.

	2022	2021	2020	2019	2018
	(in millions of Ch\$)				
Demand deposits and other demand obligations					
Current accounts	11,711,969	14,385,633	11,342,648	8,093,108	6,794,132
Other deposits and demand accounts	1,016,896	1,773,233	1,583,183	741,103	709,711
Other demand obligations	1,357,361	1,742,072	1,635,062	1,463,221	1,237,574
Subtotals	14,086,226	17,900,938	14,560,893	10,297,432	8,741,417
Time deposits and other time deposits					
Time deposits	12,779,206	9,926,507	10,421,872	13,064,932	12,944,846
Time saving accounts	191,257	195,570	153,330	123,787	118,587
Other time deposits	8,327	8,978	6,589	4,098	4,386
Subtotals	12,978,790	10,131,055	10,581,791	13,192,817	13,067,819
Total deposits and other commitments	27,065,016	28,031,993	25,142,684	23,490,249	21,809,236

Maturity of Interest Bearing Deposits

The following table sets forth information regarding the currency and maturity of our interest bearing deposits as of December 31, 2022, expressed in percentages of our total deposits in each currency category. UF-denominated deposits are similar to peso-denominated deposits in all respects, except that the principal is readjusted periodically based on variations in the Chilean consumer price index.

	Ch\$	UF	Currencies	Total
Demand deposits	0.04%	0.27%	0.01%	0.06%
Savings accounts	0.03%	11.15%	0.00%	1.47%
Time deposits:				
Maturing within 3 months	81.38%	29.55%	93.86%	76.29%
Maturing after 3 but within 6 months	9.87%	31.56%	4.24%	11.94%
Maturing after 6 but within 12 months	6.56%	19.97%	1.75%	7.67%
Maturing after 12 months	2.12%	7.49%	0.14%	2.56%
Total time deposits	99.93%	88.57%	99.99%	98.46%
Total deposits	100.00%	100.00%	100.00%	100.00%

The following table sets forth information regarding the maturity of our outstanding time as of December 31, 2022.

	Ch\$	UF	Foreign Currencies	Total
	(in millions of Ch\$)			
Time deposits:				
Maturing within 3 months	7,793,160	498,859	1,609,573	9,901,592
Maturing after 3 but within 6 months	944,823	532,675	72,634	1,550,132
Maturing after 6 but within 12 months	628,454	337,175	30,010	995,639
Maturing after 12 months	202,953	126,443	2,447	331,843
Total time deposits	9,569,390	1,495,152	1,714,664	12,779,206

Short-term Borrowings

The following table shows the average balance and the average nominal rate for each short-term borrowing category for the years indicated.

	2022		2021		2020	
	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate
	(in millions of Ch\$, except percentages)					
Obligations arising from repurchase agreements	450,632	3.7%	135,078	0.7%	243,280	0.8%
Obligations with the Central Bank	5,441,584	8.5%	5,546,895	0.9%	2,881,600	0.0%
Loans from domestic financial institutions	26,947	56.9%	98,425	0.0%	120,002	0.0%
Foreign obligations	3,426,605	2.3%	2,380,327	43.6%	1,860,825	5.2%
Total short-term borrowings	9,345,768	6.2%	8,160,725	13.4%	5,105,707	1.9%

The following table shows the average balance and the average nominal rate for each short-term borrowing category for the years indicated.

	2022		2021		2020	
	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate	Average Balance	Average Nominal Interest Rate
	(in millions of Ch\$, except percentages)					
Obligations arising from repurchase agreements	450,632	3.7%	135,078	0.7%	243,280	0.8%
Obligations with the Central Bank	5,441,584	0.6%	5,546,895	0.0%	2,881,600	0.0%
Loans from domestic financial institutions	26,947	56.9%	98,425	0.0%	120,002	0.0%
Foreign obligations	3,426,605	2.3%	2,380,327	43.6%	1,860,825	5.2%
Total short-term borrowings	9,345,768	1.5%	8,160,725	12.7%	5,105,707	1.9%

The following table presents the maximum month-end balances of our principal sources of short-term borrowings during the years indicated.

	Maximum 2022 Month-End Balance	Maximum 2021 Month-End Balance	Maximum 2020 Month-End Balance
	(in millions of Ch\$)		
Obligations arising from repurchase agreements	811,731	128,218	969,808
Obligations with the Central Bank	5,584,084	6,025,781	4,974,125
Loans from domestic financial institutions	237,870	187,000	217,102
Foreign obligations	3,890,552	3,453,642	2,953,037
Total short-term borrowings	10,524,237	9,794,641	9,114,072

Total Borrowings

	As of December 31, 2022		
	Long-term	Short-term	Total
	(in millions of Ch\$)		
Central Bank credit lines for renegotiations of loans (a)	5,584,084	—	5,584,084
Obligations under repurchase agreements	—	315,355	315,355
Mortgage finance bonds (b)	1,206	2,592	3,798
Senior bonds (c)	6,597,776	482,696	7,080,472
Mortgage bonds(d)	74,515	7,108	81,623
Subordinated bonds(e)	1,733,870	—	1,733,870
Borrowings from domestic financial institutions	—	41,318	41,318
Foreign borrowings(f)	—	3,239,363	3,239,363
Other obligations(g)	239	292,756	292,995
Perpetual bond (h)	590,246	—	590,246
Total borrowings	14,581,936	4,381,188	18,963,124

	As of December 31, 2021		
	Long-term	Short-term	Total
	(in millions of Ch\$)		
Central Bank credit lines for renegotiations of loans (a)	5,611,439	—	5,611,439
Obligations under repurchase agreements	—	86,634	86,634
Mortgage finance bonds (b)	3,533	3,946	7,479
Senior bonds (c)	5,688,533	1,158,301	6,846,834
Mortgage bonds(d)	75,069	6,041	81,110
Subordinated bonds(e)	1,461,637	—	1,461,637
Borrowings from domestic financial institutions	—	1,226	1,226
Foreign borrowings(f)	—	3,213,918	3,213,918
Other obligations(g)	261	182,646	182,907
Perpetual bond (h)	598,136	—	598,136
Total borrowings	13,438,608	4,652,712	18,091,320

	As of December 31, 2020		
	Long-term	Short-term	Total
	(in millions of Ch\$)		
Central Bank credit lines for renegotiations of loans (a)	4,959,260	—	4,959,260
Obligations under repurchase agreements	—	969,808	969,808
Mortgage finance bonds (b)	78,870	5,465	84,335
Senior bonds (c)	5,625,431	1,124,558	6,749,989
Mortgage bonds(d)	5,137	84,787	89,924
Subordinated bonds(e)	1,357,539	—	1,357,539
Borrowings from domestic financial institutions	217,102	—	217,102
Foreign borrowings(f)	35,667	1,116,570	1,152,237
Other obligations(g)	290	184,028	184,318
Total borrowings	7,320,036	3,485,216	10,805,252

(a) Central Bank credit lines for renegotiations of loans

In response to the COVID-19 pandemic, the Central Bank has made two lines of credit available to banks to reinforce their liquidity and to fund loans for SMEs with government guarantees. These lines of credit bear interest at the Central Bank's monetary policy rate (MPR), which was 0.5% at the time the lines of credit were granted.

	As of December 31, 2022 (in millions of Ch\$)
Due within 1 year	—
Due after 1 year but within 2 years	5,584,084
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	—
Central Bank credit lines for renegotiations of loans	5,584,084

(b) Mortgage finance bonds

These bonds are used to finance mortgage loans. Their principal amounts are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. Loans are indexed to UF and pay a yearly interest rate.

	As of December 31, 2022 (in millions of Ch\$)
Due within 1 year	2,592
Due after 1 year but within 2 years	1,039
Due after 2 years but within 3 years	167
Due after 3 years but within 4 years	—
Due after 4 years but within 5 years	—
Due after 5 years	—
Total mortgage finance bonds	3,798

(c) Senior bonds

The following table sets forth, at the dates indicated, our issued senior bonds. The bonds are denominated principally in UFs or U.S. dollars, and are principally used to fund assets with similar durations.

	As of December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Senior Bonds in UF	3,510,708	3,144,544	4,017,708
Senior Bonds in U.S.\$	2,215,515	1,976,909	1,263,714
Senior Bonds in CHF	644,780	850,924	466,738
Senior Bonds in Ch\$	223,467	311,060	639,489
Current bonds in AUD	122,611	143,030	125,781
Santander bonds in JPY	203,512	234,667	68,093
Senior bonds in EUR	159,879	185,700	168,466
Total senior bonds	7,080,472	6,846,834	6,749,989

The maturities of these bonds are as follows:

	As of December 31, 2022 (in millions of Ch\$)
Due within 1 year	482,696
Due after 1 year but within 2 years	1,185,935
Due after 2 years but within 3 years	1,599,241
Due after 3 years but within 4 years	1,282,436
Due after 4 years but within 5 years	408,607
Due after 5 years	2,121,557
Total bonds	7,080,472

In 2022, the Bank issued bonds for UF 26,326,000, USD 30,000,000, CLP 347,000,000,000 and JPY 3,000,000,000, detailed as follows:

Series	Currency	Amount	Term (years)	Issuance rate (% annual)	Placement date	Series Maximum amount	Maturity date
T3	UF	5,000,000	11	1.55	06-16-22	5,000,000	01-01-30
W3	UF	2,116,000	7.5	1.60	06-30-22	2,116,000	06-01-26
W5	UF	1,210,000	9	1.80	06-30-22	1,210,000	03-01-28
U2	UF	3,000,000	11.5	2.8	07-28-22	3,000,000	06-01-32
U1	UF	3,000,000	7.5	2.5	08-09-22	3,000,000	06-01-29
T20	UF	5,000,000	11.5	2.65	10-24-22	5,000,000	02-01-34
W4	UF	8,000,000	10.5	2.65	12-09-22	8,000,000	12-01-33
W9	UF	2,000,000	9.5	2.70	07-27-22	2,000,000	06-01-31
Total		29,326,000				29,326,000	
Bono USD	USD	30,000,000	3	Sofr + 95pb	04-28-22	30,000,000	04-28-25
Total		30,000,000				30,000,000	
U6	CLP	64,800,000,000	5.5	2.95	06-16-22	64,800,000,000	04-01-26
U5	CLP	100,000,000,000	4.5	2.70	06-29-22	93,000,000,000	04-01-25
U6	CLP	35,200,000,000	5.5	2.95	10-21-22	35,200,000,000	04-01-26
U7	CLP	72,000,000,000	5.5	7	11-16-22	72,000,000,000	04-01-26
T17	CLP	75,000,000,000	10	7.5	11-22-22	75,000,000,000	08-01-32
Total		347,000,000,000				347,000,000,000	
Bono JPY	JPY	3,000,000,000	3	0.65	09-15-2022	3,000,000,000	09-15-25
Total		3,000,000,000				3,000,000,000	

In 2021, the Bank issued bonds for UF 4,000,000, USD 693,000,000, JPY 25,000,000,000 and CHF 340,000,000, detailed as follows:

Series	Currency	Amount	Term (years)	Issuance rate (% annual)	Placement date	Series Maximum amount	Maturity date
W1	UF	4,000,000	5.25	1.55	02-04-2018	6,000,000	06-01-2025
Total	UF	4,000,000				6,000,000	
US Bonds	USD	50,000,000	2.8	0.71	02-25-2021	50,000,000	12-28-2023
US Bonds	USD	100,000,000	2.9	0.72	02-25-2021	100,000,000	01-26-2024
US Bonds	USD	27,000,000	7	2.0	06-09-2021	27,000,000	06-09-2028
US Bonds	USD	16,000,000	5	1.64	07-15-2021	16,000,000	07-15-2026
US Bonds	USD	500,000,000	10	3.18	10-21-2021	500,000,000	10-26-2031
Total		693,000,000				693,000,000	
JPY Bonds	JPY	10,000,000,000	5	0.35	05-13-2021	10,000,000,000	05-13-2026
JPY Bonds	JPY	2,000,000,000	4	0.40	07-12-2021	2,000,000,000	07-12-2025
JPY Bonds	JPY	10,000,000,000	4	0.42	07-13-2021	10,000,000,000	07-28-2025
JPY Bonds	JPY	3,000,000,000	4.4	0.48	11-08-2021	3,000,000	05-18-2026
Total		25,000,000,000				25,000,000,000	
CHF Bonds	CHF	150,000,000	6	0.33	06-22-2021	150,000,000	06-22-2027
CHF Bonds	CHF	190,000,000	5	0.30	10-12-2021	190,000,000	10-22-2026
Total		340,000,000				340,000,000	

(d) Mortgage bonds

These bonds are used to finance mortgage loans with certain characteristics such as loan-to-value ratios below 80.0% and a debt servicing ratio of the client lower than 20.0%. All outstanding mortgage bonds are UF denominated.

The maturities of our mortgage bonds are as follows:

	As of December 31,	
	2022	2021
	(in millions of Ch\$)	
Due within 1 year	7,108	6,041
Due after 1 year but within 2 years	11,411	9,698
Due after 2 year but within 3 years	11,779	10,011
Due after 3 year but within 4 years	12,159	10,334
Due after 4 year but within 5 years	12,551	10,667
Due after 5 years	26,615	34,359
Total mortgage bonds	81,623	81,110

During 2022 and 2021, the Bank did not place any mortgage bonds.

(e) Subordinated bonds

The following table sets forth, at the dates indicated, the balances of our subordinated bonds. The following table sets forth, at the dates indicated, our issued subordinated bonds. The bonds are denominated principally in UFs or U.S. dollars, and are principally used to fund the Bank's mortgage portfolio and are considered to be a part of our regulatory capital.

	As of December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Subordinated bonds linked to the U.S.\$	169,835	230,118	202,634
Subordinated bonds linked to the UF	1,564,034	1,231,519	1,154,905
Total subordinated bonds	1,733,869	1,461,637	1,357,539

The maturities of these bonds, which are considered long-term, are as follows.

	As of December 31, 2022 (in millions of Ch\$)
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	175,800
Due after 4 years but within 5 years	—
Due after 5 years	1,558,069
Total subordinated bonds	1,733,869

During 2022, the Bank issued the following subordinated bond:

	<u>Currency</u>	<u>Placement amount</u>	<u>Interest rate</u>	<u>Term</u>	<u>Placement date</u>	<u>Maturity date</u>
USTDW70320	UF	3,300,000	3.51%	6 years	01-07-2022	09-01-2028

During 2021, the Bank did not issue subordinated bonds.

(f) Foreign borrowings

These are short-term and long-term borrowings from foreign banks used to fund our foreign trade business. The maturities of these borrowings are as follows.

	As of December 31, 2022 (in millions of Ch\$)
Due within 1 year	3,239,363
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 5 years	—
Total loans from foreign financial institutions	3,239,363

(g) Other obligations

Other obligations are summarized as follows:

	As of December 31, 2022 Ch\$ million
Long term obligations:	
Due after 1 years but within 2 years	68
Due after 2 years but within 3 years	74
Due after 3 years but within 4 years	84
Due after 4 years but within 5 years	13
Due after 5 years	—
Long-term financial obligations subtotals	239
Short term obligations:	
Amounts due to credit card operators	186,237
Acceptance of letters of credit	110
Other long-term financial obligations, short-term portion	106,409
Short-term financial obligations subtotals	292,756
Other financial obligations totals	292,995

Other Off-Balance Sheet Arrangements and Commitments

In the normal course of our business, we are party to transactions with off-balance sheet risk. These transactions expose us to credit risk in addition to amounts recognized in the consolidated financial statements. The most important off-balance sheet item is contingent loans. Contingent loans consist of guarantees granted by us in Ch\$, UF and foreign currencies (principally U.S.\$), unused letters of credit and commitments to extend credit such as overdraft protection and credit card lines of credit. Such commitments are agreements to lend to a customer at a future date, subject to the customer compliance with the contractual terms. Since a substantial portion of these commitments is expected to expire without being drawn upon, the total amount of commitments does not necessarily represent our actual future cash requirements. We use the same credit policies in making commitments to extend credit as we do for granting loans, therefore, in the opinion of our management, our outstanding commitments represent normal credit risk.

The following table presents the Bank's outstanding contingent loans as of December 31, 2022, 2021 and 2020:

	As of December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Letters of credit issued	225,522	377,308	247,898
Performance guarantee	1,476,599	1,390,410	1,090,643
Personal guarantee	924,173	579,051	441,508
Total contingent liabilities	2,626,294	2,346,769	1,780,049
Lines of credit with immediate availability	8,974,077	8,986,535	8,391,414
Other irrevocable obligation	314,926	265,517	406,234
Total loan commitments	9,289,003	9,252,052	8,797,648
Totals	11,915,297	11,598,821	10,577,697

Asset and Liability Management

Please refer to “Item 11. Quantitative and Qualitative Disclosures about Market Risk” for information regarding our policies with respect to asset and liability management.

Capital Expenditures

The following table reflects capital expenditures in each of the three years ended December 31, 2022, 2021 and 2020:

	Year Ended December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Land and Buildings	26,690	16,688	17,790
Machinery, Systems and Equipment	14,941	36,275	25,233
Furniture, Vehicles, Other ⁽¹⁾	47,969	29,614	31,636
Software development	54,899	47,487	35,170
Total	144,499	130,064	109,829

(1) Includes assets ceded under operating leases.

The increase in capital expenditures in 2022 was due to higher fixed asset investments such as improvements to existing property as well as furniture and facilities of our offices as our employees returned to the office. During 2022 the Bank continued investment in the digital transformation of the front and back offices, and new digital products and cybersecurity, resulting in an increase of software development capital expenditures.

C. Selected Statistical Information

The following information is included for analytical purposes and should be read in conjunction with our Audited Consolidated Financial Statements, as well as the discussion in this “Item 5. Operating and Financial Review and Prospects.” The UF is linked to, and is adjusted daily to reflect changes in, the previous month's Chilean consumer price index. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Impact of Inflation.”

Average Balances, Income Earned from Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities

The average balances for interest-earning assets and interest-bearing liabilities, including interest and readjustments received and paid, have been calculated on the basis of daily balances for us on an unconsolidated basis. Such average balances are presented in Chilean pesos, UFs and in foreign currencies (principally U.S. dollars). Figures from our subsidiaries have been calculated on the basis of monthly balances. The average balances of our subsidiaries, except Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A., have not been categorized by currency. As such it is not possible to calculate average balances by currency for such subsidiaries on the basis of daily, weekly or monthly balances.

The nominal interest rate has been calculated by dividing the amount of interest and principal changes in the UF index (gain or loss) during the period by the related average balance, both amounts expressed in constant Chilean pesos.

The Bank has also distributed the financial cost or gain of macrohedges to the corresponding item being hedged to more clearly reflect the impact of these hedging strategies on yields earned or paid over assets and liabilities. For this reason, total interest earned over interest earning assets and interest paid over interest bearing liabilities can be different from the amounts recorded in the income statement, but the net interest income is equivalent to the amount recorded in the income statement. Foreign exchange gains or losses on foreign currency-denominated assets and liabilities are not included in interest income or expense. When a financial asset becomes credit-impaired and is, therefore, regarded as “Stage 3”, the Bank suspends the interest income recognition in the income statement. Similarly, trading and mark-to-market gains or losses on investments are not included in interest income or expense. Interest is not recognized on non-performing loans. Non-performing loans that are past-due for 90 days or less have been included in each of the various categories of loans, and therefore affect the various averages. Non-performing loans consist of loans as to which either principal or interest is past-due (*i.e.*, non-accrual loans) and restructured loans earning no interest.

Included in interbank deposits are checking accounts maintained in the Central Bank and foreign banks. Such assets have a distorting effect on the average interest rate earned on total interest-earning assets because currently balances maintained in Chilean peso amounts do not earn interest, and the only balances held in a foreign currency that earn interest are those maintained in U.S. dollars, but those only earn interest on the amounts that are legally required to be held for liquidity purposes. Additionally, this account includes interest earned by overnight investments. Consequently, the average interest earned on such assets is comparatively low. We maintain these deposits in these accounts to comply with statutory requirements and to facilitate international business, rather than to earn income. See Note 1—Summary of Significant Accounting Policies—(k) Recognizing Income and Expenses to our Audited Consolidated Financial Statements.

The following tables show, by currency of denomination, average balances and, where applicable, interest amounts and real rates for our assets and liabilities for the years ended December 31, 2022, 2021 and 2020.

	For the year ended December 31,								
	2022			2021			2020		
	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate
Assets									
Interest earning assets									
Deposits in Central Bank									
Ch\$	489,899	19,503	4.0%	1,317,498	4,731	0.4%	800,147	648	0.1%
UF	—	—	—%	—	—	—%	—	—	—%
Foreign currency	—	—	—%	—	—	—%	—	—	—%
Total	489,899	19,503	4.0%	1,317,498	4,731	0.4%	800,147	648	0.1%
Financial investments ⁽¹⁾									
Ch\$	6,158,172	174,066	2.8%	4,134,617	99,782	2.4%	3,181,194	55,005	1.7%
UF	1,881,946	36,466	1.9%	1,634,550	42,939	2.6%	1,246,124	33,941	2.7%
Foreign currency	2,002,023	—	—%	3,398,637	9,264	0.3%	1,735,842	18,099	1.0%
Total	10,042,141	210,532	2.1%	9,167,803	151,986	1.7%	6,163,159	107,044	1.7%
Commercial Loans									
Ch\$	7,420,641	728,650	9.8%	7,927,561	406,497	5.1%	7,484,216	414,119	5.5%
UF	6,776,739	1,231,218	18.2%	6,470,164	562,282	8.7%	6,625,490	368,774	5.6%
Foreign currency	3,677,328	137,280	3.7%	2,763,604	90,482	3.3%	3,239,259	131,554	4.1%
Total	17,874,708	2,097,148	11.7%	17,161,329	1,059,260	6.2%	17,348,965	914,447	5.3%
Consumer loans									
Ch\$	4,826,207	629,334	13.0%	4,602,144	479,956	10.4%	4,889,877	568,864	11.6%
UF	13,143	1,521	11.6%	11,912	1,270	10.7%	15,201	1,081	7.1%
Foreign currency	70,960	5	—%	52,089	—	—%	41,836	—	—%
Total	4,910,309	630,860	12.8%	4,666,145	481,227	10.3%	4,946,915	569,946	11.5%
Mortgage loans									
Ch\$	1,696	22	1.3%	2,489	64	2.6%	3,495	45	1.3%
UF	14,685,885	1,102,944	7.5%	12,972,976	670,942	5.2%	11,887,610	637,911	5.4%
Foreign currency	—	—	—%	—	—	—%	—	—	—%
Total	14,687,581	1,102,966	7.5%	12,975,465	671,006	5.2%	11,891,105	637,956	5.4%
Interbank loans									
Ch\$	11,260	925	8.2%	19,060	429	2.2%	3,709	36	1.0%
UF	—	—	—%	—	—	—%	—	—	—%
Foreign currency	—	—	—%	—	—	—%	—	—	—%
Total	11,260	925	8.2%	19,060	429	2.2%	3,709	36	1.0%
Investment agreements to resell									
Ch\$	3,629	433	11.9%	6,185	355	5.7%	(3,069)	290	(9.5%)
UF	—	—	—%	28	2	8.0%	342	—	—%
Foreign currency	1,268	56	4.4%	—	—	—%	4,485	—	—%
Total	4,897	489	10.0%	6,213	357	5.7%	1,758	290	16.5%
Threshold ⁽²⁾									
Ch\$	842,451	44,607	5.3%	172,242	467	0.3%	374,624	163	0.0%
UF	—	—	—%	89,568	—	—%	148,612	—	—%
Foreign currency	2,219,946	—	—%	953,774	732	0.1%	560,394	1,796	0.3%
Total	3,062,397	44,607	1.5%	1,215,583	1,199	0.1%	1,083,630	1,959	0.2%

	For the year ended December 31,								
	2022			2021			2020		
	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate
Total interest earning assets									
Ch\$	19,753,955	1,597,540	8.1%	18,181,795	992,281	5.5%	16,734,192	1,039,172	6.2%
UF	23,357,713	2,372,149	10.2%	21,179,197	1,277,436	6.0%	19,923,379	1,041,707	5.2%
Foreign currency	7,971,524	137,341	1.7%	7,168,103	100,478	1.4%	5,581,816	151,448	2.7%
Total	51,083,192	4,107,030	8.0%	46,529,096	2,370,195	5.1%	42,239,387	2,232,327	5.3%
Cash									
Ch\$	1,245,813			784,836			812,285		
UF	1,393			—			—		
Foreign currency	121,113			92,392			118,930		
Total	1,368,319			877,228			931,215		
Allowance for loan losses									
Ch\$	(1,162,923)			(1,164,182)			(1,031,368)		
UF	—			—			—		
Foreign currency	(116,716)			(16,193)			(10)		
Total	(1,279,639)			(1,180,375)			(1,031,378)		
Fixed assets									
Ch\$	99,152			201,730			205,251		
UF	—			—			—		
Foreign currency	—			—			—		
Total	99,152			201,730			205,251		
Derivatives									
Ch\$	12,804,979			7,231,880			10,474,854		
UF	—			—			—		
Foreign currency	(39)			—			—		
Total	12,804,940			7,231,880			10,474,854		
Financial Investment (Trading)									
Ch\$	97,396			1,086,865			260,368		
UF	84,546			46,127			90,303		
Foreign currency	1,022,075			344,063			101,224		
Total	1,204,017			1,477,055			451,895		
Other assets									
Ch\$	3,446,277			1,495,030			1,422,348		
UF	69,413			465,603			194,257		
Foreign currency	590,837			769,986			943,706		
Total	4,106,527			2,730,619			2,560,311		
Total non-interest earning assets									
Ch\$	16,530,694			9,636,160			12,143,738		
UF	155,352			511,730			284,560		
Foreign currency	1,617,270			1,190,249			1,163,850		
Total	18,303,316			11,338,138			13,592,148		
Total assets									
Ch\$	36,284,649	1,597,540		27,817,954	992,281		28,877,930	1,039,172	
UF	23,513,065	2,372,149		21,690,927	1,277,436		20,207,940	1,041,707	
Foreign currency	9,588,794	137,341		8,358,352	100,478		6,745,666	151,448	
Total	69,386,508	4,107,030		57,867,233	2,370,195		55,831,535	2,232,327	

	For the year ended December 31,								
	2022			2021			2020		
	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate
Liabilities And Shareholders' Equity									
Interest bearing liabilities									
Savings accounts									
Ch\$	3,869	10	0.3%	3,656	9	0.3%	2,224	6	0.3%
UF	194,609	22,449	11.5%	174,124	10,506	6.0%	136,447	3,438	2.5%
Foreign currency	—	—	—%	—	—	—%	—	—	—%
Total	198,478	22,459	11.3%	177,779	10,515	5.9%	138,671	3,443	2.5%
Time deposits									
Ch\$	8,658,972	720,600	8.3%	8,464,907	61,391	0.7%	10,237,170	121,926	1.2%
UF	794,934	108,714	13.7%	180,258	14,174	7.9%	655,923	23,321	3.6%
Foreign currency	4,660,901	—	—%	4,529,125	5,656	0.1%	3,355,384	19,119	0.6%
Total	14,114,807	829,314	5.9%	13,174,290	81,221	0.6%	14,248,478	164,367	1.2%
Central bank borrowings									
Ch\$	5,441,584	464,758	8.5%	5,546,895	52,642	0.9%	2,881,600	21	—%
UF	—	—	—%	—	—	—%	—	—	—%
Foreign currency	—	—	—%	—	—	—%	—	—	—%
Total	5,441,584	464,758	8.5%	5,546,895	52,642	0.9%	2,881,600	21	—%
Repurchase Agreements									
Ch\$	125,837	16,847	13.4%	121,446	999	0.8%	164,468	2,037	1.2%
UF	—	11	—%	—	1	—%	—	28	—%
Foreign currency	324,795	—	—%	13,632	—	—%	78,812	—	—%
Total	450,632	16,858	3.7%	135,078	1,000	0.7%	243,280	2,066	0.8%
Mortgage finance bonds									
Ch\$	—	—	—%	—	—	—%	—	—	—%
UF	5,058	874	17.3%	9,105	991	10.9%	14,580	1,112	7.6%
Foreign currency	—	—	—%	—	—	—%	—	—	—%
Total	5,058	874	17.3%	9,105	991	10.9%	14,580	1,112	7.6%
Commercial paper									
Ch\$	—	—	—%	—	—	—%	—	—	—%
UF	—	—	—%	—	—	—%	—	—	—%
Foreign currency	298,142	7,137	2.4%	277,666	716	0.3%	394,017	6,577	1.7%
Total	298,142	7,137	2.4%	277,666	716	0.3%	394,017	6,577	1.7%
Other interest bearing liabilities									
Ch\$	3,038,893	314,537	10.4%	1,012,965	10,370	1.0%	1,364,789	71,351	5.2%
UF	4,730,899	866,326	18.3%	4,724,054	348,387	7.4%	5,197,993	295,984	5.7%
Foreign currency	6,680,180	14,655	0.2%	4,044,352	69,579	1.7%	4,245,836	93,558	2.4%
Total	14,449,972	1,195,518	8.3%	9,781,372	428,336	4.4%	10,808,618	460,893	4.3%
Total interest bearing liabilities									
Ch\$	17,269,155	1,516,752	8.8%	15,149,870	125,410	0.8%	14,650,251	195,342	1.3%
UF	5,725,500	998,374	17.4%	5,087,541	374,059	7.4%	6,004,944	323,882	5.2%
Foreign currency	11,964,018	21,792	0.2%	8,864,775	75,951	0.9%	8,074,049	119,255	1.4%
Total	34,958,674	2,536,918	7.3%	29,102,186	575,420	2.0%	28,729,244	638,479	2.2%

	For the year ended December 31,								
	2022			2021			2020		
	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Balance	Interest Earned	Average Nominal Rate
Non-interest bearing liabilities									
Non-interest bearing demand deposits									
Ch\$	12,414,155			13,652,135			10,066,738		
UF	92,488			72,007			56,330		
Foreign currency	338,171			311,100			280,280		
Total	<u>12,844,814</u>			<u>14,035,242</u>			<u>10,403,347</u>		
Derivatives									
Ch\$	11,979,326			7,666,801			9,793,162		
UF	—			—			—		
Foreign currency	(50)			—			—		
Total	<u>11,979,276</u>			<u>7,666,801</u>			<u>9,793,162</u>		
Other non-interest bearing liabilities									
Ch\$	4,105,928			1,249,442			1,181,832		
UF	384,484			752,420			586,273		
Foreign currency	1,589,269			998,736			1,403,435		
Total	<u>6,079,681</u>			<u>3,000,598</u>			<u>3,171,540</u>		
Shareholders' equity									
Ch\$	3,524,063			3,485,008			3,734,243		
UF	—			—			—		
Foreign currency	—			577,399			—		
Total	<u>3,524,063</u>			<u>4,062,407</u>			<u>3,734,243</u>		
Total non-interest bearing liabilities and shareholders' equity									
Ch\$	32,023,472			26,053,386			24,775,974		
UF	476,972			824,426			642,602		
Foreign currency	1,927,390			1,887,236			1,683,715		
Total	<u>34,427,834</u>			<u>28,765,048</u>			<u>27,102,291</u>		
Total Liabilities and Shareholders' Equity									
Ch\$	49,292,628	1,516,752		41,203,255	125,410		39,426,226	195,342	
UF	6,202,472	998,374		5,911,968	374,059		6,647,546	323,882	
Foreign currency	13,891,408	21,792		10,752,010	75,951		9,757,764	119,255	
Total	<u>69,386,508</u>	<u>2,536,918</u>		<u>57,867,233</u>	<u>575,420</u>		<u>55,831,535</u>	<u>638,479</u>	

(1) This line item includes debt instruments at fair value through other comprehensive income according to IFRS 9.

(2) Threshold is the asset generated when we post collateral for a derivative with a counterparty that has negative mark-to-market for us. Some Central Security Depository agreements permit this collateral to generate interest at the overnight rate and this is the source of interest income associated with this asset.

Changes in Net Interest Revenue and Interest Expense: Volume and Rate Analysis

The following table allocates, by currency of denomination, changes in our net interest revenue and interest expense between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates for 2022 compared to 2021 and 2021 compared to 2020. Volume and rate variances have been calculated based on movements in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities.

	Increase (Decrease) from 2021 to 2022 Due to Changes in			Increase (Decrease) from 2020 to 2021 Due to Changes in		
	Volume	Rate	Net Change from 2021 to 2022	Volume	Rate	Net Change from 2020 to 2021
ASSETS						
Interest earning assets						
Deposits in Central Bank						
Ch\$	11,045	3,726	14,772	5,462	(1,379)	4,083
UF	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—
Subtotal	11,045	3,726	14,772	5,462	(1,379)	4,083
Financial investments						
Ch\$	103,655	(29,371)	74,284	(24,263)	69,040	44,777
UF	(2,894)	(3,580)	(6,473)	7,561	1,438	8,999
Foreign currency	(8,977)	(287)	(9,264)	(7,121)	(1,713)	(8,835)
Subtotal	91,784	(33,237)	58,546	(23,823)	68,764	44,941
Commercial loans						
Ch\$	8,698	313,456	322,153	1,706	(9,328)	(7,623)
UF	4,499	664,437	668,936	(3,823)	197,331	193,508
Foreign currency	41,834	4,964	46,798	164,479	(205,551)	(41,072)
Subtotal	55,031	982,856	1,037,888	162,363	(17,549)	144,814
Consumer loans						
Ch\$	7,663	141,715	149,378	(27,025)	(61,883)	(88,908)
UF	63	188	251	(86)	275	189
Foreign currency	5	—	5	—	—	—
Subtotal	7,730	141,903	149,633	(27,111)	(61,608)	(88,719)
Mortgage loans						
Ch\$	(119)	77	(42)	6	13	19
UF	(44,295)	476,297	432,002	1,647	31,384	33,031
Foreign currency	—	—	—	—	—	—
Subtotal	(44,414)	476,373	431,960	1,654	31,396	33,050
Interbank loans						
Ch\$	173	324	496	2,121	(1,729)	392
UF	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—
Subtotal	173	324	496	2,121	(1,729)	392
Investment under agreements to resell						
Ch\$	10	68	78	38	26	65
UF	(2)	—	(2)	2	—	2
Foreign currency	—	56	56	—	—	—
Subtotal	8	124	132	40	27	67
TRESHOLD						
Ch\$	2,320,858	(2,276,718)	44,140	285	19	304
UF	—	—	—	—	—	—
Foreign currency	(740)	8	(732)	(982)	(82)	(1,064)
Subtotal	2,320,118	(2,276,710)	43,408	(698)	(62)	(760)
Total interest earning assets						
Ch\$	2,451,983	(1,846,724)	605,259	(41,669)	(5,221)	(46,891)
UF	(42,628)	1,137,341	1,094,713	5,301	230,428	235,730
Foreign currency	32,122	4,741	36,863	156,376	(207,346)	(50,970)
Total	2,441,476	(704,641)	1,736,835	120,008	17,861	137,868

	Increase (Decrease) from 2021 to 2022 Due to Changes in			Increase (Decrease) from 2020 to 2021 Due to Changes in		
	Volume	Rate	Net Change from 2021 to 2022	Volume	Rate	Net Change from 2020 to 2021
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest bearing liabilities						
Savings accounts						
Ch\$	1	—	1	4	—	4
UF	(247)	12,191	11,943	(196)	7,264	7,068
Foreign currency	—	—	—	—	—	—
Subtotal	(247)	12,190	11,944	(192)	7,264	7,072
Time deposits						
Ch\$	1,407	657,802	659,209	344,238	(404,773)	(60,536)
UF	7,492	87,048	94,540	4,477	(13,623)	(9,146)
Foreign currency	(8,930)	3,274	(5,656)	(10,744)	(2,719)	(13,464)
Subtotal	(31)	748,124	748,093	337,970	(421,116)	(83,146)
Central Bank borrowings						
Ch\$	6,009	406,107	412,116	166,734	(114,113)	52,621
UF	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—
Subtotal	6,009	406,107	412,116	166,734	(114,113)	52,621
Repurchase agreements						
Ch\$	(265)	16,113	15,848	(1,449)	411	(1,038)
UF	—	10	10	—	(27)	(27)
Foreign currency	—	—	—	—	—	—
Subtotal	(265)	16,123	15,858	(1,449)	384	(1,066)
Mortgage finance bonds						
Ch\$	—	—	—	—	—	—
UF	89	(206)	(117)	609	(730)	(121)
Foreign currency	—	—	—	—	—	—
Subtotal	89	(206)	(117)	609	(730)	(121)
Commercial papers						
Ch\$	—	—	—	—	—	—
UF	—	—	—	—	—	—
Foreign currency	1,809	4,613	6,421	—	716	716
Subtotal	1,809	4,613	6,421	—	716	716
Other interest bearing liabilities						
Ch\$	(211,319)	515,486	304,167	(9,853)	(51,128)	(60,981)
UF	13	517,926	517,939	(11,707)	64,110	52,403
Foreign currency	(75,762)	20,837	(54,924)	(47,130)	16,574	(30,556)
Subtotal	(287,067)	1,054,249	767,182	(68,690)	29,556	(39,134)
Total interest bearing liabilities						
Ch\$	(204,166)	1,595,508	1,391,342	499,673	(569,604)	(69,931)
UF	7,347	616,968	624,315	(6,817)	56,994	50,177
Foreign currency	(84,692)	24,112	(60,580)	(57,874)	13,855	(44,019)
Total	(281,511)	2,236,588	1,955,076	434,981	(498,756)	(63,774)

Interest-Earning Assets: Net Interest Margin

The following table analyzes, by currency of denomination, the levels of average interest-earning assets and net interest earned by Santander-Chile, and illustrates the comparative net interest margins obtained, for each of the years indicated in the table.

	Year ended December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Total average interest-earning assets			
Ch\$	19,753,955	18,181,795	16,734,192
UF	23,357,713	21,179,197	19,923,379
Foreign currencies	7,971,524	7,168,103	5,581,816
Total	51,083,192	46,529,096	42,239,387
Net interest earned ⁽¹⁾			
Ch\$	80,788	866,871	843,830
UF	1,373,775	903,377	717,824
Foreign currencies	115,549	24,527	32,194
Total	1,570,112	1,794,775	1,593,848
Net interest margin ⁽²⁾			
Ch\$	0.4	4.8	5.0
UF	5.9	4.3	3.6
Foreign currencies	1.4	0.3	0.6
Total	3.1%	3.9%	3.8%

(1) Net interest earned is defined as interest revenue earned less interest expense incurred.

(2) Net interest margin is defined as net interest earned divided by total average interest-earning assets.

Investment Portfolio

The following table shows as of December 31, 2022, the balances and weighted-average yields for our debt securities not held at fair value through earnings, for each range of maturities. The weighted average yields are calculated using the interest income from these instruments divided by the average balance of these instruments. The average balances have been calculated on the basis of daily balances for the Bank on an unconsolidated basis, while for subsidiaries the average balances have been calculated on the basis of monthly balances. None of these instruments are tax exempt.

Debt Instruments at Fair Value through Other Comprehensive Income

	Within one year	Weighted average Nominal Rate	After one year but within five years	Weighted average Nominal Rate	After five years but within ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total	Weighted average Nominal Rate
(in millions of Ch\$, except rates)										
Central Bank and Government Securities										
Central Bank bonds	3,331,264	0.9	—	—	—	—	—	—	3,331,264	0.9
Central Bank and government securities	98,164	0.7	432	4.5	644,553	1.9	—	—	743,149	1.8
Subtotal	3,429,428		432		644,553		—		4,074,413	
Other Chilean Securities										
Time deposits in Chilean financial institutions	—	10.8	—	—	—	—	—	—	—	10.8
Mortgage bonds of Chilean financial institutions	6	4.2	7,191	3.5	1,629	3.7	1,065	4.2	9,891	3.6
Chilean financial institutions bonds	—	—	—	—	—	—	—	—	—	—
Chilean corporate bonds	—	—	—	—	—	—	—	—	—	—
Other Chilean securities	—	—	—	—	—	—	7	—	7	—
Subtotal	7		7,191		1,629		1,072		9,898	
Other financial securities										
Central Bank and Government Foreign Securities	—	—	426,953	—	1,241,717	—	—	—	1,668,670	—
Other Foreign financial securities	—	—	55,582	2.5	72,170	2	—	—	127,752	2.2
Subtotal	—		482,535		1,313,887		—		1,796,422	
Total	3,429,435		490,158		1,960,069		1,072		5,880,733	

Debt instruments at amortized cost

	Within one year	Weighted average Nominal Rate	After one year but within five years	Weighted average Nominal Rate	After five year but within ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total	Weighted average Nominal Rate
Central Bank and Government Securities										
Central Bank and government securities	96,344	3.6	4,772,141	1.7	—	—	—	—	4,868,485	5.3
Total	96,344	3.6	4,772,141	1.7	—	—	—	—	4,868,485	5.3

Loan Portfolio

Loan Categories

Our loan categories are as follows:

Commercial loans

Interbank loans are long-term and short-term loans made to other local or international banks, granted in Chilean pesos or foreign currencies, usually at a variable rate linked to LIBOR or other interbank rates.

Commercial loans are long-term and short-term loans, including checking overdraft lines for companies, granted in Chilean pesos, inflation linked, U.S.\$ linked or denominated in U.S.\$\$. The interest on these loans is fixed or variable and is used primarily to finance working capital or investments. General commercial loans also include factoring operations.

Foreign trade loans are fixed rate, short-term loans made in foreign currencies (principally U.S.\$) to finance imports and exports.

Checking account debtors mainly include mortgage loans (fixed and variable rate) that are inflation-indexed long-term loans with monthly payments of principal and interest secured by a real property mortgage. These loans can be endorsed to a third party.

Factoring transactions mainly include short-term loans to companies with a fixed monthly nominal rate backed by a company invoice.

Student loans mainly include long-term loans made to finance tertiary education mainly in fixed real rates (UF) some of which some are guaranteed by the state. These loans, per Chilean regulations, must be classified as commercial loans since they are guaranteed by the Chilean State under Law 20.027 through CORFO, the government's development agency.

Leasing transactions are agreements for the financial leasing of capital equipment and other property.

Other loans and accounts receivable loans include other loans and accounts payable.

Mortgage loans

Mortgage mutual loans mainly include mortgage loans (fixed and variable rate) that are inflation-indexed long-term loans with monthly payments of principal and interest secured by a real property mortgage. These are financed by issuing mortgage bonds.

Mortgage finance bond backed loans are inflation-indexed, fixed or variable rate, long-term loans with monthly payments of principal and interest secured by a real property mortgage that are financed with mortgage finance bonds. At the time of approval, these types of mortgage loans cannot be more than 75.0% of the lower of the purchase price or the appraised value of the mortgaged property or such loan will be classified as a commercial loan. Mortgage bonds are our general obligations, and we are liable for all principal and accrued interest on such bonds. In addition, if the issuer of a mortgage finance bond becomes insolvent, the General Banking Law's liquidation procedures provide that these types of mortgage loans with their corresponding mortgage bonds shall be auctioned as a unit and the acquirer must continue paying the mortgage finance bonds under the same conditions as the original issuer.

Other mortgage mutual loans mainly include mortgage loans (fixed and variable rate) that are inflation-indexed long-term loans with monthly payments of principal and interest secured by a real property mortgage. These are financed by our general borrowings.

Consumer loans

Installment consumer loans are loans to individuals, granted in Chilean pesos, generally on a fixed rate nominal basis, to finance the purchase of consumer goods or to pay for services. This includes auto loans originated through Santander Consumer Chile.

Consumer loans through lines of credit are checking overdraft lines to individuals, granted in Chilean pesos, generally on a fixed rate nominal basis and linked to an individual's checking account.

Credit card loans include credit card balances subject to nominal fixed rate interest charges.

Consumer leasing contracts are agreements for the financial leasing of automobiles and other property to individuals.

Other loans and accounts receivable from customers include draft lines for individuals.

Non-client loans

Interbank loans are fixed rate, short-term loans to financial institutions that operate in Chile.

Maturity and Interest Rate Sensitivity of Loans

The following table sets forth an analysis by type and time remaining to maturity of our loans at amortized cost as of December 31, 2022.

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 15 years	Due after 15 years	Total balance as of December 31, 2022
	(in millions of Ch\$)				
General commercial loans (1)	5,872,206	4,871,272	2,581,910	—	13,325,388
Foreign trade loans	1,508,139	101,366	3,003	—	1,612,508
Leasing transactions	361,530	727,490	256,957	—	1,345,977
Other outstanding loans	1,140,769	270,354	22,584	—	1,433,707
Subtotal commercial loans	8,882,644	5,970,482	2,864,454	—	17,717,580
Residential loans backed by mortgage bonds	1,272	549	92	—	1,913
Other residential mortgage loans	915,260	3,678,270	11,133,566	—	15,727,096
Subtotal residential mortgage loans	916,532	3,678,819	11,133,658	—	15,729,009
Consumer loans	2,489,069	2,725,230	68,513	—	5,282,812
Total loans at amortized cost	12,288,245	12,374,531	14,066,625	—	38,729,401

(1) Interbank loans for December 31, 2022 are included within commercial loans in accordance with disclosures for IFRS 9. See "Note 8—Financial Assets at Amortized Cost" of the Audited Consolidated Financial Statements.

The following tables present the total amount of loans due after one year that have fixed and variable interest rates as of December 31, 2022 for each category of loans required to be disclosed under IFRS financial statements. See also "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Interest Rates.

	As of December 31, 2022 (in millions of Ch\$)	
	Variable Interest Rates	Fixed Interest Rates
Commercial loans		
General commercial loans	2,463,378	10,862,010
Foreign trade loans	206,361	1,406,147
Checking accounts debtors	120,684	11,577
Credit card debtors	—	132,677
Factoring transactions	—	878,390
Student loans	14,750	1,331,227
Leasing transactions	—	52,833
Other loans and accounts receivable	77	237,469
Subtotals	2,805,250	14,912,330
Mortgage loans		
Loans with mortgage finance bonds	—	2,238
Endorsable mortgage mutual loans	—	87,621
Other mortgage mutual loans	5,257,342	10,381,808
Subtotals	5,257,342	10,471,667
Consumer loans		
Installment consumer loans	1,109	3,578,251
Credit card balances	147,794	7,862
Consumer leasing contracts	—	1,544,176
Other consumer loans	—	3,620
Subtotals	148,903	5,133,909
Totals loans to clients	8,211,495	30,517,906

Analysis and Classification of Loan Portfolio Based on the Borrower's Payment Performance

The following table analyzes our non-performing and impaired loans. Non-performing loans include the aggregate principal and accrued but unpaid interest of any loan with one installment that is at least 90 days past-due, and do not accrue interest. Loan information corresponds to loans at amortized cost in accordance with IFRS 9. See "Note 8—Financial Assets at Amortized Cost" of the Audited Consolidated Financial Statements.

	2022	2021
	(Ch\$ million)	
Total loans	38,729,401	36,529,062
Allowance for loan losses	1,153,267	1,051,434
Impaired loans	1,682,496	1,674,129
Impaired loans as a percentage of total loans	4.34%	4.58%
Amounts non-performing	312,319	449,835
To the extent secured ⁽¹⁾	176,712	269,176
To the extent unsecured	135,607	180,659
Amounts non-performing as a percentage of total loans	0.81%	1.23%
To the extent secured ⁽¹⁾	0.46%	0.74%
To the extent unsecured	0.35%	0.49%
Loans loss allowances as a percentage of:		
Total loans	2.98%	2.88%
Total amounts non-performing	369.26%	233.74%
Total amounts non-performing – unsecured	850.45%	582.00%

(1) Security generally consists of mortgages on real estate, pledges of marketable securities, letters of credit or cash.

Credit Ratios

The following sets forth our credit ratios as of and for the years ended December 2022, 2021 and 2020 by loan category.

	As of and for the Year Ended December 31		
	2022	2021	2020
	(in millions of Ch\$)		
Allowance for credit losses to total loans outstanding	2.98%	2.88%	3.02%
Allowance for credit losses	1,153,267	1,051,434	1,036,793
Total loans outstanding	38,729,401	36,529,062	34,339,893
Net write-offs during the period to average loans outstanding:			
Commercial			
<i>Interbank Loans</i>			
Net charge-off during the period	—	—	—
Average amount outstanding	11,260	19,060	3,709
Ratio of net charge-off/average amount outstanding	—%	—%	—%
<i>Commercial Loans</i>			
Net charge-off during the period	102,499	148,505	123,878
Average amount outstanding	14,254,233	13,764,674	13,233,598
Ratio of net charge-off/average amount outstanding	0.7%	1.1%	0.9%
<i>Foreign Trade Loans</i>			
Net charge-off during the period	0	10,358	130
Average amount outstanding	1,646,604	1,318,946	1,775,414
Ratio of net charge-off/average amount outstanding	0.0%	0.8%	0.0%
<i>Checking Account Debtors</i>			
Net charge-off during the period	4,962	6,341	24,619
Average amount outstanding	144,773	120,034	165,001
Ratio of net charge-off/average amount outstanding	3.4%	5.3%	14.9%
<i>Factoring Transactions</i>			
Net charge-off during the period	2,230	1,417	1,526
Average amount outstanding	835,763	454,273	475,571
Ratio of net charge-off/average amount outstanding	0.3%	0.3%	0.3%
<i>Student Loans</i>			
Net charge-off during the period	1,624	1,311	1,680
Average amount outstanding	54,366	59,246	67,225
Ratio of net charge-off/average amount outstanding	3.0%	2.2%	2.5%
<i>Leasing Transactions</i>			
Net charge-off during the period	9,976	8,792	6,626
Average amount outstanding	1,347,664	1,319,618	1,432,928
Ratio of net charge-off/average amount outstanding	0.7%	0.7%	0.5%
<i>Other Loans and Accounts Receivable</i>			
Net charge-off during the period	19,374	2	2
Average amount outstanding	233,811	124,538	199,228
Ratio of net charge-off/average amount outstanding	8.3%	0.0%	0.0%
Total Commercial			
Net charge-off during the period	140,665	176,726	158,461
Average amount outstanding	18,528,474	17,180,389	17,352,674
Ratio of net charge-off/average amount outstanding	0.8%	1.0%	0.9%
Residential			
<i>Loans with Mortgage Finance Bonds</i>			
Net charge-off during the period	19	23	20
Average amount outstanding	3,004	5,976	9,993
Ratio of net charge-off/average amount outstanding	0.6%	0.4%	0.2%
<i>Mortgage Mutual Loans</i>			
Net charge-off during the period	4	907	1,558
Average amount outstanding	87,415	88,349	95,196
Ratio of net charge-off/average amount outstanding	0.0%	1.0%	1.6%
<i>Other Mortgage Loans</i>			
Net charge-off during the period	22,259	18,870	15,054
Average amount outstanding	14,621,584	12,881,140	11,785,916
Ratio of net charge-off/average amount outstanding	0%	0.1%	0.1%
Total Residential			
Net charge-off during the period	22,282	19,800	16,632
Average amount outstanding	14,712,003	12,975,465	11,891,105
Ratio of net charge-off/average amount outstanding	0.2%	0.2%	0.1%

	As of and for the Year Ended December 31		
	2022	2021	2020
	(in millions of Ch\$)		
Consumer Loans			
<i>Installment Consumer Loans</i>			
Net charge-off during the period	141,131	100,493	173,325
Average amount outstanding	3,710,662	3,579,688	3,791,963
Ratio of net charge-off/average amount outstanding	3.8%	2.8%	4.6%
<i>Credit Card Balances</i>			
Net charge-off during the period	32,156	18,143	43,081
Average amount outstanding	1,328,114	1,083,252	1,151,003
Ratio of net charge-off/average amount outstanding	2.4%	1.7%	3.7%
<i>Consumer Leasing Contracts</i>			
Net charge-off during the period	23	1	108
Average amount outstanding	2,793	2,990	3,483
Ratio of net charge-off/average amount outstanding	0.8%	0.0%	3.1%
<i>Other Consumer Loans</i>			
Net charge-off during the period	1,594	4,848	3,206
Average amount outstanding	480	215	466
Ratio of net charge-off/average amount outstanding	332.1%	2254.9%	688.0%
<i>Total Consumer</i>			
Net charge-off during the period	174,904	123,485	219,720
Average amount outstanding	5,042,049	4,666,145	4,946,915
Ratio of net charge-off/average amount outstanding	3.5%	2.6%	4.4%
Total Loans			
Net charge-off during the period	337,851	320,011	394,813
Average amount outstanding	38,282,526	34,821,999	34,190,694
Ratio of net charge-off/average amount outstanding	0.9%	0.9%	1.2%

Deposits

The principal components of our deposits are savings accounts and time deposits and non-interest bearing demand deposits. For an analysis of average deposits for 2022 and 2021, see “—Average Balances, Income Earned from Interest-Earning Assets and Interest Paid on Interest-Bearing Liabilities.” The following table uses an estimate of uninsured deposits which are not covered by the Chilean government guarantees as outlined in Item 4. Information on the Company – Deposit insurance.

	For the year ended December 31,	
	2022	2021
	(in millions of Ch\$)	
Insured deposits	194,960	120,828
Uninsured deposits	12,654,685	9,925,653
<i>Of which:</i>		
Excess over guaranteed limit	642,292	382,810
Otherwise uninsured	3,701,690	9,542,843
Total	12,849,645	10,046,482

	For the year ended December 31, 2022		
	Ch\$	Foreign currency	Total
	(in millions of Ch\$)		
Time deposits otherwise uninsured with a maturity of:			
3 months or less	5,996,017	1,024,344	7,020,361
Over 3 months through 6 months	1,542,277	487,070	2,029,348
Over 6 months through 12 months	1,393,462	87,293	1,480,755
Over 12 months	2,101,783	22,439	2,124,222
Total	11,033,539	1,621,146	12,654,685

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management Directors

We are managed by our Board of Directors, which, in accordance with our by-laws, consists of 9 directors and two alternates who are elected at our ordinary shareholders' meetings. The current members of the Board of Directors were elected by the shareholders in the ordinary shareholders' meeting held on April 30, 2020. Members of the Board of Directors are elected for three-year terms. The term of the current Board members expires in April of 2023.

Cumulative voting is permitted for the election of directors. The Board of Directors may appoint replacements to fill any vacancies that occur during periods between elections. If any member of the Board of Directors resigns before his or her term has ended, and no other alternate director is available to take the position at the next annual ordinary shareholders' meeting a new replacing member will be elected. Our executive officers are appointed by the Board of Directors and hold office at its discretion. Scheduled meetings of the Board of Directors are held monthly. Extraordinary meetings can be held when called in one of three ways: by the Chairman of the Board of Directors, by three directors with the consent of the Chairman of the Board of Directors or by the majority of directors. None of the members of our Board of Directors has a service contract which entitles any Director to any benefits upon termination of employment with Santander-Chile.

Our current directors are as follows:

Directors	Position	Committees	Term Expires
Claudio Melandri Hinojosa	President	Asset and Liability Committee Market Committee Remuneration Committee Integral Risk Committee Management Appointment Committee	Apr-23
Rodrigo Vergara Montes	First Vice President	Market Committee Audit Committee Asset and Liability Committee (President) Management Appointment Committee	Apr-23
Orlando Poblete Iturrate	Second Vice President	Remuneration Committee (President) Audit Committee (President)	Apr-23
Felix de Vicente Mingo	Director	Asset and Liability Committee Audit Committee Integral Risk Committee	Apr-23
Alfonso Gómez Morales	Director	Integral Risk Committee (President) Remuneration Committee Market Committee Asset and Liability Committee	Apr-23
Ana Dorrego de Carlos	Director	–	Apr-23
Rodrigo Echenique Gordillo	Director	–	Apr-23
Lucia Santa Cruz Sutil	Director	Analysis and Resolution Committee Market committee Integral Risk Committee	Apr-23
Juan Pedro Santa Maria Perez	Director	Audit Committee (Secretary) Analysis and Resolution Committee (President) Integral Risk Committee	Apr-23
Blanca Bustamante Bravo	Alternate Director	Integral Risk Committee Management Appointment Committee (President)	Apr-23
Oscar von Chrismar Carvajal	Alternate Director	Integral Risk Committee Market Committee (President) Asset and Liability Committee Analysis and Resolution Committee	Apr-23

Claudio Melandri Hinojosa became the Executive Chairman of Grupo Santander in Chile on February 27, 2018. He is also President of Santander Chile Holding S.A. and Vice President of Universia Chile S.A. He has more than 30 years of experience in the financial industry and was Chief Executive Officer of Santander Chile from January 2010 to March 2018 and was also Country Head until July 2022. He started his career in Banco Concepción and joined Grupo Santander in 1990, where he has held various positions of responsibility, including Regional Manager, Manager of the branch network, Human Resources Manager and Manager of Commercial Banking. He was also a Vice President at Banco Santander Venezuela for three years in the commercial area of this country. Mr. Melandri has degrees in Business and Accounting and holds a Master of Business Administration from Universidad Adolfo Ibáñez.

Rodrigo Vergara became a director and First Vice President of the Board on July 12, 2018. He was President of the Central Bank of Chile between 2011 and 2016 and was a member of the Board of the Central Bank of Chile between 2009 and 2011. Mr. Vergara is an associate researcher at the Centre of Public Studies (CEP) and a research fellow at Harvard's Mossavar-Rahmani Center for Business and Government (Kennedy School). He is a professor of Economics at Pontificia Universidad Católica de Chile and an economic consultant and board member for various companies. He graduated with an Economics Degree from the Pontificia Universidad Católica de Chile in 1985 and earned a Doctorate Degree in Economics from Harvard University in 1991. Between 1985 and 1995, he worked at the Central Bank of Chile where he was promoted to Chief Economist in 1992. He has been an economic consultant for central banks and governments within Latin America, Eastern Europe, Asia and Africa. He has also been an external consultant for the World Bank, the International Monetary Fund, the Inter-American Development Bank and the United Nations. He has served, among others, as a member in the Presidential Work and Equity Commission, the Advisory Commission on the Free Trade Agreement between Chile and the U.S., the National Savings Commission and the Conicyt Economic Group. He is a member of the editorial board of the magazine Estudios Públicos. Mr. Vergara is the author of numerous articles published in specialized professional journals and has edited several books.

Orlando Poblete Iturrate is the Second Vice President and has served on the Board since April 22, 2014. Since 1991, Mr. Poblete has been a professor at Universidad de los Andes. Between 1997 and 2004, he was Dean of the Law School at Universidad de los Andes and until 2014 he served as Chancellor. He is also a partner at the law firm Orlando Poblete & Company. He is a member of the Counsel of the Arbitration and Mediation of Santiago of the Chamber of Commerce of Santiago. Previously, between 1979 and 1991, he was a professor of Procedural Law at Universidad de Chile. Mr. Poblete is a lawyer from Universidad de Chile and has a Masters in Law from the same university. He is also a graduate of the Directive Management of Companies Program (PADE) of ESE Business School of Universidad de los Andes.

Félix de Vicente Mingo became a director on March 27, 2018. He has a Business degree with a specialization in Economics from Universidad de Chile. Between 2013 and 2014, he was Minister of Economy, Development and Tourism of Chile. Before this, he was a Trade Commissioner of ProChile, an institution of the Ministry of Foreign Affairs dedicated to promoting Chilean products abroad. He commenced his professional career as a fruit exporter in the O'Higgins region of Chile and then as Manager of Administration and Finance of Telemercados Europa, as well as being president and partner of various companies in Chile and abroad.

Alfonso Gómez became a director on March 27, 2018. He has a Civil Engineering degree from Universidad Católica de Chile, a Ph.D. of the Royal College of Art of London and he is an advisor to the Innovation Center UC Anacleto Angelini. He started his career in the Industrial and System Engineering Department of Universidad Católica de Chile. He was founder of various companies, such as Apple Chile, Unlimited and Virtualia, the first social network developed in Latin America. He has been a director of numerous companies and institutions such as the National Council of Culture and the Arts and Fundación País Digital, and the National Council of Innovation. He was Dean of the Faculty of Engineering and later Dean of the Business School of Universidad Adolfo Ibáñez.

Ana Dorrego became a director on March 15, 2015. She has been working at the Santander Group since 2005, mainly in the Financial Planning and Corporate Development department, coordinating the Group's planning processes and following up on the different Santander Group units and projects. She was director of E-business development for the Santander Group and previously she was a corporate client relationship manager and commercial director of transactional banking at Bankinter. Ms. Dorrego holds a degree in Business Administration from Universidad Pontificia de Comillas ICAI-ICADE, and a master's degrees in Business Administration from Deusto University – Bilbao, Spain, and Adolfo Ibáñez, Miami/Chile.

Rodrigo Echenique Gordillo became a director on March 26, 2019. He currently serves as Vice President and Executive Director of Banco Santander, S.A. (Spain) and a member of the Board of Santander Mexico and has significant experience in international banking. In 1976 he joined Banco Exterior de España as Deputy General Director and Head of Legal Services. He was subsequently appointed Deputy General Manager and member of the Executive Committee, and served as Executive Director of Banco Santander, SA from 1988 to 1994. He was a member of the board of several industrial and financial companies such as Ebro Azúcares y Alcoholes, SA, and Industrias Agrícolas, SA, and chaired the advisory board of Accenture, SA. He was also a non-executive chairman of NH Hotels Group, S.A., Vocento, S.A., Vallehermoso, S.A. and Merlin Properties, SOCIMI, S.A. He has a law degree from Universidad Complutense de Madrid.

Lucía Santa Cruz Sutil became a director on August 19, 2003. She is a Member of the Board of Universidad Adolfo Ibáñez. She is director of Compañía de Seguros Generales y de Vida La Chilena Consolidada (Zurich) and is a member of the Advisory Board of Nestle Chile. She is a member of the Self-Regulation Committee for Insurance Companies in Chile. Ms. Santa Cruz is a historian and holds a Master in Philosophy from Oxford University and holds a Doctor Honoris Causa degree in Social Sciences from King's College, University of London.

Juan Pedro Santa María Pérez became a director on July 24, 2012 after having served as Corporate Legal Director for Grupo Santander in Chile, Legal Counsel for Santander-Chile, Banco O'Higgins and Banco Santiago. He has been President of the Legal Committee of the Asociación de Bancos e Instituciones Financieras de Chile for over 20 years and President Pro-Tempore of the Financial Law Committee of the Federación Latinoamericana de Bancos (FELABAN). He is a member of the Counsel of Arbitrage and Mediation of the Chamber of Commerce of Santiago. Mr. Santa María holds a degree in Law from the Pontificia Universidad Católica de Chile.

Blanca Bustamante Bravo became an alternate director on April 28, 2015. She holds a commercial engineering degree with mention in economics from Universidad Católica de Chile. Her professional experience includes the role of economic analyst for the Central Bank of Chile and research analyst for Oppenheimer & Co. in New York and IM Trust. In 1998, she joined Viña Concha y Toro as Head of Investor Relations, a position held until 2010. In 2001, she also became deputy manager of Corporate Communications and in 2017 became Director of Corporate Affairs. Currently she holds the position of Director of Corporate Relations, in charge of corporate communications and investor relations. Since 2013, she has been a director in the Center for Research & Innovation for Viña Concha y Toro.

Oscar von Chrismar Carvajal joined the Board on December 22, 2009 and is currently an alternate director. Mr. von Chrismar holds a Civil Engineering degree from Universidad de Santiago de Chile with specialist studies in the U.S. and Europe. He is a director of Sinacofi and the Stock Exchange since April 2012. He joined Banco Santander in 1990 as a manager of the finance division. Between 1995 and 1996 he was General Manager of Banco Santander Peru. In 1997, he became the General Manager of Santander Chile, a position he held until December 2009 when he joined the Board of Directors. Mr. von Chrismar was also a board member of Banco Santander Argentina, Peru and the Santiago Stock Exchange. Prior to joining the Santander Group, he was Manager of the Finance Division for Morgan Bank and Manager of Finance of ING Bank. He has more than 25 years of experience in the banking industry.

Senior Management

Our senior managers are as follows:

Senior Manager	Position	Date Appointed
Román Blanco	Chief Executive Officer	Aug-22
Pedro Orellana	Director of Retail Banking	Apr-21
Andres Trautmann	Director of Corporate and Investment Banking	May-21
Luis Araya	Director of Middle-Market	Apr-21
Emiliano Muratore	Chief Financial Officer	Apr-16
Guillermo Sabater	Financial and Costs Controller	Nov-15
Franco Rizza	Director of Risk	Feb-14
Ricardo Bartel	Director of Technology and Operations	Jun-15
María Eugenia de la Fuente	Director of Human Resources	Jun-15
Sergio Avila	Director of Administration and Global Payments	Mar-15
Claudia Heimpell	Director of Clients and Service Quality	Nov-22
Cristian Florence	General Counsel	Sep-12
Oscar Gomez	Director of Internal Audit	Jan-20
Jorge Valencia	Director of Wealth Management and Insurance	Nov-21
Jonathan Covarrubias	Chief Accounting Officer	May-19
Claudia Cisternas	Business Transformation	Nov-22

Román Blanco became the Chief Executive Officer and Country Head of Banco Santander Chile in August 2022. He has a Civil Engineering degree from University of Cantabria (Spain) and an MBA from Carnegie Mellon University (Pittsburgh, United States). He has 18 years of experience in the Group, which he joined in 2004 as vice president of Banco Santander Banespa in Sao Paulo, Brazil, where he was assigned the task of consolidating the role that this market played for the Group. In 2007 he was appointed president and CEO of Santander Colombia, whose strategy led to a revaluation of Santander in that country. In 2012, he assumed the same responsibilities in Puerto Rico, and was subsequently appointed as CEO of Santander Bank, NA and Santander Holdings in Boston, United States. He has also been responsible for the operations in the Andean region and Uruguay of the Santander Group and member of the board of Santander Uruguay, Santander Peru and Santander Colombia.

Pedro Orellana became Director of Retail Banking in April 2021. He has been part of the Santander Group for 27 years. He began his career in the Bank in 1995, where he has had various responsibilities, including serving as Manager of the Individuals and SMEs segments. He was also Executive vice-president of Retail Banking in Colombia and then Head of Retail Banking of the Americas Division in Madrid. Mr. Orellana holds a degree in Civil Engineering from Universidad de Chile and a CFI from Stanford.

Andrés Trautmann became Director of Santander Corporate and Investment Banking in May 2021. He joined Grupo Santander in 2007, serving as Treasurer of Santander Chile between 2018 and 2021. Between 2013 and 2018 he was in charge of sales for the Andean region for Goldman Sachs in New York, and prior to that he was Head of Institutional and Corporate Sales at Santander Chile. He was also in charge of sales of structured products in London for Santander UK between 2010 and 2012. Between 2002 and 2006, he worked at Econsult as investment manager for investment funds and financial analyst for studies, and previously he was a financial analyst in the planning and development department of Enersis S.A. Mr. Trautmann is a Commercial Engineer from Universidad de Chile.

Luis Araya became Director of our Middle-market banking segment in May 2021. Prior to that, he held various responsibilities in different divisions throughout the 25 years he has worked in the Bank. Before becoming manager of this segment, he was manager of the Santander branch network for four years and Manager of Human Resources for the Individuals Division for two years. Before that, he was part of the Commercial Division as Manager of Products, Investments and the Individuals segment. He also worked for Santander Corporate and Investment Banking for nine years. Luis Araya holds a degree in Civil Engineering and has a Master of Science in Engineering, both from Pontificia Universidad Católica de Chile.

Emiliano Muratore became the Chief Financial Officer for Santander-Chile in April 2016. From Buenos Aires, Argentina, he has more than 23 years of experience in the Santander Group. He joined Santander Rio (Argentina) in 1999 and after four years he was moved to the Group headquarters in Madrid as part of a young talent development program, where he started his experience in the finance division. In 2006, he moved to Santander Chile where, in 2008, he was appointed as Manager of the Financial Division, bearing responsibility for the management of structural financial risks. After eight years, he was promoted to Chief Financial Officer. Mr. Muratore has a degree in business from Universidad Católica Argentina in Buenos Aires and a postgraduate degree in finance from Universidad de San Andrés in Buenos Aires. In 2018 he completed the Advanced Management Program at Harvard Business School. Currently, he is chairman of the financial management and infrastructure committee at Chile's Banking Association (ABIF). He also serves as board member at Fundación Belén Educa, a non-for-profit organization that manages 12 schools targeted to disadvantaged families.

Guillermo Sabater is the Financial and Costs Controller of Santander-Chile and has been working for Santander Group and its affiliates for 28 years. Between 2009 and 2015, he was Senior Executive Vice President of Santander in the U.S. and CFO and Controller of Sovereign Bank and Santander Holdings USA. Before that, he was the financial controller of Banco Santander Chile between 2006 and 2009. He also served for three years, between 2003 and 2006, as Financial Controller of the Consumer Finance Division in Madrid, Spain. Mr. Sabater also served as an internal auditor during his first ten years at the company. He has a degree in Economics and Business Administration from University College of Financial Studies at Universidad Complutense de Madrid and completed a Program in Executive Development at the Institute of Business and has completed various courses at institutions such as Babson College and Boston University.

Franco Rizza became Chief Risk Officer in February 2014. Previously, he was director of Global Collections & Recoveries in the Madrid headquarters, covering all countries where the Group has commercial banking activities outside Spain. Between 2010 and 2013, he was the Chief Risk Officer of Banco Santander in Uruguay. He joined the Group in 1989 in Argentina, where he held various positions, including Regional Manager, Product Manager and Retail Credit Risk Manager. He has completed studies in Business and Risk Management in Argentina and Spain.

Ricardo Bartel became the Manager of Technology and Operation in June 2015 after joining Santander Chile in October 2014 as Manager of Operational Services of the same division. Previously, he held various management positions in product and service companies such as Chief Financial Officer at Madeco, Logistics and Distribution Manager and Chief Financial Officer of CCU SA. and Chief Executive Officer of Empresas Relsa S.A. and Laboratorio Maver. Mr. Bartel has both a Civil Engineering degree and a Master of Business Administration from Universidad Católica de Chile. He is also a graduate of the Directive Management of Companies Program (PADE) of ESE Business School of Universidad de los Andes.

María Eugenia de la Fuente is the Director of Human Resources and Communications. Ms. de la Fuente has a commercial engineering degree from Universidad de Chile and a Master's degree in tax planning from Universidad Adolfo Ibáñez. She has more than 30 years of experience in strategic planning and human resource management for both private and public companies. From March 2010 to February 2013, she was the Undersecretary to the Chief of Staff for the first government of President Sebastián Piñera. From 2013 to 2015, she was Managing Director of Transparency and Client Services for Corpbanca and Chief Executive Officer of BZD Consultores. She assumed her current role at Santander-Chile in June 2015.

Sergio Avila is Director of Administration and Projects. He has been part of Grupo Santander since 1996, having led the teams of Investment Funds, Structured Financing, Personal Banking, Personal Products, Company Products and Retail Risks, Costs and Suppliers. Mr. Avila has a Civil Engineering degree with specialization in Electricity and a Master of Science in Civil Engineering from Universidad Católica de Chile.

Claudia Heimpell became Director of Clients' and Service Quality of Santander Chile in November 2022. She has held various positions within the organization, including Select and High Income Segment Manager, Medium and Massive Income Manager, Commercial Assistant Manager in the Mortgage Area, and Marketing and Complementary Channels Manager at Banefe. Between 2018 and 2022 she was at Scotiabank, where she was responsible for the Retail, Data Analytics and VP of Distribution segments. Ms. Heimpell has a degree in Business from Finis Terrae University, an AMP from Universidad de los Andes and IESE Business School-Universidad de Navarra and holds a Diploma in Strategic Leadership from the Pontificia Universidad Católica de Chile.

Cristian Florence is our General Counsel, a position he has held since September 2012. Prior to that he served as Chief Lawyer at Santander-Chile. Mr. Florence joined Santander-Chile in 2002 when Santander-Chile merged with Banco Santiago. He started working in the banking industry in 1991, when he joined Centrobanco, a predecessor of Banco O'Higgins and Banco Santiago serving at several positions in the law departments. Mr. Florence is also a Director of Zurich Santander Seguros Generales Chile S.A., Zurich Santander Seguros de Vida Chile S.A. and Santander Asset Management S.A. Administradora General de Fondos. He has a degree in Law from Universidad Gabriela Mistral and a Master of Laws (LLM) from the same university and is a professor of Civil Law.

Oscar Gómez is Director of Internal Audit a position he has held since January 2020. He has worked for Grupo Santander since 1997 in different positions in the Internal Audit Division, including serving as the Corporate Director for Financial Risk Information. Mr. Gómez has a degree in Economic and Business Science from Universidad de Cantabria and is certified by the IIA (Institute of Internal Auditors) as CIA (Certified Internal Auditor) and CRMA (Certification in Risk Management Assurance). He has also completed post graduate studies at Instituto de Empresa (Spain) and INSEAD.

Jorge Valencia became the Director of Wealth Management and Insurance (WM&I) of Banco Santander in November 2021. He joined the group in 2016 at SCIB as head of Global Markets and later he was in charge of Banking and Corporate Finance. During his more than 25-year career, he has held various positions of responsibility at JPMorgan, Platinum Grove Asset Management, RBS and AFP Habitat. Mr. Valencia is an Economist from the Pontificia Universidad Católica de Chile and a Master of Arts in Corporate Communications from Universidad Adolfo Ibáñez.

Jonathan Covarrubias was named Chief Accounting Officer of Santander-Chile in May 2019. He has over 21 years of experience in the banking industry, having started at Santander Chile in 2001. Previously, he has held managerial positions related to the Consolidation and Reporting Departments, overseeing our Chilean, U.S. and Spanish GAAP reporting requirements. Mr. Covarrubias is a public accountant from Universidad de Santiago. He has a Master in Business Administration (MBA) from Pontificia Universidad Católica de Chile and a Masters in International Business Management from Universidad de Zaragoza. He is also certified by the Comité de Acreditación de Conocimientos en el Mercado de Valores (CAMV) in Chile.

Claudia Cisternas was named Manager of the Office of Business Transformation and Strategic Projects. She joined Santander Chile in 2020, as head of the Tax Management and Control Team, with a focus on team transformation. Previously she worked as Senior Manager of Transaction Services at a major global accounting firm. Claudia is a public accountant from University of Santiago with a Master in Tax Planning and Management from Adolfo Ibañez University.

B. Compensation

For the year ended December 31, 2022, the aggregate amount of compensation paid by us to all of our directors, executive officers and management members was Ch\$40,650 million (U.S.\$47.8 million). For the year ended December 31, 2022, the aggregate amount of compensation paid by us to all of our directors was Ch\$1,764 million (U.S.\$2.1 million), in monthly stipends. At our annual shareholder meeting held on April 27, 2022, shareholders agreed to maintain the remunerations approved in the previous shareholders' meeting in 2021. In addition, a monthly stipend per director of UF 250 (U.S.\$10,212), UF 500 (U.S.\$20,425) for the Chairman of the Board and UF 375 (U.S.\$15,319) for the Vice-Chairman's of the Board was set. This amount will be increased by UF 30 per month (U.S.\$1,225) if a Board member is named to one or more committees of the Board. The additional amount will be UF 60 (U.S.\$2,451) for the President of a committee and UF 15 (U.S.\$613) for the Vice-President of one or more committees. In the case of the Integral Risk Committee, which holds sessions twice a month, the remuneration received by a regular board member is UF 15 (U.S.\$613) per session with the President of this committee receiving 30 UF (U.S.\$1,225) per session. Remuneration will be limited to two sessions per month, even if more sessions are held. Shareholders also approved the Audit Committee remuneration for its members. The remuneration received by a regular board member is UF 115 (U.S.\$4,698) with the President of this committee receiving 230 UF (U.S.\$9,395). This remuneration is in line with Chilean corporate governance law. In addition, we can pay certain directors professional service fees for the consulting services that they render to us in their fields of expertise. For the year ended December 31, 2022, we did not make any such payments to our directors.

Santander-Chile and its affiliates have designed variable-compensation plans for their employees, based on performance targets and objectives, the achievement of which are evaluated and paid on a quarterly and/or annual basis.

Share-based compensation (settled in cash)

In accordance with IFRS 2, equity instruments settled in cash are allocated to executives of the Bank and its Subsidiaries as a form of compensation for their services. The Bank measures the services received and the cash obligation at fair value at the end of each reporting period and on the settlement date, recognizing any change in fair value in the income statement for the period. For the years ended December 31, 2022, 2021 and 2020, share-based compensation amounted to Ch\$(1,169) million, Ch\$(315) million and Ch\$(1,589) million.

Pension Plans

The Bank has an additional benefit available to its principal executives, consisting of a pension plan. The purpose of the pension plan is to endow the executives with funds for a better supplementary pension upon their retirement. For this purpose, the Bank will match the voluntary contributions made by the beneficiaries for their future pensions with an equivalent contribution. The executives will be entitled to receive this benefit subject to the following terms:

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

If the working relationship between the executive and the company ends, before she fulfills the abovementioned requirements, she will have no rights under this benefit plan. In the event of the executive's death or total or partial disability, the executive or her family will be entitled to receive this benefit. The Bank will make contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank. The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company. Plan Assets owned by the Bank at the end of 2022 totaled Ch\$6,819 million, (Ch\$7,200 million in 2021). The amount of the defined benefit plans has been quantified by the Bank, based on the following criteria:

Calculation method

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

Actuarial hypothesis assumptions

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

	Plans post- employment 2022	Plans post- employment 2021
Mortality chart	RV-2014	RV-2014
Termination of contract rates	5.0%	5.0%
Impairment chart	PDT 1985	PDT 1985

Assets related to the pension fund contributed by the Bank into the Seguros Euroamerica insurance company with respect to defined benefit plans are presented as net of associated commitments. Activity for post-employment benefits is as follows:

	As of December 31,	
	2022	2021
	(in millions of Ch\$)	
Plan assets	6,819	7,200
Commitments for defined-benefit plans:		
For active personnel	(6,277)	(6,678)
Incurred by inactive personnel	—	—
Minus:		
Unrealized actuarial (gain) losses	—	—
Balances at year end	542	523

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

	For the years ended December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
a) Fair value of plan assets			
Opening balance	7,127	8,224	7,195
Expected yield of insurance contracts	211	640	3,985
Employer contributions	337	995	870
Benefits paid	(856)	(2,659)	(226)
Fair value of plan assets at year end	6,819	7,200	8,224
b) Present value of obligations			
Opening balance	356	(7,551)	(6,525)
Service cost	—	873	(1,026)
Present value of obligations at year end	(6,277)	(6,678)	(7,551)
Net balance at year end	542	523	673

Plan expected profit:

	As of December 31,		
	2022	2021	2020
Type of expected yield from the plan's assets	UF + 2.50% annual	UF + 2.50% annual	UF + 2.50% annual
Type of yield expected from the reimbursement rights	UF + 2.50% annual	UF + 2.50% annual	UF + 2.50% annual

Plan associated expenses:

	For the years ended December 31,		
	2022	2021	2020
	(in millions of Ch\$)		
Current period service expenses	356	(873)	1,026
Expected yield from plan's assets	211	(640)	(385)
Total	567	(1,513)	641

C. Board Practices

Audit Committee

The Audit Committee (*Comité de Directores y Auditoría*) is comprised of three independent members of the Board of Directors and the Committee Secretary is Juan Pedro Santa María. The Chief Executive Officer, General Counsel, General Auditor and other persons from the Bank can be invited to the meetings if necessary and are present when discussing specific matters. This Committee's primary responsibility is to support the Board of Directors in the continuous improvement of our system of internal controls, which includes reviewing the work of both the independent registered public accounting firm and the Internal Audit Department. The committee is also responsible for analyzing observations made by regulatory entities of the Chilean financial system about us and for recommending measures to be taken by our management in response. The external auditors are recommended by this committee to our Board of Directors and appointed by our shareholders at the annual shareholders' meeting.

This committee is also responsible for:

- Presenting to the Board of Directors a list of candidates for the selection of an external auditor to be proposed at the Annual Shareholders' Meeting.
- Presenting to the Board of Directors a list of candidates for the selection of rating agencies.
- Overseeing and analyzing the results of the external audit and the internal reviews.
- Overseeing and coordinating the Bank's operational risk policies.
- Analyzing the interim and year-end financial statements and reporting the results to the Board of Directors.
- Analyzing the external auditors' reports and their content, procedures and scope.
- Obtaining information regarding the effectiveness and reliability of the internal control systems and procedures.
- Analyzing the information systems performance, and its sufficiency, reliability and use in connection with decision-making processes.
- Obtaining information regarding compliance with the company's policies regarding the due observance of laws, regulations and internal rules to which the company is subject.
- Investigating suspicious and fraudulent activities (including conflicts).
- Analyzing the reports of the inspection visits, instructions and presentations of the FMC.
- Obtaining information, analyzing and verifying the company's compliance with the annual audit program prepared by the internal audit department.
- Informing the Board of Directors of accounting changes and their effects.

The Board members of this committee are:

Board member	Position in Committee
Orlando Poblete Iturrate	President
Felix de Vicente Mingo	Member
Rodrigo Vergara Montes	Member
Juan Pedro Santa María Pérez	Secretary

Integral Risk Committee

The Integral Risk Committee of the Board is responsible for reviewing and monitoring all risks that may affect us, allowing for an integral risk management. This committee serves as the governing body through which the Board supervises risk in general. It also evaluates the reasonability of the systems for measurement and control of the following risks: Credit risk, Market risk, Operational risk, Cybersecurity, Solvency risk (BIS), Legal risks, Compliance risks and Reputational risks.

This Committee includes seven Board members. This committee also includes the Chief Executive Officer, the Director of Risk and other senior level executives from the risk and commercial side of our business. The Board members of this committee are:

Board member	Position in Committee
Alfonso Gomez	President
Oscar von Chrismar	Member
Félix de Vicente	Member
Blanca Bustamante	Member
Juan Pedro Santa María Pérez	Member
Claudio Melandri	Member
Lucía Santa Cruz	Member

Asset and Liability Committee (ALCO)

The ALCO includes the Chairman and Vice-Chairman of the Board and three additional members of the Board, the Chief Executive Officer, the Chief Financial Officer, the Corporate Financial Controller, the Manager of the Financial Management Division, the Manager of Market Risk, the Manager of the Treasury Division, and other senior members of management. The ALCO meets monthly. All limits reviewed by the ALCO are measured and prepared by the Market Risk Department. The non-Board members of the ALCO meet weekly to review liquidity, funding, capital and market risk related matters. The members of this committee are the following:

Board member	Position in Committee
Rodrigo Vergara Montes	President
Claudio Melandri	Member
Oscar von Chrismar Carvajal	Member
Félix de Vicente	Member
Alfonso Gomez Morales	Member

The main functions of the ALCO are:

- Making the most important decisions, approving the risk appetite and limits regarding our exposure to inflation, interest rate risk, inflation risk, funding, capital and liquidity levels.
- Review of the evolution of the most relevant local and international markets and monetary policies.

The main limits set and monitored by the ALCO (and measured by the Market Risk Department) are the following:

Risk	Measure
Interest rates	Sensitivity Capital Sensitivity NIM Regulatory limit (30 Days) Regulatory limit (90 Days) Inflation GAP
Liquidity	Liquidity coverage ratio Net stable funding ratio Stress tests Structural liquidity limit Wholesale funding limits Deposit concentration Asset encumbrance
Capital	Leverage ratio Core capital ratio BIS ratio ROE – COE RORAC – COE
Foreign exposures	Intergroup exposure: Derivatives, deposits, loans Foreign assets: Derivatives, Deposits, Loans

Market Committee

The Market Committee includes the Chairman of the Board, the Vice Chairman of the Board, two additional members of the Board, the Chief Executive Officer, the Director of Corporate Investment Banking, the Chief Financial Officer, the Manager of the Treasury Division, the Manager of the Financial Management Division, the Manager of Market Risk, the Financial Controller, our Chief Economist and other senior members of management. The members of this committee are the following:

Board member	Position in Committee
Oscar von Chrismar Carvajal	President
Rodrigo Vergara Montes	Member
Lucía Santa Cruz	Member
Claudio Melandri Hinojosa	Member
Alfonso Gomez Morales	Member

The Market Committee is responsible for:

- Establishing a strategy for the Bank's trading investment portfolio.
- Establishing the Bank's policies, procedures and limits with respect to its trading portfolio. The Bank's Market Risk Department measures all risks and limits and reports these to the Market Committee.
- Reviewing the net foreign exchange exposure and limit.
- Reviewing the results of the Bank's client treasury business
- Reviewing the evolution of the most relevant local and international markets and monetary policies.

Analysis and Resolution Committee

The Analysis and Resolution Committee defines and controls the compliance of policies, regulations and general and specific objectives regarding the prevention of money laundering and the financing of terrorism, in accordance with local rules and regulations as well as with the Santander Group. The members of this committee are the following:

Board member	Position in Committee
Juan Pedro Santa María Pérez	President
Oscar von Chrismar Carvajal	Member
Lucía Santa Cruz	Member

Management Appointment Committee

The Management Appointment Committee oversees the revision and application of policies and procedures of roles defined as "key positions" and also the review of other positions within the organization in general. The members of this committee are the following:

Board member	Position in Committee
Blanca Bustamante	President
Claudio Melandri	Member
Rodrigo Vergara Montes	Member

Remuneration Committee

The Remuneration Committee reviews the documentation referring to the evaluation and remuneration of roles defined as “key positions” and other member of the organization in general. The members of this committee are the following:

Board member	Position in Committee
Orlando Poblete	President
Alfonso Gómez	Member
Claudio Melandri	Member

D. Employees

As of December 31, 2022, on a consolidated basis, we had 9,389 employees: 8,846 of whom were bank employees, 487 of which were employees of our subsidiaries and 56 of which were employees of entities controlled by the Bank through other considerations. We have traditionally enjoyed good relations with our employees and their unions. Of the total headcount of us and our subsidiaries, 6,777 or 72.2% were unionized. In February 2021, a new collective bargaining agreement was signed with the main unions ahead of schedule, which became effective as of September 1, 2021 and which expires on December 31, 2024. We generally apply the terms of our collective bargaining agreement to unionized and non-unionized employees. The following chart summarizes the number of employees employed by the bank.

	As of December 31, 2022
Employees	
Executives	353
Supervisors	1,025
Professionals	5,672
Administrative	2,339
Total	9,389

E. Share Ownership

No director or executive officer owns more than 1% of the shares of Santander-Chile as of December 31, 2022. Santander-Chile currently does not have any arrangements for involving employees in its capital and there is no systematic arrangement for grant of options or shares or securities of Santander-Chile to them. 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. See “Item 6—Directors, Senior Management and Employees—Compensation” for more details.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Santander Spain controls Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones S.A. and Santander Chile Holding S.A., which are controlled subsidiaries. Santander Spain has control over 67.18% of our shares and actual participation, excluding non-controlling shareholders that participate in Santander Chile Holding, S.A. of 67.12%.

Shareholder	Number of Shares	Percentage
Santander Chile Holding S.A.	66,822,519,695	35.46%
Teatinos Siglo XXI Inversiones S.A.	59,770,481,573	31.72%

Santander Spain is in a position to elect of a majority of the members of Santander-Chile’s Board of Directors, to determine its dividend and other policies and to determine substantially all matters to be decided by a vote of shareholders. Santander Spain holds ordinary shares to which no special voting rights are attached. Each share represents one vote and there are no shareholders with different voting rights.

The number of outstanding shares of Santander-Chile (of which there is only one class, being ordinary shares) at December 31, 2022, was 188,446,126,794 shares, without par value. Santander-Chile's shares are listed for trading on the Chilean Stock Exchange and on the NYSE in connection with the registration of ADRs. The market capitalization of Santander-Chile at December 31, 2022 on the Chilean Stock Exchange was Ch\$6,388,324 million and U.S.\$7,462 million on the NYSE. At December 31, 2022, Santander-Chile had 11,140 holders of its ordinary shares registered in Chile, including The Bank of New York Mellon as Depositary (the "Depositary") of Santander-Chile's ADS Program. Other than the information disclosed in this section, there are no arrangements to the knowledge of Santander-Chile that can result in a change of control of Santander-Chile. As of December 31, 2022, there were a total of 23 ADR holders on record. Since some of these ADRs are held by nominees, the number of record holders may not be representative of the number of beneficial holders.

B. Related Party Transactions

The Chilean Companies Law requires that our transactions with related parties be on a market basis, that is, on similar terms to those customarily prevailing in the market. We are required to compare the terms of any such transaction to those prevailing in the market at the date the transaction is to be entered into. Directors of companies that violate this provision are liable for losses resulting from such violations.

In addition, under the Chilean Companies Law, a company may not enter into a transaction with related parties unless (i) such transaction has received the prior approval of the company's Board of Directors and (ii) the terms of such transaction are consistent with the terms of transactions of a similar type prevailing in the market. If it is not possible to make this determination, the board may appoint two independent evaluators. The evaluators' final conclusions must be made available to shareholders and directors for a period of 20 business days, during which shareholders representing 5% or more of the issued voting shares may request the board to call a shareholders' meeting to resolve the matter, with the agreement of two thirds of the issued voting shares required for approval. For purposes of this regulation, the law considers the amount of a proposed transaction to be material if (1) it exceeds 1% of the company's net worth (provided that it also exceeds UF2,000) or (2) it exceeds UF20,000.

All resolutions approving such transactions must be reported to the company's shareholders at the annual shareholders' meeting. Violations of this provision may result in administrative or civil liability to the corporation, the shareholders and/or third parties who suffer losses as a result of such violation.

Loans granted to related parties

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

The Bank also considers the companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent, *i.e.*, Santander Spain. The table below shows loans and accounts receivable and contingent loans with related parties. For more information, see "Note 34—Transactions with Related Parties" in our Audited Consolidated Financial Statements appearing elsewhere in this Annual Report.

	As of December 31,											
	2022				2021				2020			
	Group entities	Associates entities	Key personnel	Other	Group entities	Associates entities	Key personnel	Other	Group entities	Associates entities	Key personnel	Other
	(in millions of Ch\$)				(in millions of Ch\$)				(in millions of Ch\$)			
Loans and accounts receivable												
Commercial loans	680,624	118	3,185	280	592,992	192	2,611	219	352,590	265	3,939	900
Mortgage loans	—	—	30,479	—	—	—	20,716	—	—	—	22,428	—
Consumer loans	—	—	6,540	—	—	—	6,562	—	—	—	6,131	—
Loans and accounts receivable	680,624	118	40,204	280	592,992	192	29,889	219	352,590	265	32,498	900
Allowance for loan losses	(2,213)	(8)	(164)	(10)	(2,586)	(30)	(138)	(6)	(1,138)	(9)	(137)	(14)
Net loans	678,411	100	40,040	270	590,406	162	29,751	213	351,452	256	32,361	886
Guarantees	—	—	—	—	2,039	—	25,545	117	3,323	—	27,203	442
Contingent loans												
Personal guarantees	—	—	—	—	—	—	—	—	—	—	—	—
Letters of credit	19,162	—	—	—	13,848	—	—	—	3,447	—	—	93
Guarantees	30,422	—	—	—	538	—	—	—	811	—	—	—
Contingent loans	49,584	—	—	—	14,386	—	—	—	4,258	—	—	93
Allowance for contingent loans	(41)	—	—	—	(32)	—	—	—	(6)	—	—	—
Net contingent loans	49,543	—	—	—	14,354	—	—	—	4,252	—	—	93

Loans (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons, and (c) did not involve more than the normal collection risk.

Under the Chilean General Banking Law, Chilean banks are subject to certain lending limits, including the following:

- a bank may not extend to any person or legal entity (or group of related entities), directly or indirectly, unsecured loans in an amount that exceeds 5.0% of the bank's regulatory capital, or secured loans in an amount that exceeds 25.0% of its regulatory capital. In the case of foreign export trade finance, this 5.0% ceiling is raised to: 10.0% for unsecured financing, 30.0% for secured financing. This ceiling is raised to 15.0% for loans granted to finance public works under the concessions system contemplated in the Decree with Force of Law 164 of 1991, of the Ministry of Public Works, provided that either the loan is secured on the concession, or the loan is granted as part of a loan syndication;
- a bank may not grant loans bearing more favorable terms than those generally offered by banks in the same community to any entity (or group of related entities) that is directly or indirectly related to its owners or management;
- a bank may not extend loans to another bank in an aggregate amount exceeding 30.0% of its regulatory capital;
- a bank may not directly or indirectly grant a loan, the purpose of which is to allow the borrower to acquire shares in the lending bank;
- a bank may not lend, directly or indirectly, to a Director or any other person who has the power to act on behalf of the bank, or to certain related parties; and
- a bank may not grant loans to individuals or legal entities involved in the ownership or management of the bank, whether directly or indirectly (including holders of 1.0% or more of its shares), on more favorable terms than those generally offered to non-related parties. Loans may not be extended to senior executives and to companies in which such individuals have a participation of 5.0% or more of the equity or net earnings in such companies. The aggregate amount of loans to related parties may not exceed a bank's regulatory capital.

We are not aware of any loans to any related parties exceeding the above lending limits.

The table below shows all other assets and liabilities with related parties:

As of December 31,												
2022					2021				2020			
Companies of the Group	Associated companies	Key personnel	Other		Companies of the Group	Associated companies	Key personnel	Other	Companies of the Group	Associated companies	Key personnel	Other
(in millions of Ch\$)												
Assets												
Cash and deposits in banks	280,364	—	—	—	1,069,468	—	—	—	703,069	—	—	—
Financial assets at FVTPL								—				—
<i>Financial derivative contracts</i>	1,190,683	386,494	—	—	1,164,660	298,997	—	—	978,696	186,038	33	7
Other assets	676,850	287,053	—	—	1,042,852	437,227	—	—	445,609	412,277	—	—
Liabilities												
Financial liabilities at FVTPL												
<i>Financial derivative contracts</i>	1,695,284	326,149	—	—	2,083,795	224,247	—	—	1,137,502	354,108	—	—
Financial liabilities at amortized cost												
<i>Deposits and other demand liabilities</i>	73,193	—	4,398	833	16,190	2,486	4,760	1,003	17,118	4,484	5,997	3,242
<i>Time deposits and other time liabilities</i>	10,376	—	9,442	1,102	900,830	1,677	3,066	948	1,409,404	100	4,706	864
<i>Obligations under repurchase agreements</i>	64,547	—	—	18,135	57,771	—	181	5,807	961,718	—	101	—
<i>Interbank borrowing</i>	224,798	—	—	—	640,860	—	—	—	544,291	—	—	—
<i>Issued debt instruments</i>	1,001,310	—	—	—	584,244	592,468	—	—	349,002	—	—	—
<i>Other financial liabilities</i>	267,130	325,070	—	—	—	—	—	—	—	—	—	—
Other liabilities	73,193	—	4,398	833	16,259	233,630	—	—	1,210	4,484	5,997	3,242

Other transactions with related parties

During the years ended December 31, 2022, 2021 and 2020, the Bank had the following significant income (expenses) from services provided to (by) related parties:

	2022				2021				2020			
	Companies of the Group	Associated companies	Key personnel	Other	Companies of the Group	Associated companies	Key personnel	Other	Companies of the Group	Associated companies	Key personnel	Other
	(in millions of Ch\$)											
Interest income and inflation-indexation adjustments	(44,196)	(13)	4,198	79	(24,428)	51	1,905	9	(30,586)	21	1,202	10
Fee and commission income and expenses	157,236	86,581	261	15	134,404	25,445	202	11	34,147	22,596	152	24
Net income (expense) from financial operations and net foreign exchange gain (loss) ⁽¹⁾	(690,780)	(47,993)	(217)	27	(751,605)	187,300	—	—	(390,737)	240,565	—	—
Other operating income and expenses	1,311	(619)	—	—	552	(525)	—	—	—	(522)	—	—
Key personnel compensation and expenses	—	—	(32,739)	—	—	—	(36,579)	—	—	—	(31,961)	—
Administrative and other expenses	(78,435)	(82,771)	—	—	(66,895)	(54,953)	—	—	(45,478)	(16,763)	—	—
Total	(654,864)	(44,815)	(28,497)	121	(707,972)	157,318	(34,472)	20	(432,654)	245,897	(30,607)	34

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

Only transactions with related parties equal to or greater than UF5,000 (Ch\$176 million) are included individually in the table above. Transactions with related parties between UF1,000 (Ch\$35 million) and up to UF5,000 are included in other transactions with related parties. All transactions were conducted at arm's length.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Financial Information

See “Item 18. Financial Statements.”

Legal Proceedings

We are subject to certain claims and are party to certain legal and arbitration proceedings in the normal course of our business, including claims for alleged operational errors. We do not believe that the liabilities related to such claims and proceedings are likely to have, in the aggregate, a material adverse effect on our consolidated financial condition or results of operations. There are no material proceedings in which any of our directors, any members of our senior management, or any of our affiliates is either a party adverse to us or our subsidiaries or has a material interest adverse to us or our subsidiaries.

Upon the recommendation of our legal advisors, we estimate that our aggregate liability if all legal proceedings were determined adversely to us could result in significant losses not estimated by us. As of the date of the Audited Consolidated Financial Statements, the Bank and its affiliates were subject to certain legal actions in the normal course of their business. As of December 31, 2022, the Bank has provisions for these legal actions of Ch\$5,533 million (Ch\$3,035 million as of December 31, 2021), which are included in “Provisions” in the Audited Consolidated Statements of Financial Position as provisions for contingencies.

Dividends and dividend policy

Dividends

Under the current General Banking Law, a Chilean bank may not distribute provisory dividends. Santander-Chile’s annual dividend is proposed by its Board of Directors and is approved by the shareholders at the annual ordinary shareholders’ meeting held the year following that in which the dividend is generated. For example, the 2022 dividend must be proposed and approved during the first four months of 2023. Following shareholder approval, the proposed dividend is declared and paid. Historically, the dividend for a particular year has been declared and paid no later than one month following the shareholders’ meeting. Dividends are paid to shareholders of record on the fifth day preceding the date set for payment of the dividend. The applicable record dates for the payment of dividends to holders of ADSs will, to the extent practicable, be the same.

Under the General Banking Law, a bank must distribute cash dividends in respect of any fiscal year in an amount equal to at least 30% of its net income for that year, if the dividend does not result in the infringement of minimum capital requirements. The balances of our distributable net income are generally retained for use in our business (including for the maintenance of any required legal reserves). Although our Board of Directors currently intends to pay regular annual dividends, the amount of dividend payments will depend upon, among other factors, our current level of earnings, capital and legal reserve requirements, as well as market conditions, and there can be no assurance as to the amount or timing of future dividends.

Dividends payable to holders of ADSs are net of foreign currency conversion expenses of The Bank of New York Mellon, as depositary (the “Depositary”) and will be subject to the Chilean withholding tax currently at the rate of 35% (subject to credits in certain cases as described in “Item 10. Additional Information—E. Taxation—Material Tax Consequences of Owning Shares of Our Common Stock or ADSs”).

Under the Foreign Investment Contract (as defined herein), the Depositary, on behalf of ADS holders, is granted access to the Formal Exchange Market to convert cash dividends from Chilean pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile, net of taxes, and no separate registration by ADS holders is required. In the past, Chilean law required that holders of shares of Chilean companies who were not residents of Chile to register as foreign investors under one of the foreign investment regimes contemplated by Chilean law in order to have dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market. On April 19, 2001, the Central Bank deregulated the Exchange Market and eliminated the need to obtain approval from the Central Bank in order to remit dividends, but at the same time this eliminated the possibility of accessing the Formal Exchange Market. These changes do not affect the current Foreign Investment Contract, which was signed prior to April 19, 2001, which grants access to the Formal Exchange Market with prior approval of the Central Bank. See “Item 10. Additional Information—D. Exchange Controls.”

The following table presents dividends declared and paid by us in nominal terms in the past four years:

Year	Dividend (Ch\$ millions) ⁽¹⁾	Dividend (U.S.\$ millions) ⁽²⁾	Per share (Ch\$/share) ⁽³⁾	Per ADS (U.S.\$/ADS) ⁽⁴⁾	% over earnings ⁽⁵⁾	% over earnings ⁽⁶⁾
2019	355,141	531.5	1.88	1.13	60	60
2020 ⁽⁷⁾	331,256	430.8	1.76	0.91	60	54
2021	310,468	443.4	1.65	0.94	60	61
2022	464,977	548.60	2.47	1.16	60	55

(1) Millions of nominal pesos.

(2) Millions of U.S.\$ using the observed exchange rate of the day the dividend was approved at the annual shareholders' meeting.

(3) Calculated on the basis of 188,446 million shares.

(4) Dividend in U.S.\$ million divided by the number of ADS, which was calculated on the basis of 400 shares per ADS.

(5) Calculated by dividing dividend paid in the year by net income attributable to the equity holders of the Bank for the previous year under Chilean Bank GAAP. This is the payment ratio determined by shareholders.

(6) Calculated by dividing dividend paid in the year by net income attributable to the equity holders of the Bank for the previous year under IFRS.

(7) In 2020, shareholders of the Bank approved the distribution of 30% of the 2019 net income attributable to shareholders under Chilean Bank GAAP on April 30, 2020. This amounted to Ch\$165,627 million (U.S.\$198.0 million using the observed exchange rate of the day the dividend was approved at the annual shareholders' meeting) or Ch\$0.88 per share (U.S.\$ per ADR 0.49). In the Extraordinary Shareholders Meeting held on November 26, 2020, a further 30% of the 2019 earnings was approved.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Plan of Distribution

Not applicable

B. Nature of Trading Market

Shares of our common stock are traded on the Chilean Stock Exchange. Each ADS represents 400 shares of common stock. ADRs have been issued pursuant to the amended and restated deposit agreement dated as of August 4, 2015. As of December 31, 2022, 49,614,627 ADSs were outstanding equivalent to 19,845,850,871 shares of common stock or 10.53% of the total number of issued shares of common stock.

C. Selling Shareholders

Not applicable.

D. Dilution

Not applicable.

E. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The legal predecessor of Santander-Chile was Banco Santiago (“Santiago”). Santiago was incorporated by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez. Santiago received its permission to incorporate and function as a bank by Resolution No. 118 of the FMC on October 27, 1977. The Bank’s by-laws were approved by Resolution No. 103 of the FMC on September 22, 1977. In January 1997, Santiago merged with Banco O’Higgins, with Santiago as the surviving entity. In 1999, Santiago became a controlled subsidiary of Santander Spain. On January 9, 2017 in an Extraordinary Shareholder Meeting, the shareholders’ approved an amendment of the Bank’s Articles of Incorporation.

Our official name is Banco Santander-Chile and Banco Santander and Santander can also be used (formerly Banco Santander Santiago and Santander Santiago could also be used, but these names were eliminated in the new Articles of Incorporation).

The Bank has a single series of capital stock, which amounts to Ch\$891,302,881,691, divided into 188,446,126,794 registered shares with no par value. The capital stock is fully subscribed for, deposited, and paid up. Each share represents one vote and there are no special classes of shares with different rights. Our by-laws do not include any condition that is more significant than required by law to change the right of shareholders.

Shareholder rights in a Chilean bank that is also an open stock (public) corporation are governed by (1) the corporation’s *estatutos*, which effectively serve the purpose of both the articles or certificate of incorporation and the by-laws of a company incorporated in the United States, (2) the General Banking Law and (3) to the extent not inconsistent with the General Banking Law, by the provisions of Chilean Companies Law applicable to open stock corporations, except for certain provisions that are expressly excluded. Article 137 of the Chilean Companies Law provides that all provisions of the Chilean Companies Law take precedence over any contrary provision in a corporation’s *estatutos*. Both the Chilean Companies Law and our *estatutos* provide that legal actions by shareholders against us (or our officers or directors) to enforce their rights as shareholders or by one shareholder against another in their capacity as such are to be brought in Chile in arbitration proceedings.

The Chilean securities markets are principally regulated by the FMC under the Chilean Securities Market Law and the Chilean Companies Law. In the case of banks, compliance with these laws is supervised by the FMC. These two laws provide for disclosure requirements, restrictions on insider trading and price manipulation and protection of non-controlling investors. The Chilean Securities Market Law sets forth requirements relating to public offerings, stock exchanges and brokers, and outlines disclosure requirements for companies that issue publicly offered securities. The Chilean Companies Law sets forth the rules and requirements for establishing open stock corporations while eliminating government supervision of closed (closely-held) corporations. Open stock (public) corporations are those with 500 or more shareholders, or companies in which 100 or more shareholders own at least 10.0% of the subscribed capital (excluding those whose individual holdings exceed 10.0%), and all other companies that are registered in the Securities Registry of the FMC.

Santander-Chile is a bank providing a broad range of commercial and retail banking services, as well as a variety of financial services. Our objects and purposes can be found in Article 4 of our by-laws.

Board of Directors and Managers

Currently, the Board of Directors consists of nine directors and two alternates, elected by shareholder vote at Ordinary Shareholders’ Meetings. The directors may be either shareholders or non-shareholders of the Company. There is no age limit for directors. The directors may be shareholders or persons who are not members of the company.

The directors shall hold office for three years and may be indefinitely re-elected, and their terms of office shall be renewed in their entirety at the conclusion of each term of office. If the Ordinary Shareholders’ Meeting at which periodic elections of directors occur is not held at the stipulated time for any reason, the incumbency of those who have completed their terms shall be understood to be extended until their replacements are appointed, and the Board shall be obligated to summon a Shareholders’ Meeting to make said appointments within thirty days.

The directors shall be compensated for their service. The amount of their compensation shall be fixed annually at the Ordinary Shareholders' Meeting. Such compensation shall be in addition to any salaries, fees, travel expenses, representation expenses, payments due as delegates of the Board, or other stipends in money, kind, or royalties of any class, whether assigned to particular directors at the Ordinary Shareholders' Meeting or by Board approval, for specific functions or work above and beyond their obligations as directors which have been entrusted to them precisely at the Ordinary Shareholders' Meeting or by the Board. A detailed and separate record of these special compensations must be made in the Annual Report, indicating the full name of each director who has received them.

Without prejudice to other legal disqualifications or conflicts of interest, the following persons cannot serve as directors: (a) a person who has been convicted or is on trial for crimes penalized with a principal or accessory penalty of temporary suspension or permanent disqualification to hold public positions or offices; (b) a debtor subject to a pending insolvency procedure for liquidation, (c) legislators; (d) directors or employees of any other financial institution; (e) employees of the Office of the President of Chile or employees or officials of the Treasury or of the Services, Fiscal or Semi-Fiscal Institutions, Autonomous Agencies, State-Owned Enterprises, and generally all the Public Services created by law, as well as those of companies, partnerships, or public or private entities to which the State or its companies, partnerships, or centralized or decentralized institutions have contributed the majority capital or a proportion equal thereto, or have a similar representation or participation, provided that the limitation prescribed in this letter (e) shall not apply to persons who hold teaching positions; and (f) Bank employees.

In the elections of directors, each shareholder shall have one vote per share held or represented, and may cast all such votes in favor a single candidate or distribute them as deemed convenient; those who receive the largest number of votes in an election shall be proclaimed as elected, until the number of persons to be elected is reached. Elections of principal and alternate directors must be held separately. To proceed to a vote, the Chairman and the Secretary, jointly with the persons who have previously been designated at the Ordinary Shareholders' Meeting to sign the minutes thereof, must make a documentary record of the votes which are cast through voice vote by the shareholders present, according to the list of attendance. However, any shareholder shall be entitled to vote on a ballot signed by him, stating whether he signs on his own behalf or as a proxy. In any event, to facilitate the casting or speed of a vote, the Chairman of the Bank or the FMC, if applicable, may order an alternative procedure or permit either a voice vote or a ballot vote, or any other procedure stipulated as adequate for the purpose. In counting the results, the Chairman shall read out the votes cast aloud so that all the persons present can count the votes themselves and the truthfulness of the result can be verified. The Secretary shall add up the votes and the Chairman shall announce the candidates that receive the largest majorities and proclaim them thereby elected, until the number of persons to be elected is reached. The Secretary shall place the document reflecting the vote count, signed by the persons responsible for taking note of the votes cast, as well as the ballots delivered by the shareholders who did not vote by voice, in an envelope which shall be closed and sealed with the corporate seal, and shall be kept on file at the Bank for at least two years.

Every election to the Board, or every change to the composition of the Board, must be recorded in a public deed executed before a Notary, published in a Santiago newspaper, and reported to the FMC by sending an authorized copy of the respective public deed. The appointments of the General Manager and Assistant Deputy Manager must likewise be reported and converted into a public deed.

Vacancies that arise when a director ceases to be able to perform his or her duties, either because he becomes subject to any conflict of interest, limitation, or legal disqualification or because he is subject to a pending insolvency procedure for liquidation, or due to impossibility of serving, unjustified absence, death, resignation, or for another legal cause, shall be filled in the following manner: (a) vacancies of principal directors by alternate directors; and (b) in case of vacancies of alternate directors because of the application or circumstances not provided for in letter (a) above, or vacancies of principal directors which could not be filled as provided for in this letter because the alternate directors have become principal directors, the appropriate replacements shall be appointed at the first board of directors meeting to be held. The directors so designated shall remain in office until the next Ordinary Shareholders' Meeting, at which the definitive appointments shall be made for the time remaining to complete the replaced directors' terms.

The alternate directors may always take part in a Board meeting and have the right to speak at any such meeting. However, they shall have the right to vote only when they replace a principal director.

The Board shall separately elect a Chairman, a First Vice Chairman, and a Second Vice Chairman from among its members at the first meeting held after the Shareholders' Meeting has appointed it or at its first meeting held after the persons in question have ceased to hold the position for any reason. In case of a tie vote, the person who chairs the meeting shall have the tie-breaking vote.

The Board shall appoint a General Manager who is responsible for the management of the Bank's business and represents the Bank in all its offices. The General Manager has the right to participate in discussions at Board meetings but may not vote at such meetings. The Board shall also appoint one or more Managers who are responsible for the transactions and business of the Bank at the offices, branch offices, divisions and services placed under their management. The Directors, Managers and other employees of the Bank shall be personally responsible for non-compliance with the Bank's by-laws and other legal or regulatory provisions arising from the performance of their duties, and liable for such infringements which are affected with their knowledge.

The Board meetings shall be held at the company's domicile unless the directors unanimously resolve to hold a particular session at a different location, or all the directors participate in any such meeting held at a different location. The Board shall meet in ordinary session at least once a month, on the days and at the times the Board designates, and additionally, in extraordinary sessions from time to time when summoned by the Chairman at his or her own initiative or at the request of three or more directors, following the Chairman's determination of the need for a meeting, unless it is requested by an absolute majority of the incumbent directors, in which case the meeting must necessarily be held without the need for a prior determination. Only the topics specifically stated in the notice of meeting may be addressed at extraordinary meetings, unless all the incumbent directors are present, and they unanimously agree otherwise. Summons to extraordinary meetings shall be made in accordance with and in the form prescribed by law.

The quorum for Board meetings shall be the absolute majority of the number of directors entitled to vote as prescribed in our by-laws. Resolutions shall be adopted by the absolute majority of the directors present who are entitled to vote. In case of a tie vote, the person who chairs the meeting shall have the tie-breaking vote. Directors who, though not present, are in simultaneous and permanent communication through technological means which have been authorized by the FMC shall be understood to participate in the meetings.

Directors who have an interest in a business dealing, legal act, contract, or operation or transaction not specifically of a banking nature, or as representatives of another person, must inform the other directors thereof. The respective resolutions shall be approved by the Board and must be in accordance with conditions of equity similar to those customarily prevailing in the market and they shall be disclosed at the next Ordinary Shareholders' Meeting by the person who chairs such meeting.

A record of the Board's deliberations and resolutions shall be made in a special minute book to be kept by the Secretary. The minutes must be consecutively numbered, with one numbering sequence assigned to ordinary meetings and another to extraordinary meetings, and they must be signed by the directors who took part in the meeting and the Secretary or the person who performs his or her functions. A director who believes certain minutes contain inaccuracies or omissions is entitled to record his or her reservations prior to signing them. Resolutions may be carried out without the need to approve the minutes at a subsequent meeting. If any of the persons present dies, refuses to sign the minutes, or is prevented from doing so for any reason, a record of said impediment shall be made at the foot thereof.

The directors shall be personally responsible or liable for all the legal acts they execute in the performance of their functions. A director who wishes to avoid responsibility or liability for any legal act or resolution of the Board must make a record of his or her opposition in the minutes and the Chairman shall be informed thereof at the next Ordinary Shareholders' Meeting.

The Board shall represent the Bank judicially and extra-judicially and for the pursuit of its corporate purpose, which need not be demonstrated to third parties in any manner; it shall be vested with all the authorities and powers of administration that the law or the by-laws do not define as pertaining exclusively to Shareholders' Meetings, without the need to confer any special power of attorney whatsoever, even for legal acts or contracts for which the laws so require. The foregoing does not impair the Bank's judicial representation by the General Manager. The Board may delegate part of its powers to the General Manager, to one or more managers, assistant managers, or attorneys of the Bank, to a director, or to a committee of Directors, as well as to other persons for specific purposes.

The Board shall designate three Directors from among its members to serve on a Comité de Directores (Audit Committee) which shall be governed by the provisions of Article 50*bis* of the Chilean Companies Law.

The Chairman/President

The Chairman of the Board shall likewise be the president of the company and the chairman of the Shareholders' Meetings. He shall have the following obligations and authorities, in addition to those prescribed in the pertinent legal and regulatory provisions, in our by-laws, or by the Board: (a) chair the Board and Shareholders' Meetings; (b) enforce strict compliance with the by-laws, the Board's resolutions, and the resolutions of the Shareholders' Meetings; (c) summon the Board meetings; and (d) sign the annual reports and the resolutions and communications of the Board and the Shareholders' Meetings. In the absence or temporary impediment of the Chairman/President, the First Vice Chairman/First Vice President shall act in his or her stead, and in the latter's absence, the Second Vice Chairman/Second Vice President shall act, or finally, the person designated by the Board from among its members or the shareholder designated at the Shareholders' Meeting, as the case may be. Replacement is an internal company procedure that shall not require any formality, and it shall not be necessary to demonstrate its validity to third parties in order to assure the validity of the replacement's actions; the sole fact of its occurrence suffices to make said actions effective.

Meetings and Voting Rights

The shareholders shall meet in Ordinary or Extraordinary Shareholders' Meetings held in Santiago. The resolutions adopted at a validly summoned and convened Shareholders' Meeting, in conformity with the by-laws, shall be binding on all of the shareholders.

The Ordinary Shareholders' Meetings shall be held annually on the dates determined by the Board within the first four months following the date of the annual balance sheet. There shall be an Extraordinary Shareholders' Meeting whenever the company's needs so require. The meetings shall be summoned by the Board at its own initiative or at the request of shareholders representing at least 10% of the issued shares having a legal right to vote. If in this circumstance, the Board, and through it the Chairman, refuses to issue a summons, the FMC may be requested to do so.

The summons to a Shareholders' Meeting shall be given through a prominent notice to be published three times on different days in the Santiago newspaper which has been chosen at the Ordinary Shareholders' Meeting, and in the absence of agreement or in the event of a suspension or disappearance of the designated newspaper's circulation, in the Official Journal, at the time, in the form, and under the conditions stipulated by the Regulations of the Chilean Companies Law. Summonses to Extraordinary Shareholders' Meetings shall state the topics which will be submitted to them. The summons to a meeting shall likewise be announced through a letter sent to the shareholders a minimum of fifteen days in advance of the date set for the meeting, which must contain a reference to the topics to be addressed at it. Failure to send said letter shall not invalidate the summons, without prejudice to legal liabilities. On a date no later than that of the first notice of a summons for an Ordinary Shareholders' Meeting, each shareholder must be sent a copy of the Bank's Annual Report and Balance Sheet, including the auditors' opinion and its respective notes.

Quorum for Shareholders' Meetings shall be established by the presence of as many shareholders as represent, directly or by proxy, at least an absolute majority of the issued voting shares. If said quorum is not satisfied, a new summons shall be given, for a meeting which must be scheduled to be held in the manner prescribed in Article 37 of our by-laws, indicating that it is a second summons and scheduling the new meeting to be held within the forty five days subsequent to the date scheduled for the meeting that was not held due to a lack of quorum. A meeting called by a second summons shall lawfully convene with the number of issued voting shares present or represented thereat.

In the absence of a special rule, a Shareholders' Meeting resolution shall be adopted by an absolute majority of the voting shares present or represented.

The Ordinary Shareholders' Meetings have the following responsibilities: (a) deliberate and resolve on the Annual Report and Balance Sheet which must be submitted by the Board; (b) annually designate an external auditing firm in conformity with the provisions of law to report on the balance sheet and comply with the legal requirements; (c) elect the members of the Board when appropriate pursuant to our by-laws; (d) resolve the distribution of the liquid profits or earnings for each fiscal year, and at the Board's request, order the distribution of a dividend to the shareholders as of the end of each fiscal year, as prescribed in the by-laws; and (e) in general, deliberate and pass resolutions on any other topic of corporate interest which is not reserved to an Extraordinary Shareholders' Meeting. The revocation of all the Board members elected by the shareholders and the designation of their replacements may be resolved at an Ordinary or Extraordinary Shareholders' Meeting, but any individual or collective revocation of one or more Board members would accordingly be invalid.

The Extraordinary Shareholders' Meetings are reserved for certain topics indicated by law or by our by-laws. Resolutions on the topics indicated in the notice of meeting may be adopted at Extraordinary Shareholders' Meetings.

The shareholders may have themselves represented at Meetings by another person, whether a shareholder or not, as is stipulated in the Chilean Companies Law.

A record of the deliberations and resolutions at any Shareholders' Meeting shall be made in a special minute book to be kept by the Secretary, if any, or in his or her absence by the Bank's General Manager. The minutes shall be signed by the Chairman or the person who performs his or her functions, by the Secretary and three shareholders elected by the Meeting, or by all the persons present if they number fewer than three. In the event of death, refusal, or impediment to signing the minutes on the part of any of the persons who must do so, a record of the impediment shall be made at the foot thereof. An extract of the minutes shall be made to record what happened at the meeting, and an official copy of the following data shall necessarily be made: the names of the shareholders present and the number of shares owned or represented by each of them (a brief summary of any objections may be omitted if it is attached to the same page or roll of attendance), a list of the proposals submitted for discussion and the results of the votes taken, and the list of the shareholders who voted for or against. Solely by the unanimous consent of the persons present may a record of any event occurring at the meeting that is related to the company's interests be deleted from the minutes.

The persons present at any Shareholders' Meetings shall sign a roll of attendance on which they shall indicate the number of shares the signatory holds, the number of shares he represents, and the name of the shareholder he represents.

In general, Chilean law does not require a Chilean open stock corporation to provide the level and type of information that U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the bank within the 15-day period before the ordinary annual meeting. In addition to these requirements, we regularly provide, and management currently intends to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend.

Annual Report, Balance Sheet, and Distribution of Profits

A Balance Sheet shall be drawn up as of the thirty-first day of December of each year, to be submitted to the Ordinary Shareholders' Meeting for its consideration, jointly with the Annual Report. The Balance Sheet and Statement of Income shall be published in conformity with the currently applicable legal and regulatory provisions. The approval or rejection of such financial statements is entirely within our shareholders' discretion. If our shareholders reject our financial statements, our Board of Directors must submit new financial statements not later than 60 days from the date of such rejection. If our shareholders reject our new financial statements, our entire Board of Directors is deemed removed from office and a new Board of Directors is elected at the same meeting. Directors who individually approved such rejected financial statements are disqualified for re-election for the ensuing period.

The profits attributable to shareholders reflected in the Balance Sheet shall be applied preferentially to absorb prior-year losses. The balance which is earned shall be allocated as may be resolved by the Shareholders' Meeting, at the Board's recommendation, to: (a) an increase of the effective capital, the formation of a fund for future capitalizations or dividends, or other special reserve funds; these uses shall receive the amounts the Meeting deems convenient, in conformity with the limits and obligations prescribed by law; and (b) the distribution of dividends to the shareholders in proportion to their shareholdings.

Under the Chilean Corporations Law, Chilean companies are generally required to distribute at least 30.0% of their earnings as dividends. No dividends of a bank above the legal minimum can be distributed if doing so would result in the bank infringing its ratio of regulatory capital to risk-weighted assets and shareholders' equity to total assets.

Dividends that are declared but not paid by the date set for payment at the time of declaration are adjusted from the date set for payment to the date such dividends are actually paid, and they accrue interest.

We may declare a dividend in cash or in shares. When a share dividend is declared above the legal minimum (which minimum must be paid in cash), our shareholders must be given the option to elect to receive cash. Our ADS holders may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively be required to receive a dividend in cash. See “Item 10.B.—Memorandum and Articles of Association —Preemptive Rights and Increases of Share Capital.” A dividend entitlement lapses after 5 years and the funds go to the Chilean Treasury.

Liquidation and Appraisal Rights

The Bank may be dissolved and liquidated if it is so resolved at an Extraordinary Shareholders’ Meeting, with the favorable vote of at least two thirds of the issued voting shares, and approved by the Superintendent of Banks and Financial Institutions.

Once the voluntary dissolution to which the preceding article refers has been resolved, the Shareholders’ Meeting at which it is resolved shall appoint a committee of three shareholders to proceed to the company’s liquidation. The liquidating committee so created shall act with the powers and obligations which the by-laws confer on the Board, and it shall keep the shareholders informed of the liquidation’s progress, shall summon Ordinary Shareholders’ Meetings on the dates scheduled for them, being authorized to likewise summon Extraordinary Shareholders’ Meetings. In all other respects the provisions of the Commercial Code, the applicable provisions of the Chilean Companies Law, and the corporate regulations which govern the company shall be followed. In accordance with the General Banking Law, our shareholders do not have appraisal rights.

Arbitration

Any difficulty which may arise between the Bank and any of the shareholders or directors, or between such persons, in connection with the application of the by-laws or the recognition of the existence, nonexistence, validity, nullity, construction, performance or breach, dissolution, liquidation, or any other cause shall be submitted to resolution by two arbitrators at law and in equity, who shall rule without subsequent appeal, one of whom shall be appointed by each party. If they cannot reach agreement, the parties shall appoint a third arbitrator to resolve the discord. If there is no agreement for the third arbitrator’s appointment, the two previously appointed arbitrators shall make the designation. If either party refuses to participate in the appointment of arbitrators or, after they have been appointed, there is no agreement on the ruling and neither the parties nor the arbitrators have designated the third arbitrator to resolve the discord, the designation of said arbitrator, if any, or of the third participant in discord, shall be made by the Ordinary Court of Justice, and the person so designated must necessarily be one who has held or currently holds the position of attorney and member of the Honorable Supreme Court.

Capitalization

Under Chilean law, the shareholders of a company, acting at an extraordinary shareholders’ meeting, have the power to authorize an increase in such company’s capital. When an investor subscribes for issued shares, the shares are registered in such investor’s name, even if not paid for, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and the return of capital, provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends or distributions of capital. The investor becomes eligible to receive dividends and returns of capital once it has paid for the shares (if it has paid for only a portion of such shares, it is entitled to reserve a corresponding pro-rata portion of the dividends declared and/or returns of capital with respect to such shares unless the company’s by-laws provide otherwise). If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the company is entitled under Chilean law to auction the shares on the stock exchange and collect the difference, if any, between the subscription price and the auction proceeds. However, until such shares are sold at auction, the subscriber continues to exercise all the rights of a shareholder (except the right to receive dividends and return of capital).

Article 22 of the Chilean Corporations Law states that the purchaser of shares of a company implicitly accepts its by-laws and any agreements adopted at shareholders’ meetings.

Registrations and Transfers

We act as our own registrar and transfer agent, as is customary among Chilean companies. In the case of jointly owned shares, an attorney-in-fact must be appointed to represent the joint owners in dealings with us.

Ownership Restrictions

Under Article 12 of the Chilean Securities Market Law and the regulations of the FMC, shareholders of open stock corporations are required to report the following to the FMC and the Chilean stock exchanges:

- any direct or indirect acquisition or sale of shares that results in the holder's acquiring or disposing, directly or indirectly, 10.0% or more of an open stock corporation's share capital; and
- any direct or indirect acquisition or sale of shares or options to buy or sell shares, in any amount, if made by a holder of 10.0% or more of an open stock corporation's capital or if made by a director, liquidator, main officer, general manager or manager of such corporation.

In addition, majority shareholders must include in their report whether their purpose is to acquire control of the company or if they are making a financial investment. A beneficial owner of ADSs representing 10.0% or more of our share capital will be subject to these reporting requirements under Chilean law.

Under Article 54 of the Chilean Securities Market Law and the regulations of the FMC, persons or entities intending to acquire control, directly or indirectly, of an open stock corporation, regardless of the acquisition vehicle or procedure, and including acquisitions made through direct subscriptions or private transactions, are also required to inform the public of such acquisition at least 10 business days before the date on which the transaction is to be completed, but in any case, as soon as negotiations regarding the change of control begin (*i.e.*, when information and documents concerning the target are delivered to the potential acquirer) through a filing with the FMC, the stock exchanges and the companies controlled by and that control the target and through a notice published in two Chilean newspapers, which notice must disclose, among other information, the person or entity purchasing or selling and the price and conditions of any negotiations.

Prior to such publication, a written communication to such effect must be sent to the target corporation, to the controlling corporation, to the corporations controlled by the target corporation, to the FMC, and to the Chilean stock exchanges on which the securities are listed.

In addition to the foregoing, Article 54A of the Chilean Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Chilean Securities Market Law on tender offers and the regulations of the FMC provide that the following transactions must be carried out through a tender offer:

- an offer which allows a person to take control of a publicly traded company, unless (i) the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange and (ii) those shares are acquired (a) through a capital increase, (b) as a consequence of a merger, (c) by inheritance or (d) through a forced sale; and
- an offer for a controlling percentage of the shares of a listed company if such person intends to take control of the parent company (whether listed or not) of such listed company, to the extent that the listed company represents 75.0% or more of the consolidated net worth of the parent company.

In addition, Article 199 of the Chilean Securities Market Law requires that whenever a controlling shareholder acquires two thirds of the voting shares of a listed company, such controlling shareholder must offer to purchase the remaining shares from the non-controlling shareholders in a tender offer.

Article 200 of the Chilean Securities Market Law prohibits any shareholder that has taken control of a publicly traded company to acquire, for a period of 12 months from the date of the transaction in which it gained control of the publicly traded company, a number of shares equal to or greater than 3.0% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of the company be made on a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Chilean Securities Market Law sets forth the basis to determine what constitutes a controlling power, a direct holding and a related party. The Chilean Securities Market Law defines control as the power of a person or group of persons acting (either directly or through other entities or persons) pursuant to a joint action agreement, to direct the majority of the votes at the shareholders' meetings of the corporation, to elect the majority of members of its Board of Directors, or to influence the management of the corporation significantly. Significant influence is deemed to exist in respect of the person or group of persons with an agreement to act jointly that holds, directly or indirectly, at least 25.0% of the voting share capital, unless:

- another person or group of persons acting pursuant to joint action agreement, directly or indirectly, controls a stake equal to or greater than the percentage controlled by such person or group of persons;
- the person or group does not control, directly or indirectly, more than 40.0% of the voting share capital and the percentage controlled is lower than the sum of the shares held by other shareholders holding more than 5.0% of the share capital (either directly or pursuant to a joint action agreement); or
- in cases where the Superintendency of Securities and Insurance (now the FMC) has ruled otherwise, based on the distribution or atomization of the overall shareholding.

According to the Chilean Securities Market Law, a joint action agreement is an agreement among two or more parties which, directly or indirectly, own shares in a corporation at the same time and whereby they agree to participate with the same interest in the management of the corporation or in taking control of the same. The law presumes that such an agreement exists between:

- a principal and its agents;
- spouses and relatives within certain degrees of kinship;
- entities within the same business group; and
- an entity and its controller or any of the members of the controller.

Likewise, the FMC may determine that a joint action agreement exists between two or more entities considering, among other things, the number of companies in which they participate and the frequency with which they vote identically in the election of directors, appointment of managers and other resolutions passed at extraordinary shareholders' meetings.

According to Article 96 of the Chilean Securities Market Law, a business group is a group of entities with such ties in their ownership, management or credit liabilities that it may be assumed that the economic and financial action of such members is directed by, or subordinated to, the joint interests of the group, or that there are common credit risks in the credits granted to, or in the acquisition of securities issued by, them. According to the Chilean Securities Market Law, the following entities are part of the same business group:

- a company and its controller;
- all the companies with a common controller together with that controller;

- all the entities that the FMC declares to be part of the business group due to one or more of the following reasons:
- a substantial part of the assets of the company is involved in the business group, whether as investments in securities, equity rights, loans or guaranties;
- the company has a significant level of indebtedness and the business group has a material participation as a lender or guarantor;
- any member of a group of controlling entities of a company mentioned in the first two bullets above and there are grounds to include it in the business group; or
- the company is controlled by a member of a group of controlling entities and there are grounds to include it in the business group.

Article 36 of the General Banking Law states that as a matter of public policy, no person or company may acquire, directly or indirectly, more than 10.0% of the shares of a bank without the prior authorization of the FMC, which may not be unreasonably withheld. The prohibition would also apply to beneficial owners of ADSs. In the absence of such authorization, any person or group of persons acting in concert would not be permitted to exercise voting rights with respect to the shares or ADSs acquired. In determining whether or not to issue such an authorization, the FMC considers a number of factors enumerated in Article 28 of the General Banking Law, including, among others (i) the financial stability of the purchasing party and (ii) the legitimacy of the purchasing party.

According to Article 35*bis* of the General Banking Law, the prior authorization of the FMC is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a banks' assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

The FMC may deny its authorization with an accompanying resolution recording the specific reasons for denying the authorization and with the agreement of a majority of the Board of Directors of the Central Bank, provided there is notice of such agreement within 10 banking business days (which may be extended under Law 18,840).

According to the General Banking Law, a bank may not grant loans to related parties on terms more favorable than those generally offered to non-related parties. Article 84 No. 2 of the General Banking Law provides that the FMC will determine, by means of a general rule, who must be considered a related party of the bank. In addition, the FMC will establish rules to determine if certain persons constitute a group of related parties in one or more of the following circumstances: (i) business or administrative relationships that allow a person to exercise relevant and permanent influence over another's decisions; (ii) an assumption will be made that the loans granted to one person will be used in benefit of the other; and (iii) an assumption will be made that diverse persons maintain relationships that create a unit of economic interests. Finally, according to the regulations of the FMC, Chilean banks that issue ADSs are required to inform the FMC if any person, directly or indirectly, acquires ADSs representing 5.0% or more of the total amount of shares of capital stock issued by such bank.

Article 16*bis* of the General Banking Law provides that the individuals or legal entities that, individually or with other people, directly control a bank and who individually own more than 10.0% of its shares must send to the FMC reliable information on their financial situation with the content and in the opportunity set forth in a general rule issued by the FMC, which will not exceed the information required for open-stock corporations (*sociedad anónima abierta*).

There are no limitations for non-resident or foreign shareholders to hold or exercise voting rights on the securities.

Preemptive Rights and Increases of Share Capital

The Chilean Corporations Law provides that whenever a Chilean company issues new shares for cash, it must offer its existing shareholders the right to purchase a number of shares sufficient to maintain their existing ownership percentages in the company. According to our by-laws, options for subscription of capital increases must be offered on a preemptive basis to the shareholders, in proportion to the number of shares each shareholder owns, and the released shares which are issued shall be distributed in the same proportion.

Pursuant to this requirement, preemptive rights in connection with any future issue of shares will be offered by us to the Depositary as the registered owner of the shares underlying the ADRs. However, the Depositary will not be able to make such preemptive rights available to holders of ADSs unless a registration statement under the Securities Act is effective with respect to the underlying shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate, at the time of any preemptive rights offering, the practicality under Chilean law and Central Bank regulations in effect at the time of making such rights available to our ADS holders, as well as the costs and potential liabilities associated with registration of such rights and the related shares of common stock under the Securities Act, and the indirect benefits to us of thereby enabling the exercise by all or certain holders of ADSs of their preemptive rights and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such registration statement. We cannot assure you that any registration statement would be filed. If we do not file a registration statement and no exemption from the registration requirements under the Securities Act is available, the Depositary will sell such holders' preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of such sale. In the event that the Depositary is not able, or determines that it is not feasible, to sell such rights at a premium over the cost of any such sale, all or certain holders of ADSs may receive no value for such rights. Non-U.S. holders of ADSs may be able to exercise their preemptive rights regardless of whether a registration statement is filed. The inability of all or certain holders of ADSs to exercise preemptive rights in respect of shares of common stock underlying such ADSs could result in such holders not maintaining their percentage ownership of the common stock following such preemptive rights offering unless such holder made additional market purchases of ADSs or shares of common stock.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a period that cannot be less than 30 days following the grant of such rights. During such period, and for an additional 30-day period thereafter, a Chilean corporation is not permitted to offer any unsubscribed shares for sale to third parties on terms which are more favorable than those offered to its shareholders. At the end of such additional 30-day period, a Chilean open stock corporation is authorized to sell unsubscribed shares to third parties on any terms, provided they are sold on a Chilean stock exchange. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

C. Material Contracts

During the past two years, we were not a party to any material contract outside the ordinary course of business.

D. Exchange Controls

The Central Bank is responsible for, among other things, monetary policies and exchange controls in Chile. Appropriate registration of a foreign investment in Chile grants the investor access to the Formal Exchange Market. Foreign investments can be registered with the Foreign Investment Committee under Decree Law No. 600 or can be registered with the Central Bank under the Central Bank Act. The Central Bank Act is an organic constitutional law requiring a "special majority" vote of the Chilean Congress to be amended. Since April 18, 2001, all exchange controls in Chile have been eliminated.

Previously, Chilean law mandated that holders of shares of Chilean companies that were not residents of Chile register as foreign investors under one of the foreign investment regimes contemplated by Chilean law in order to receive dividends, sale proceeds or other amounts with respect to their shares remitted outside Chile through the Formal Exchange Market. Under the Foreign Investment Contract (as defined herein), the Depositary, on behalf of ADS holders, is granted access to the Formal Exchange Market to convert cash dividends from Chilean pesos to U.S. dollars and to pay such U.S. dollars to ADS holders outside Chile, net of taxes, and no separate registration by ADR holders is required. As of April 19, 2001, the Central Bank deregulated the Exchange Market, eliminating the need to obtain approval from the Central Bank in order to remit dividends, but at the same time eliminating the possibility of guaranteeing access to the Formal Exchange Market. However, this did not affect the current Foreign Investment Contract, which was signed prior to April 19, 2001, and which still permits access to the Formal Exchange Market based on the prior approval of the Central Bank. Therefore, the holders of ADRs of Santander-Chile are still subject to the Foreign Investment Contract, including its clauses referring to the prior exchange rules including the now extinct Chapter XXVI of the Compendium.

E. Taxation

The following discussion summarizes certain Chilean tax and United States federal income tax consequences to beneficial owners arising from the ownership and disposition of our common stock or ADSs. The summary does not purport to be a comprehensive description of all potential Chilean and United States federal income tax considerations that may be relevant to a decision to own or dispose of our common stock or ADSs and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Chile and the United States. There is currently no income tax treaty between the United States and Chile. However, the U.S. government and the government of Chile signed on February 4, 2010 the Proposed Income Tax Treaty between the United States of America and the Republic of Chile (the “Proposed U.S.-Chile Treaty”), which is now subject to ratification by the U.S. Senate and Chilean Congress. If the Proposed U.S.-Chile Treaty becomes effective, U.S. investors should consult their tax advisers as to the applicability of the treaty in their particular circumstances.

Material Tax Consequences of Owning Shares of Our Common Stock or ADSs

Chilean Taxation

The following is a summary of certain Chilean tax consequences of the ownership and disposition of shares of our common stock or of ADSs evidenced by ADRs by Foreign Holders (as defined herein). The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to own or dispose of shares of our common stock or ADSs and does not purport to address the tax consequences applicable to all categories of investors, some of whom may be subject to special rules. Holders of shares of our common stock or ADSs are advised to consult their tax advisers concerning the Chilean and other tax consequences of the ownership and disposition of shares of our common stock or of ADSs evidenced by ADRs.

The description of Chilean tax laws set forth below is based on Chilean laws in force as of the date of this Annual Report and can be subject to any changes in such laws occurring after the date of this Annual Report. Although it is uncommon, legal changes can be made on a retroactive basis. However, changes in regulations or interpretations held by the Chilean tax authorities may not be used retroactively against taxpayers who acted in good faith relying on such modified regulations or interpretations.

For purposes of this summary, the term “Foreign Holder” means either (1) in the case of an individual, a person who is not resident or domiciled in Chile; or (2) in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless the shares of our common stock or ADSs are assigned to a branch or a permanent establishment of such entity in Chile. For purposes of Chilean taxation, (a) an individual holder is resident in Chile if he or she has remained in Chile for a period of more than 183 days in any 12-month period (which need not be consecutive), and (b) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile (intention that can be evidenced by circumstances such as the acceptance of employment in Chile or the relocation to Chile of his or her family).

The Income Tax Law provides that a Foreign Holder is subject to income taxes on his or her Chilean-sourced income. For these purposes, Chilean source income means earnings from activities performed within Chilean territory or from sales, dispositions or other transactions in connection with assets or goods located in Chile. Indirect sale regulations may also attribute Chilean sourced income.

Taxation of Dividends

Cash dividends paid by us with respect to shares of our common stock held by a Foreign Holder, including shares represented by ADSs, will be subject to a 35% Chilean Withholding Tax (“WHT”), which is withheld, filed and paid over by us.

If we have paid Corporate Income Tax (“CIT”) on the income from which the dividend is paid, a credit for the CIT (reduced, in certain circumstances by a related fiscal debit, as described below) effectively reduces the rate of WHT.

When a credit is available, the WHT is computed by applying the 35% rate to the pre-tax amount needed to fund the dividend and then subtracting from the tentative WHT so determined the amount of CIT actually paid on the pre-tax income. For determining the pre-tax amount of the dividend, the CIT credit will depend on the amounts accumulated in the Accumulated Credit Balance (SAC), at the date of withdrawal or distribution.

In general, 35% of the CIT paid on the income from which a dividend is paid gives rise to a fiscal debit owed to the Chilean Treasury at the time the dividend distribution is made to a Foreign Holder. Accordingly, a Foreign Holder generally may apply a net credit equal to only 65% of the CIT to reduce WHT.

However, if the Foreign Holder is a resident of a country with which Chile has a tax treaty for the avoidance of double taxation (a “Double Tax Treaty”) in force, the Foreign Holder may be entitled to apply the entire CIT against WHT otherwise due. Moreover, if the Foreign Holder is a resident of a country with a signed Double Tax Treaty that has not entered into force as of January 1, 2020 (as in the case of the United States), the Foreign Holder would also be entitled to a 100% CIT credit, without reduction by any related fiscal debit, until December 31, 2026. If by such date the treaty has not entered into force, the Foreign Holder will be subject to the general rules, and hence entitled only to a net credit of 65% of the CIT as described above. In accordance with the above, upon the distribution of profits to Foreign Holders, a 35% WHT applies, and only 65% of the CIT is creditable against such WHT, with the remaining 35% being paid back to the Chilean Treasury; thus, the combined tax rate on profits earned in Chile amounts to 44.45%. However, if the Foreign Holder resides in a country with which Chile has a Double Tax Treaty in force, the full 27% CIT is creditable, resulting in combined tax rate of 35%.

It is worth mentioning that, on February 24, 2020, the “Modernization Tax Law” was enacted and published in the Chilean Official Gazette, after a year and a half of discussion. The original bill went through substantial amendments both in the Chamber of Deputies and in the Senate of the Chilean Congress, incorporating the amendments agreed in the “Tax Agreement” between the Senate’s Finance Commission and the Government.

Regarding the corporate tax system, the Modernization Tax Law sets forth a single partially integrated tax regime, applicable to companies whose annual sales exceed 75,000 UF (approximately USD 2.8 million). Under this single regime, the CIT remains at 27%, which is partially creditable against the final taxation of Foreign Holders, unless they reside in a country with a Double Tax Treaty, in which case the CIT is fully creditable, as explained above.

Another relevant modification that was incorporated in the Modernization Tax Law relates to Foreign Holders that reside in a country with a signed Double Tax Treaty that has not entered into force as of January 1, 2020, (such as in the case of the United States). In such case, the Foreign Holders would be entitled to a 100% CIT credit, without deduction, until December 31, 2026. Before the Modernization Tax Law, this tax benefit was effective only until December 31, 2021.

To prove residency in a country with which Chile has a Double Tax Treaty, whether signed or in force, a Foreign Holder must produce a government-issued residence certificate, recognizing the taxpayer as a resident of the corresponding country. Foreign Holders are urged to consult with their tax advisers regarding all requirements to be entitled to the 100% CIT credit.

The WHT applicable to withdrawals, remittances or distributions abroad must be determined taking into account an interim CIT credit, based on the corporate tax rate in force in the year of the remittance or distribution. Therefore, taxation of the withdrawal, remittance or distribution shall occur at year-end. Any withholding tax difference determined at year-end must: a) be paid in the annual tax return to be declared by the Chilean company in April of the following year or b) be requested as a refund by the Foreign Holder through an administrative process or through the annual tax return to be filed in April of the year following the distribution of the dividend.

The example below illustrates the effective Chilean WHT burden on a cash dividend received by a Foreign Holder, assuming a WHT rate of 35.0%, a statutory CIT rate of 27.0% and a distribution of all of the net proceeds available after payment of the CIT.

100% Credit available

Taxable income	U.S.\$100
CIT (27.0% of U.S.\$100)	(27.0)
Net proceeds available	73.0
Dividend payment	73.0
Withholding Tax (35.0% of the sum of the dividend (U.S.\$73.0) and the available CIT credit (U.S.\$27.0))	35.0
CIT credit	(27.0)
Payable WHT	8.0
	65
Net dividend received	(73.0-8.0)
	11.0%
Effective dividend withholding tax rate	(8.0/73.0)

65% Credit available

Taxable income	U.S.\$100
CIT (27.0% of U.S.\$100)	(27.0)
Net proceeds available	73.0
Dividend payment	73.0
Withholding Tax (35.0% of the sum of the dividend (U.S.\$73.0) and the available CIT credit (U.S.\$27.5))	35.0
CIT credit	(27.00)
CIT debt	9.45
Payable WHT	17.55
	55.55
Net dividend received	(73.0-17.45)
	24.0%
Effective dividend withholding tax rate	(17.45/73.0)

Dividend distributions made in kind would be subject to the same Chilean tax rules as cash dividends.

Stock dividends received by the Foreign Holder are not subject to Chilean taxation.

If the Proposed U.S.-Chile Treaty becomes effective, U.S. investors should consult their tax advisers as to the applicability of the treaty for their own circumstances.

Taxation of Capital Gains

Gain realized on the sale, exchange or other disposition by a Foreign Holder of ADSs will not be subject to Chilean taxation, provided that such sale or disposition occurs outside Chile or that it is performed under the rules of Title XXIV of the Chilean Securities Market Law, as amended by Law No. 19,601, dated January 18, 1999. The deposit and withdrawal of shares of common stock in exchange for ADSs will not be subject to any Chilean taxes.

Gain recognized on a sale or exchange of shares of common stock (as distinguished from sales or exchanges of ADSs representing such shares of common stock) by a Foreign Holder to an individual or entity that is not resident or domiciled in Chile will be subject to WHT. This tax must be withheld by the purchaser, with an interim rate of 10.0% of the total price without any deduction, unless the gain subject to taxation can be determined, in which case the withholding will be equal to 35.0% of the gain.

Notwithstanding the above, if the seller evidences that no capital gain was generated, the WHT would not be applicable. For tax purposes, the capital gain shall be the difference between the sales price and the acquisition cost of the stock.

The tax basis of shares of common stock received in exchange for ADSs will be the acquisition value of such shares. The valuation procedure set forth in the deposit agreement states that the highest price at which shares of common stock were exchanged on the Santiago Stock Exchange on the date of the exchange generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of common stock and sale of such shares of common stock for the value established under the deposit agreement made on the date of the exchange will not generate a capital gain subject to taxation in Chile. In the case where ADSs were exchanged for shares and the subsequent sale of the shares is made on a different day from the one on which the exchange is recorded in the shareholders' registry of the issuer, capital gains subject to taxation in Chile may be generated, depending on the difference between the acquisition value and the sale price.

On October 1, 1999, the Chilean Internal Revenue Service issued Ruling N°3,708 whereby it allowed Chilean issuers of ADSs to amend the Deposit Agreements to which they are parties in order to include a clause that states that, in the case that the exchanged shares are sold by the ADSs' holder on a Chilean stock exchange, either on the same day on which the exchange is recorded in the shareholders' registry of the issuer or within the two prior business days to such date, the acquisition price of such exchanged shares shall be the price registered in the invoice issued by the stock broker that participated in the sale transaction.

Consequently, as we have included this clause in the form of ADRs attached to the deposit agreement, the capital gain that might be generated if the shares received in exchange for ADSs were sold within two days prior to the date on which the exchange is recorded in the shareholders' registry of the issuer, will not be subject to Chilean taxation. Distribution and exercise of preemptive rights relating to the shares of common stock will not be subject to Chilean taxation.

Cash amounts received in exchange for the shares or assignment of preemptive rights relating to the shares will be subject to both the CIT and the WHT (the former being creditable against the latter to the extent described above). In certain cases, and provided certain requirements are met, capital gains realized on the sale of actively traded stock of Chilean public companies may be exempt from Chilean income taxes.

Our stock is currently considered to be an actively traded stock in the Santiago Stock Exchange, and Foreign Holders of the stock may qualify for an income tax exemption. Foreign Holders are urged to consult with their own tax advisers to determine whether an exemption applies to them.

If the Proposed U.S.-Chile Double Tax Treaty becomes effective, it may further restrict the amount of Chilean tax, if any, imposed on gains derived from the sale or exchange of shares of common stock by U.S. residents eligible for the benefits of the treaty. U.S. investors should consult their tax advisers as to the applicability of the treaty in their particular circumstances.

Other Chilean Taxes

No Chilean inheritance, donation or succession taxes apply to the transfer or disposition of the ADSs by a Foreign Holder, but such taxes generally will apply to the transfer at death or by donation of shares of our common stock by a Foreign Holder. No Chilean stamp, issue, registration or similar taxes or duties apply to Foreign Holders of shares or ADSs.

Withholding Tax Certificates

Upon request, we will provide to Foreign Holders appropriate documentation evidencing the payment of Withholding Taxes. For further information, the investor should contact: Robert Moreno, irelations@santander.cl. Dividends payable to holders of ADSs are net of foreign currency conversion expenses of the Depositary and will be subject to the Withholding Tax currently at the rate of 35% (subject to credits in certain cases as described above).

U.S. Federal Income Tax Considerations

The following is a discussion of material U.S. federal income tax consequences of owning and disposing of shares of our common stock or ADSs to U.S. holders described below, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold such common stock or ADSs. The discussion applies only if you are a U.S. holder holding shares of our common stock or ADSs as capital assets for U.S. federal income tax purposes. It does not address all aspects of U.S. federal income taxation that may be relevant to you in light of your particular circumstances, including the alternative minimum tax and the Medicare contribution tax, nor does it describe all tax consequences that may be relevant to U.S. holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities who use a mark-to-market method of tax accounting;
- persons holding shares or ADSs as part of a hedge, "straddle," conversion transaction, integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs";
- persons holding shares of our common stock or ADSs that own or are deemed to own ten percent or more of the voting power or value of our stock;
- persons who acquired shares of our common stock or ADSs pursuant to the exercise of any employee stock option plan or otherwise as compensation; or
- persons whose shares or ADSs are held in connection with a trade or business conducted outside the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns shares of our common stock or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships owning shares of our common stock or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of the shares of our common stock or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. It is also based in part on representations by the Depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms. In addition, this discussion does not address U.S. state, local and non-U.S. tax consequences. Please consult your tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of owning and disposing of shares or ADSs in your particular circumstances.

As used herein, a "U.S. holder" is a person that for U.S. federal income tax purposes is a beneficial owner of shares of our common stock or ADSs and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, a state thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, if you own ADSs, you will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying shares represented by those ADSs.

This discussion assumes that we are not, and will not become, a passive foreign investment company, as described below.

Distributions paid on shares of our common stock or ADSs, other than certain pro rata distributions of common shares or rights, will be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. holders as dividends. Subject to applicable limitations, certain dividends paid by “qualified foreign corporations” to certain non-corporate U.S. holders may be taxable at rates applicable to long-term capital gains. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid on stock that is readily tradable on a securities market in the United States, such as the NYSE where our ADSs are traded. You should consult your tax advisers to determine whether favorable rates may apply to dividends you receive and whether you are subject to any special rules that limit your ability to be taxed at such favorable rates. The amount of the dividend will include any amounts withheld by us or our paying agent in respect of Chilean taxes at the effective rate (after credit for CIT) as described above under “—Material Tax Consequences of Owning Shares of Our Common Stock or ADSs—Chilean Taxation—Taxation of Dividends.” The amount of the dividend will be treated as foreign-source dividend income to you and will not be eligible for the dividends-received deduction generally allowed to U.S. corporations under the Code.

Dividends will be included in your income on the date of your (or in the case of ADSs, the Depositary’s) receipt of the dividend. The amount of any dividend income paid in Chilean pesos will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Subject to applicable limitations that may vary depending upon your circumstances, Chilean taxes withheld from cash dividends on shares of our common stock or ADSs, reduced by the credit for any CIT, as described above under “—Chilean Taxation—Taxation of Dividends,” might be creditable against your U.S. federal income tax liability. On December 28, 2021, new Treasury Regulations pertaining to foreign tax credits (the “Final Treasury Regulations”) were released that impose significant new limitations on the non-U.S. taxes (including withholding taxes) for which a foreign tax credit can be claimed. Corrections with respect to the Final Treasury Regulations were published on July 27, 2022. We have not determined whether these limitations will prevent a U.S. Holder from claiming a foreign tax credit with respect to any withholding tax imposed on dividends on ADRs or shares of our common stock. In any event, if the Proposed U.S.-Chile Treaty becomes effective, any Chilean income taxes withheld from dividends on shares or ADSs in excess of the rate provided by the treaty will not be creditable by a U.S. holder who is eligible for the benefits of the treaty. The rules governing foreign tax credits, including the Final Treasury Regulations, are complex and you should consult your tax advisers to determine whether they may limit your ability to make effective use of foreign tax credits. Instead of claiming a credit, you may, at your election, deduct such Chilean taxes in computing your taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all foreign taxes paid or accrued in the taxable year.

Sale or Other Disposition of Shares or ADSs

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of shares of our common stock or ADSs generally will be capital gain or loss, and will be long-term capital gain or loss if you held the shares of our common stock or ADSs for more than one year. The amount of your gain or loss will be equal to the difference between your tax basis in the shares of our common stock or ADSs disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. If a Chilean tax is withheld on the sale or disposition of the shares of our common stock or ADSs, your amount realized will include the gross amount of the proceeds of such sale or disposition before deduction of the Chilean tax. See “—Chilean Taxation—Taxation of Capital Gains” for a description of when a disposition may be subject to taxation by Chile. Such gain or loss generally will be U.S.-source gain or loss for foreign tax credit purposes. The Final Treasury Regulations generally will preclude you from claiming a foreign tax credit with respect to any tax imposed on gains from the disposition of shares or ADSs by a jurisdiction, such as Chile, that does not have in effect an applicable income tax treaty with the United States, although such taxes may be applied to reduce your amount realized on the disposition. Consequently, you may not be able to credit any Chilean tax imposed on the disposition of shares of our common stock or ADSs against your taxable income unless you have other foreign-source income in the appropriate foreign tax credit category. If the Proposed U.S.-Chile Treaty becomes effective, however, a U.S. holder who is eligible for the benefits of the treaty and whose gain from the sale of shares is not exempt from Chilean tax under such treaty may elect to treat disposition gain that is subject to Chilean tax as foreign-source gain and claim a credit in respect of the tax.

Based on proposed Treasury regulations (the “Proposed Regulations”), including those which are proposed to be effective for taxable years beginning after December 31, 1994 (and on which taxpayers may currently rely pending finalization), we believe that we were not a “passive foreign investment company” (a “PFIC”) for U.S. federal income tax purposes for the year ended December 31, 2022. However, since the Proposed Regulations may not be finalized in their current form and since PFIC status depends upon the composition of a company’s income and assets and the market value of its assets (including, among others, less than 25 percent owned equity investments) from time to time, and, if more recently proposed Treasury regulations are finalized in their current form, the location of activities that produce active banking income and the location of our customers, there can be no assurance that we will not be a PFIC for any taxable year. If we were a PFIC for any taxable year during which you held an ADS or a share of our common stock, certain adverse tax consequences could apply to you.

If we were a PFIC for any taxable year during which you held shares of our common stock or ADSs, gain recognized by you on a sale or other disposition (including certain pledges) of a share of our common stock or an ADS would generally be allocated ratably over your holding period for the share of our common stock or ADS. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability for that taxable year. Similar rules would apply to any distribution in respect of shares of our common stock or ADSs that exceeds 125% of the average of the annual distributions on shares of our common stock or ADSs received by you during the preceding three years or your holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments of the shares of our common stock or ADSs (including, with respect to our ADSs, a mark-to-market election). In addition, if we were a PFIC for a taxable year in which we pay a dividend or the prior taxable year, the favorable rates discussed above with respect to dividends paid to non-corporate holders would not apply.

If we were to be treated as a PFIC in any taxable year, a U.S. holder may be required to file reports with the Internal Revenue Service containing such information as the Treasury Department may require.

Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding, unless you are a corporation or other exempt recipient or in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. holders may be required to report information relating to stock of a non-U.S. person, subject to certain exceptions (including an exception for stock held in custodial accounts maintained by a U.S. financial institution). You should consult your tax advisers regarding any reporting obligations you may have with respect to shares of our common stock or ADSs.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

The documents concerning us which are referred to in this Annual Report may be inspected at our offices at Bandera 140, 20th floor, Santiago, Chile. We are subject to the information reporting requirements of the Exchange Act, except that, as a foreign issuer, we are not subject to the proxy rules or the short-swing profit and disclosure rules of the Exchange Act. The SEC maintains a website on the Internet at <http://www.sec.gov> that contains reports and information statements and other information about us. The reports and information statements and other information about us can be downloaded from the SEC’s website or our investor relations website <https://santandercl.gcs-web.com>. None of the information contained on our website is incorporated by reference into, or forms part of, this Annual Report.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

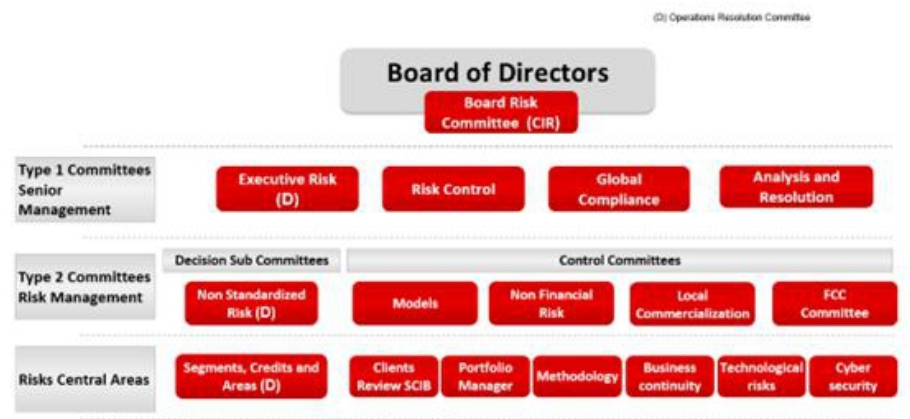
Introduction

The principal types of risk inherent in Santander-Chile’s business are market, liquidity, operational and credit risks. The effectiveness with which we are able to manage the balance between risk and reward is a significant factor in our ability to generate long term, stable earnings growth. Toward that end, our Board and senior management places great emphasis on risk management.

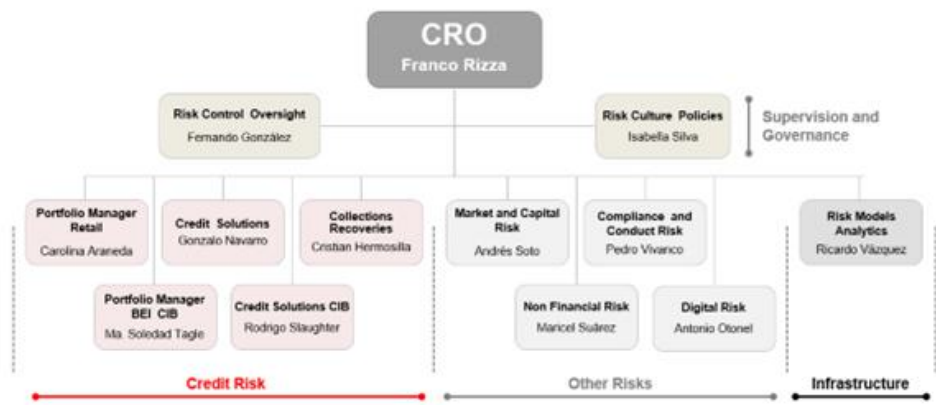
For more information on our Integral Risk Committee, Audit Committee, Asset and Liability Committee and Market Committee, see “Item 6. Directors, Senior Management and Employees.”

Risk Department

All issues regarding risk in the Bank are the responsibility of the Bank’s Risk Department. The Risk Department reports to the CEO but has full independence, and no risk decisions can be made without its approval. The following diagram illustrates the governance of our risk division including the committees with approval power:



Below is an organizational chart of the Risk Department:



1. Credit Risk

The impairment model applies to all financial assets measured at amortized cost and fair value through other comprehensive income (FVOCI), including commitment and contingent loans. Investments in equity are outside of the scope of the new impairment requirements. For more information, see “Item 5 Operating and financial review and prospects—Critical Accounting Policies.”

The Bank has defined default on the following basis:

- Corporate: when exposure is more than 89 days past due, it has been restructured, it is in judicial collection, pulling effect defined as the entire outstanding amount on any loan which has an instalment 90 days or more past due.
- Other: when exposure is more than 89 days past due, it has been restructured, it is in judicial collection, it has been written off, or has been identified as impaired by an internal risk committee.

An exposure will be considered as defaulted when the past-due amounts of an exposure exceed materiality thresholds for 89 or more consecutive days.

The Bank considers reasonable and supportable information that is available without undue cost or effort and that may affect the credit risk on a financial instrument, including forward looking information to determine a significant increase in credit risk since the initial recognition. Forward looking information includes past events, current conditions and forecasts or future economic conditions (macro-economic data). Credit risk assessment and forward-looking information (including macro-economic factors), includes quantitative and qualitative information based on the Bank’s classification policy:

- a. Adverse changes in the financial situation, such as a significant increase in debt levels.
- b. Significant drops in turnover or, in recurring cash flows.
- c. Significant narrowing of operating margins or recurring income.
- d. Significant adverse changes in credit risk cost, due to changes in this risk after initial recognition.
- e. Other changes in the transaction’s credit risk that would impact on conditions being significantly different if the transaction were originated or reissued on the reference date.

- f. An actual or expected reduction of the integral credit rating of the operation (client's integral rating) or decrease in the performance score.
- g. An actual or expected significant decrease in the price or external credit rating of the mail operation, as well as other external market indicators of the credit risk for similar operations with the same expected life.

The Bank will classify an operation as stage 2 when the past-due amounts of an exposure exceed materiality thresholds for 90 or more consecutive days.

Expected credit loss measurement

The ECL are the probability-weighted estimate of credit losses, i.e. the present value of all cash shortfalls. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The Bank considered a multi-factor analysis to perform credit risk analysis. The Bank conducts a corporate evaluation to assess whether objective evidence of impairment exists for loans that are individually significant, and then conducts a separate evaluation of loans that are not individually significant and loans which are significant but for which there is no objective evidence of impairment available under custom monitoring.

Credit Risk Governance

The Risk Division, our credit analysis and risk management group, is largely independent of our business areas. Risk evaluation teams interact regularly with our clients. For larger transactions, risk teams in our headquarters work directly with clients when evaluating credit risks and preparing credit applications. Various credit approval committees, all of which include Risk Division and Commercial Division personnel, must verify that the appropriate qualitative and quantitative parameters are met by each applicant. Each committee's powers are defined by our Board of Directors.

Santander-Chile's governance rules establish an Integral Risk Committee. This committee is responsible for revising and following all risks that may affect us, including reputational risk, allowing for an integral risk management. This committee serves as the governing body through which the Board supervises all risk functions. It also evaluates the reasonability of the systems for measurement and control of risks. This Committee includes the Vice Chairman of the Board and five Board members.

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

- Formulate credit policies by consulting with the business units, meeting requirements of guarantees, credit evaluation, risk rating and submitting reports, documentation and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.
- Establish the structure to approve and renew credit requests. The Bank structures credit risks by assigning limits to the concentration of credit risk in terms of individual debtor, debtor group, industry segment and country. Approval levels are assigned to the corresponding officials of the business unit (commercial, consumer, SMEs) to be exercised by that level of management. In addition, those limits are continually revised. Teams in charge of risk evaluation at the branch level interact on a regular basis with customers; however, for larger credit requests, the risk team from the head office and the Executive Risk Committee works directly with customers to assess credit risks and prepare risk requests.
- Limit concentrations of exposure to customers or counterparties in geographic areas or industries (for accounts receivable or loans), and by issuer, credit rating and liquidity.
- Develop and maintain the Bank's credit risk classifications for the purpose of classifying risks according to the degree of exposure to financial loss that is exhibited by the respective financial instruments, with the aim of focusing risk management specifically on the associated risks.
- Revise and evaluate credit risk. Management's risk divisions are largely independent of the Bank's commercial division and evaluate all credit risks in excess of the specified limits prior to loan approvals for customers or prior to the acquisition of specific investments. Credit renewal and reviews are subject to similar processes.

2. Non-financial risks

Following the Basel framework, the Bank defines operational risk as the risk of losses arising from defects or failures in its internal processes, people, systems or external events, thus covering risk categories such as fraud, technological, cyber, legal and conduct risk.

Operational risk is inherent to all products, activities, processes and systems and is generated in all business and support areas. For this reason, all employees are responsible for managing and controlling the operational risks generated in their sphere of action. The Bank's goal in terms of operational risk management and control is focused on identifying, evaluating and mitigating sources of risk, regardless of whether they have materialized or not. The analysis of operational risk exposure contributes to the establishment of risk management priorities.

The following table summarizes our net losses from operational risks in 2022 compared to 2021. In 2022, the 556.0% rise in the loss from fraud corresponds to new regulations enacted in 2020 that has resulted in an ongoing increase in the amount of costs we must cover for the fraudulent use of a client's cards or passwords to access online banking services.

	As of December 31,		% Change 2022/2021
	2022	2021	
	(Ch\$ millions)		
Net losses from operational risks			
Fraud	6,409	977	556.0%
Labor related	6,704	3,215	108.5%
Client / product related	116	13	794.3%
Damage to fixed assets	221	228	(3.1%)
Business continuity / Systems	979	144	579.8%
Processing	2,815	8,251	(65.9%)
Total	17,245	12,828	34.4%

Governance

The risk management program contemplates that all relevant risk issues must be reported to the Board of Directors, the Integral Risk Committee and the Non-Financial Risk Committee.

Risk identification, measurement and assessment model

A series of quantitative and qualitative techniques and tools have been defined by the Bank to identify, measure and assess operational risk. The quantitative analysis of this risk assessment is carried out mainly with tools that record and quantify the level of potential losses associated with operational risk events. The qualitative analysis seeks to assess aspects of exposure and hedging (including the control environment). The most important operational risk tools used by Santander Chile are an internal events database, operational risk control self-assessment, analysis of operational risk scenarios, appetite of corporate and local indicators, and internal audit and regulatory recommendations, among others.

Operational risk management

To accomplish our operational risk objectives, we have established a risk model based on three lines of defense, with the objective of continuously improving and developing our management and control of operational risks. The defense lines consist of: (i) the business and support areas (first line of defense), responsible for managing the risks related to their processes; (ii) the non-financial risk area (second line of defense), in charge of supporting the first line of defense in relation to the fulfillment of its direct responsibilities and; (iii) the internal audit function (third line of defense) responsible for verifying, independently and periodically, the adequacy of the risk identification and management processes and procedures, in accordance with the guidelines established in the Internal Audit Policy and submitting the results of its recommendations for improvement to the Audit Committee.

Our methodology consists of the evaluation of the risks and controls of a business from a broad perspective and includes a plan to monitor the effectiveness of such controls and the identification of eventual weaknesses. The main objectives of the Bank and its subsidiaries in terms of operational risk management are the following:

- Identify, evaluate, inform, manage and monitor the operational risk in connection with activities, products, and processes carried out or commercialized by the Bank and its subsidiaries;
- Build a strong culture of operational risk management and internal controls, with clearly defined and adequately segregated responsibilities between business and support functions, whether these are internally-developed or outsourced to third parties;
- Generate effective internal reports in connection with issues related to operational risk management, with a clearly defined escalation protocol; and
- Control the design and application of effective plans to deal with contingencies that ensure business continuity and losses control.

Cyber-security and data security plans

The Bank continuously monitors cyber-security risks and has implemented preventative measures to be prepared for any cyber-attack. Likewise, the internal cyber-security model based on best practices and international standards, is periodically evaluated for its maturity level. Through these evaluations, points of improvement have been identified and actions and remediations have been established and incorporated into our cybersecurity plans.

The Cybersecurity Framework defines the governance, roles, responsibilities, and policies on preventing and confronting cybercrime. The Chief of Cybersecurity or CISO (Chief Information Security Officer) has been defined as the officer responsible for cybersecurity, a function performed by the Manager of Technology and Operational Risk. Embedded in the Bank's Technology and Operations division is the Cyber and Technology Risk Department, which is the front line of defense against cyber-security threats and data security. In addition, the Non-Financial Risk Department through the Cyber Risk (a specialized area) independently controls and supervises the Cyber Security Risk. In turn, there is a group of supervisory bodies that include the Cybersecurity Committee, the Non-Financial Risk Committee, the Chief Executive Officer's Management Committee, and the Board's Integral Risk Committee. We also coordinate with Santander Spain's headquarters and units in other countries regarding strategy, best practices, and experience-sharing.

All this architecture has been created with the aim of identifying cyber risks, the development of a culture and education in cybersecurity, the creation of cyber scenarios to anticipate potential threats, and the fulfillment of the regulatory framework set by the authorities.

During 2022, plans have been executed that have allowed us to reach advanced levels of maturity in Cybersecurity that have been reflected in our metrics: Holistic, independent benchmarks, ethical phishing, coverage of defensive controls, ransomware and DLP controls, among others. The main initiatives considered in 2022 were the following:

1. Cyber security Governance: there is adequate governance and cybersecurity risk management. The function of 2LoD cyber risks has been improved, strengthening its internal processes and challenge activities on 1LoD.
2. PCI Certification: the PCI-DSS 2021 – 2022 recertification process has been successfully completed. This certification is a continuous process of improvement that requires annual re-certifications.
3. Security Configuration and patch management: actions have been carried out to implement and comply with the hardening guidelines, achieving compliance with the required thresholds. Additionally, we increased the efforts of technical teams to accelerate security patch management and metrics have been regularized.

4. Cyber security test, identification, and management of vulnerabilities: we continued to advance strongly in the government and the management of vulnerabilities, including servers, workstations, and network devices. Scans (Ethical Hacking) have been carried out on the entire inventory of IFAs (assets exposed to the internet) allowing proactive identification and management vulnerabilities. Permanent monitoring of vulnerability management is maintained in the personal and business banking portals.
5. Identity and Access Management (IAM): we continue to expand the integration of our Identity access management to include all critical applications existing in the Bank's landscape, including the corresponding functional segregation exercises and automated recertification processes and the development of a new module to monitor the actions of the high-privilege users on the applications. In the field of high-privilege users (IT administrators), we continue to strengthen the governance of our PAM (Privileged Access Management) platform for server and database administrators.
6. Data Protection: we concluded the implementation of a complete Data Loss Prevention (DLP) platform and all DLP control domain are implemented over the thresholds defined increasing the organization's sensitive data protection capabilities.
7. Network Segregation: segmentation projects have been carried out in means of payment services (PCI DSS), the ATM network (money dispensing machines and self-service) and backup systems. Improvement has been made in the segmentation of Swift network.
8. Cloud Security: we made continue our progress on the governance of our advanced compliance and security monitoring systems for our cloud environments.
9. Fraud prevention: during 2022 we implemented new real-time reaction capabilities to better face new fraud methods, both for electronic transactions and cards.
10. 3rd Party Management: we have worked together with our main suppliers to strengthen their cybersecurity management.
11. IT Obsolescence: we continued with our initiatives to reduce obsolescence at the level of workstations, servers, applications, software components, communication devices, etc.
12. Ongoing training: we increased the complexity with advanced ethical phishing scenarios with a good result in the last 3 quarters of 2022. During the year we continuously carry out mandatory training to stepping up the level of awareness about cyber risks.

During 2022, the Bank did not face material losses due to cybersecurity breaches. However, even though we have thorough cybersecurity practices and governance in place, we cannot assure that in the future a material event will not occur, nonetheless we are better prepared due ours constantly efforts.

Business Continuity Management: Ensuring the realization of critical process during contingencies

The Bank has a Business Continuity Management System, which covers the entire organization in order to ensure the execution of the activities that may cause significant negative impacts (operational, reputation, consumer services, legal and operational losses) to the organization. The Non-financial Risk Department, through the IT Risk Department (BCM specialized area, as part of the second line of defense), leads the control and implementation of the model and policies defining the roles and responsibilities of each line of defense, where the first line of defense has a main role that involves the identification of their process, the business impact analysis of each risk according to the methodology, the preparation of business continuity plans and strategies to respond to each contingency scenario and ensure the realization of the critical processes, the testing and continuous updating of the information to secure the resources needed (at least annually).

The Bank is constantly facing different types of contingencies (mainly natural disasters, pandemics, social movements, protests, among others), which has proven to be effective in order to maintain, social movements, protests, among others), which has proven to be effective in order to maintain and ensure the business continuity of the organization. We are constantly detecting new opportunities to improve the current mitigation actions and contingency plans allowing the critical departments to recover after the events that may occur in the future.

Role of Santander Group's Global Risk Division: Operational Risk

In matters regarding operational risk, Santander Spain's Global Risk Department's role is to define certain global policies, guidelines and procedures regarding operational risk. The Corporate Operational Risk Committee is the main body in which the different units of Santander discuss and review the major operational risk events and policies.

3. Market Risks

This section describes the market risks that we are exposed to, the tools and methodology used to control these risks, the portfolios over which these market risk methods were applied and quantitative disclosure that demonstrate the level of exposure to market risk that we are assuming. This section also discloses the derivative instruments that we use to hedge exposures and offer to our clients.

Market risk is the risk of losses due to unexpected changes in interest rates, foreign exchange rates, inflation rates and other rates or prices. We are exposed to market risk mainly as a result of the following activities:

- trading in financial instruments, which exposes us to interest rate and foreign exchange rate risk;
- engaging in banking activities, which subjects us to interest rate risk, since a change in interest rates affected gross interest income, gross interest expense and customer behavior;
- engaging in banking activities, which exposes us to inflation rate risk, since a change in expected inflation affects gross interest income, gross interest expense and customer behavior;
- trading in the local equity market, which subjects us to potential losses caused by fluctuations of the stock market; and
- investing in assets whose returns, or accounts are denominated in currencies other than the Chilean peso, which subjects us to foreign exchange risk between the Chilean peso and such other currencies.

The main decisions that relate to market risk for the Bank and the limits regarding market risk are made in the Asset and Liability Committee and the Market Committee. The measurement and oversight of market risks is performed by the Market Risk Department. Santander-Chile's governance rules have established the Asset and Liability Committee and the Market Committee to monitor and control market risks.

Role of Santander Group's Global Risk Division: Market Risk

In matters regarding Market Risk, the role of Santander Spain's Global Risk Department is to define certain global policies, guidelines and procedures regarding market risk. The information produced by our local Market Risk Department is standardized for the whole group in order to facilitate a consolidation of risks being taken on a global basis. They review daily the consumption of limits and provide valuable input on the evolution of markets, especially regarding the Eurozone.

4. Market Risk: Quantitative Disclosure

Impact of Inflation

Our assets and liabilities are denominated in Chilean pesos, Unidades de Fomento (UF) and foreign currencies. Inflation impacts our results of operations as some loan and deposit products are contracted in UF. The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. One UF equaled Ch\$35,110.98 at December 31, 2022, Ch\$30,991.74 at December 31, 2021 and Ch\$29,070.33 at December 31, 2020. High levels of inflation in Chile could adversely affect the Chilean economy and could have an adverse effect on our business, financial condition and results of operations. Negative inflation rates also negatively impact our results. Inflation measured as the annual variation of the UF was 13.3% in 2022, 6.6% in 2021 and 2.7% in 2020. There can be no assurance that Chilean inflation will not change significantly from the current level.

Due to the current structure of our assets and liabilities (i.e., a significant portion of our loans are indexed to the inflation rate, but there are significantly less features in deposits and other funding sources that would increase the size of our funding base), there can be no assurance that our business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation. In summary:

- *UF-denominated assets and liabilities.* The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest-bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively. Our net interest income will be positively affected by an inflationary environment to the extent that our average UF-denominated interest earning assets exceed our average UF-denominated interest-bearing liabilities. Our net interest income will be positively affected by deflation in any period in which our average UF-denominated interest-bearing liabilities exceed our average UF-denominated interest earning assets. Our net interest income will be negatively affected in a deflationary environment if our average UF-denominated interest earning assets exceed our average UF-denominated interest-bearing liabilities.
- *Inflation and interest rate hedge.* A key component of our asset and liability policy is the management of interest rate risk. The Bank's assets generally have a longer maturity than our liabilities. As the Bank's mortgage portfolio grows, the maturity gap tends to rise as these loans, which are contracted in UF, have a longer maturity than the average maturity of our funding base. As most of our long-term financial instruments and mortgage loans are contracted in UF and most of our deposits are in nominal pesos, the rise in mortgage lending increases the Bank's exposure to inflation and to interest rate risk. The size of this gap is limited by internal and regulatory guidelines in order to avoid excessive potential losses due to strong shifts in interest rates or inflation. In order to keep this duration gap below regulatory limits, the Bank issues long term bonds denominated in UF or interest rate swaps. The financial cost of the bonds and the efficient part of these hedges is recorded as net interest income. The loss from the swaps taken in order to hedge mainly for inflation and interest rate risk and included in net interest income totaled a loss of Ch\$680,403 million in 2022 compared to a gain of Ch\$449,122 in 2021 and loss of Ch\$15,461 million in 2020. This larger loss in 2022 was mainly due to higher short-term interest rates. The average gap between our interest earnings assets and total liabilities linked to the inflation, including hedging, was Ch\$5,028,171 million in 2022, Ch\$6,252,221 million in 2021 and Ch\$6,173,541 million in 2020. Therefore, our sensitivity to a 100-basis point shift in UF inflation considering our year end gap would be approximately Ch\$50.3 billion
- The financial impact of the gap between our interest earning assets and liabilities denominated in UFs including hedges was Ch\$1,015,855 million in 2022, Ch\$410,249 million in 2021 and Ch\$173,668 million in 2020. The 147.6% increase in these results was due to the higher UF inflation rate and a larger UF gap in 2022 compared to 2021.

	As of December 31,			% Change	
	2022	2021	2020	2022/2021	2021/2020
	(in millions of Ch\$)				
Impact of inflation on net interest income					
Results from UF GAP ⁽¹⁾	1,015,855	410,249	173,668	147.6%	136.2%
Annual UF inflation	13.3%	6.6%	2.7%		

(1) UF GAP is net interest income from asset and liabilities denominated in UFs and include the results from hedging the size of this gap via interest rate swaps.

Interest Rates

Interest rates earned and paid on our assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, changes in short term interest rates set by the Central Bank and movements in long term real rates. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Interest Rates." The Central Bank manages short term interest rates based on its objectives of balancing low inflation and economic growth. Because our liabilities are generally re-priced sooner than our assets, changes in the rate of inflation or short-term rates in the economy are reflected in the rates of interest paid by us on our liabilities before such changes are reflected in the rates of interest earned by us on our assets. Our Financial Management Division usually seeks to maintain liabilities with an average duration that is shorter than that of our assets, including through the use of derivatives, in order to hedge against sudden or rapid falls in the inflation rate, which in general triggers a reduction in short-term rates. Therefore, when short term interest rates fall, our net interest margin is positively impacted, but when short term rates increase, our interest margin is negatively affected. At the same time, our net interest margin tends to be adversely affected in the short term by a decrease in inflation rates since generally our UF-denominated assets exceed our UF-denominated liabilities. See "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Impact of Inflation—Peso-denominated assets and liabilities." An increase in long term rates has a positive effect on our net interest margin, because our interest earning assets generally have longer terms than our interest-bearing liabilities. A flattening of the yield curve, i.e. long-term rates falling quicker than short-term rates, negatively affects our margins by lowering loan yields at a greater pace than deposits costs. In addition, because our peso-denominated liabilities have relatively short re-pricing periods, they are generally more responsive to changes in inflation or short-term rates than our UF-denominated liabilities. As a result, during periods when or expected inflation exceeds the previous period's inflation, customers often switch funds from UF-denominated deposits to peso-denominated deposits, which generally bear higher interest rates, thereby adversely affecting our net interest margin.

We also maintain a substantial amount of non-interest-bearing peso-denominated demand deposits. Because such deposits are non-interest bearing and are not indexed to inflation the higher percentage of our funding that comes from this source positively impacts our net interest margin as interest rates or inflation rises and vice-versa. The ratio of the average of such demand deposits and average shareholder's equity to average interest-earning assets was 32.0%, 38.9% and 33.5% for the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, the detail of the maturities of assets and liabilities is as follows:

As of December 31, 2022	Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
(in millions of Ch\$)								
Financial assets								
Cash and deposits in banks	1,982,942	—	—	—	—	—	—	1,982,942
Cash items in process of collection	843,816	—	—	—	—	—	—	843,816
Financial assets for trading at FVTPL								
Financial derivative contracts and hedge contracts ⁽¹⁾	—	734,755	570,803	1,499,473	3,396,062	2,026,248	3,923,381	12,150,722
Debt financial instruments	—	1	114,165	70	3,880	23,277	12,653	154,046
Financial assets at FVOCI								
Debt financial instrument	—	2,617,251	744,182	68,973	2,167	559,210	1,888,950	5,880,733
Other financial instruments	—	—	—	—	70,668	66,478	5,160	142,306
Financial assets at amortized cost ⁽²⁾								
Debt financial instruments	—	—	96,326	—	2,545,919	2,225,346	—	4,867,591
Interbank loans	—	32,991	—	—	—	—	—	32,991
Loans and account receivable from customers	713,513	3,402,788	2,980,575	5,158,378	7,943,135	4,431,396	14,066,625	38,696,410
Guarantee deposits (margin accounts)	2,442,325	—	—	—	—	—	—	2,442,325
Total financial assets	5,982,596	6,787,786	4,506,051	6,726,894	13,961,831	9,331,955	19,896,769	67,193,882
Financial liabilities								
Cash items in process of being cleared	746,872	—	—	—	—	—	—	746,872
Financial liabilities for trading at FVTPL								
Financial derivative contracts and hedge contracts ⁽¹⁾	—	67,236	151,948	2,541,236	4,686,662	2,415,134	4,245,898	14,108,114
Financial liabilities at amortized cost								
Deposits and other demand liabilities	14,086,226	—	—	—	—	—	—	14,086,226
Time deposits and other time liabilities	234,170	12,712,880	5,806	—	25,934	—	—	12,978,790
Obligations under repurchase agreements	—	211,730	103,516	109	—	—	—	315,355
Interbank borrowings	24,667	149,482	818,030	2,252,305	5,620,281	—	—	8,864,765
Issued debt instruments ⁽³⁾	—	296,206	204,084	584,517	2,809,573	1,915,970	3,681,824	8,899,762
Other financial liabilities	—	292,756	—	—	142	97	—	292,995
Lease liabilities	—	—	—	25,902	46,955	32,784	31,448	137,089
Guarantees received (margin accounts)	1,017,968	—	—	—	—	—	—	1,017,968
Total financial liabilities	16,109,903	13,137,878	1,283,384	5,404,069	13,189,547	4,363,985	7,959,170	61,447,936

(1) Includes derivative contract for trading purposes and hedge derivatives contracts.

(2) Debt financial instruments, Interbank loans and loans and account receivable from customer are presented on a gross basis, the related allowances are Ch\$894 million, Ch\$1 million and Ch\$1,153,266 million, respectively.

(3) Includes Subordinated bond for Ch\$1,733,869 million, which is presented as Regulatory capital financial instruments.

The following table sets forth our average daily balance of liabilities for the years ended December 31, 2022, 2021 and 2020, in each case together with the related average nominal interest rates paid thereon.

	2022			2021			2020		
	Average Balance	% of Total Average Liabilities	Average Nominal Rate	Average Balance	% of Total Average Liabilities	Average Nominal Rate	Average Balance	% of Total Average Liabilities	Average Nominal Rate
Interest-bearing liabilities									
Savings accounts	198,478	0.3%	11.3%	177,779	0.3%	5.9%	138,671	0.3%	2.5%
Time deposits	14,114,807	20.8%	5.8%	13,174,290	22.8%	0.8%	14,248,478	25.5%	1.2%
Central Bank borrowings	5,441,584	8.0%	0.0%	5,546,895	9.6%	0.0%	2,881,600	5.2%	0.0%
Repurchase agreements	450,632	0.7%	3.7%	125,439	0.2%	0.8%	243,280	0.4%	0.8%
Mortgage finance bonds	5,058	0.0%	17.3%	9,105	0.0%	10.9%	14,580	0.0%	7.6%
Commercial paper	298,142	0.4%	2.4%	277,666	0.5%	0.3%	394,017	0.7%	1.7%
Other interest bearing liabilities	12,105,458	17.8%	13.6%	9,781,372	16.9%	9.8%	10,808,618	19.4%	4.3%
Subtotal interest-bearing liabilities	32,614,159	48.1%	7.7%	29,102,186	50.3%	3.8%	28,729,244	51.5%	2.2%
Non-liabilities									
Non-interest bearing deposits	12,844,814	18.9%		14,035,242	24.3%		10,403,347	18.6%	
Derivatives	12,773,821	18.8%		7,666,801	13.3%		9,793,162	17.5%	
Other non-interest bearing liabilities	6,079,681	9.0%		3,000,598	5.2%		3,171,540	5.7%	
Shareholders' equity	3,524,063	5.2%		4,062,407	7.0%		3,734,243	6.7%	
Subtotal non-interest bearing liabilities and equity	35,222,379	51.9%		28,765,048	49.7%		27,102,291	48.5%	
Total liabilities	67,836,539	100.0%		57,867,233	100.0%		55,831,535	100.0%	

Foreign exchange fluctuations

The Chilean government's economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could adversely affect our financial condition and results of operations. The Chilean peso has been subject to significant devaluation in the past and may be subject to significant fluctuations in the future. The year-end exchange rate appreciated 0.5% in 2022, depreciated 19.9% in 2021.

A significant portion of our assets and liabilities are denominated in foreign currencies, principally the U.S. dollar, and we historically have maintained, and may continue to maintain, material gaps between the balances of such assets and liabilities. Because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains and losses realized upon the sale of such assets, are translated to Chilean pesos in preparing our financial statements, our reported income is affected by changes in the value of the Chilean peso relative to foreign currencies (principally the U.S. dollar).

In general, the Bank is not permitted, due to guidelines set by the ALCO and the Market Committee, to open a meaningful gap in foreign currency. Any significant difference between the spot asset position and the spot liability position in foreign currency is usually hedged using forwards and cross-currency swaps. Any remaining foreign currency risk is included as part of the trading portfolio. We set an absolute limit on the size of Santander-Chile's consolidated net foreign currency trading position, which is equivalent to the maximum differential allowed between assets and liabilities in foreign currencies, including hedging of this gap. The limit on the size of the net foreign currency position is determined by the Market Committee and is calculated and monitored by the Market Risk Department. At December 31, 2022, this was equal to U.S.\$350 million. This limit in various other currencies is as follows:

Currency	Limit (in millions of U.S.\$)
U.S. dollars	350
Euros	110
Yen	27
British pound	20
Mexican peso	30
Brazilian real	30
Colombian peso	30
Peruvian Sol	20
Other European currencies	30
Other Latin American currencies	30
Other currencies	47.5
Total Limit	350

Foreign currency risk included in the trading portfolio is also measured and controlled using VaR. The average VAR of our foreign currency position was U.S.\$1.1 million in 2022. The translation gains or loss over assets and liabilities (excluding derivatives held for trading) is included as foreign exchange transactions in the income statement. The translation and mark-to-market of foreign currency derivatives held for trading is recognized as a gain or loss in the net results from mark-to-market and trading.

Liquidity risk management

The Financial Management Division receives information from all the business units on the liquidity profile of their financial assets and liabilities, as well as breakdowns of other projected cash flows stemming from future businesses. On the basis of that information, the Financial Management Division maintains a portfolio of liquid short-term assets, comprised mainly of liquid investments, loans and advances to other banks, to make sure the Bank has sufficient liquidity. The business units' liquidity needs are met through short-term transfers from the Financial Management Division to cover any short-term fluctuations and long-term financing to address all the structural liquidity requirements.

The Bank monitors its liquidity position every day, determining the future flows of its outlays and revenues. In addition, stress tests are performed at the close of each month, for which a variety of scenarios encompassing both normal market conditions and conditions of market fluctuation are used. The liquidity policy and procedures are subject to review and approval by the Bank's Board. Periodic reports are generated by the Market Risk Department, providing a breakdown of the liquidity position of the Bank and its subsidiaries, including any exceptions and the corrective measures adopted, which are regularly submitted to the ALCO for review.

The Bank relies on demand deposits from Retail, Middle-Market and Corporates, obligations to banks, debt instruments, and time deposits as its main sources of funding. Although most obligations to banks, debt instruments and time deposits mature in over a year, customer (retail) and institutional deposits tend to have shorter maturities and a large proportion of them are payable within 90 days. The short-term nature of these deposits increases the Bank's liquidity risk, and hence, the Bank actively manages this risk by continual supervision of the market trends and price management.

In response to the COVID-19 pandemic, the Central Bank has made two lines of credit available to banks to reinforce their liquidity, amounting to a total of U.S.\$24 billion for the whole banking system. These lines of credit bear interest at the Central Bank's monetary policy rate (MPR), which was 4.0% as of December 31, 2021 and 11.25% as of December 31, 2022. Pursuant to these lines of credit, a bank may borrow up to 3% of the aggregate amount of its consumer and commercial loan portfolios as of February 29, 2020 and may borrow up to an additional 12% if it uses the funds to provide loans to companies and individuals. The first line of credit is a facility available conditionally on loan growth (the "FCIC") to ensure that banks continue to finance households and businesses in Chile. Loans provided under this line of credit may have maturities of up to four years and must be secured by government bonds, corporate bonds or highly rated large commercial loans as collateral. Loans provided under the second line of credit, the LCL, are unsecured and may have maturities of up to 2 years. In addition, borrowings by a bank under the LCL are limited to the aggregate amount of the liquidity reserve requirements of such bank. Ultimately, these lines of credit are intended to ensure banks have ample liquidity to enable them to continue financing Small to Mid-size Enterprises ("SMEs") and Middle-market companies. As of December 31, 2022, we had borrowed Ch\$5,584,084 million from the FCIC or 8.9% of our total liabilities and had no outstanding LCL loans. We cannot assure that in the event of a sudden or unexpected shortage of funds in the banking system, we will be able to maintain levels of funding without incurring higher funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, we could be materially adversely affected.

Liquidity risk management seeks to ensure that, even under adverse conditions, we have access to the funds necessary to cover client needs, maturing liabilities and capital requirements. Liquidity risk arises in the general funding for our financing, trading and investment activities. It includes the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner at a reasonable price and the risk that we will be required to repay liabilities earlier than anticipated. The ALCO now uses as its liquidity portfolio those defined by the FMC and the Central Bank, which are in line with those established in BIS III. As of December 31, 2022, and 2021, the breakdown of the Bank's liquid assets by levels was the following:

	December 31, 2022	December 31, 2021
	(Ch\$ million)	
Balance as of:		
Cash and cash equivalent	1,453,265	1,106,152
Level 1 liquid assets ⁽¹⁾	5,424,452	1,223,824
Level 2 liquid assets ⁽²⁾	8,066	9,792
Total liquid assets	6,885,783	2,339,768

(1) Includes available balances held in the Central Bank of Chile, financial instruments issued by the Chilean Treasury or Central Bank and other financial instruments issued or guaranteed by States, multilateral development banks or foreign central banks that have a first class rating, in accordance with international rating agencies. Collateral under the FCIC funding program with the Central Bank of Chile and technical reserves in the Central Bank are not included.

(2) Includes instruments issued by governments, central banks and development banks of foreign countries with a risk rating of A- to AA+ and mortgage bonds issued by Chilean banks that are acceptable at the Central Bank's repo window.

	December 31, 2022	December 31, 2021
	(Ch\$ million)	
Average balance as of:		
Cash and cash equivalent	1,237,652	1,047,936
Level 1 liquid assets ⁽¹⁾	3,957,449	1,514,748
Level 2 liquid assets ⁽²⁾	8,785	10,961
Total liquid assets	5,203,887	2,573,644

(1) Includes available balances held in the Central Bank of Chile, financial instruments issued by the Chilean Treasury or Central Bank and other financial instruments issued or guaranteed by States, multilateral development banks or foreign central banks that have a first class rating, in accordance with international rating agencies. Collateral under the FCIC funding program with the Central Bank of Chile and technical reserve in the Central Bank are not included.

(2) Includes instruments issued by governments, central banks and development banks of foreign countries with a risk rating of A- to AA+ in accordance with international rating agencies and mortgage bonds issued by Chilean banks that are acceptable at the Central Bank's repo window.

The Central Bank and our ALCO also requires us to comply with the following liquidity limits:

- Liquidity coverage ratio (LCR), which measures the percentage of Liquid Assets over Net Cash Outflows. As of April 2019, Chilean banks began reporting their local LCR figures with a minimum level of 60% in 2020, 80% in 2021 and 100% in 2022. As of December 31, 2022, this indicator for Banco Santander Chile was 175%.
- Net Stable Funding Ratio (NSFR) which measures a bank's stable funding sources over required stable needs. Beginning in 2022, Chilean banks must have a minimum NSFR ratio of 60% with a gradual phase-in which will reach 100% by 2026. As of December 31, 2022, this indicator for Banco Santander Chile was 116% in compliance with the standard set for 2022.
- The sum of the liabilities with a maturity of less than 30 days may not exceed the sum of the assets with a maturity of less than 30 days by an amount greater than our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2022, the percentage of (i) our liabilities with a maturity of less than 30 days in excess of our assets with a maturity of less than 30 days to (ii) our capital and reserves was 239%, thus resulting in our compliance.
- The sum of the liabilities in foreign currency with a maturity of less than 30 days may not exceed the sum of the assets in foreign currency with a maturity of less than 30 days by more than an amount greater than our capital. At December 31, 2022 the percentage of (i) our liabilities with a maturity of less than 30 days in foreign currency in excess of our assets in foreign currency with a maturity of less than 30 days to (ii) our capital and reserves was 52%, thus resulting in our compliance.
- The sum of the liabilities with a maturity of less than 90 days may not exceed the sum of the assets with a maturity of less than 90 days by more than 2 times our capital. This limit must be calculated in local currency and foreign currencies together as one gap. At December 31, 2022 the percentage of (i) our liabilities with a maturity of less than 90 days in excess of our assets with a maturity of less than 90 days to (ii) two times our capital and reserves was 138%, thus resulting in our compliance.

Market risk management

The Bank's internal management of market risk is based chiefly on the procedures and standards of Santander Spain, which are in turn based on analysis of management in three principal components:

- trading portfolio;
- local financial management portfolio; and
- foreign financial management portfolio.

The trading portfolio is comprised chiefly of investments valued at fair market value and free of any restriction on their immediate sale, which are often bought and sold by the Bank with the intention of selling them in the short term to benefit from short-term price fluctuations. The trading portfolio also includes the Bank's exposure to foreign currency. The financial management portfolios include all the financial investments not considered to be part of trading portfolio.

The Bank applies VaR methodologies to measure the market risk of its trading portfolio. The Bank has a consolidated commercial position comprised of fixed-income investments and foreign currency trading. This portfolio is comprised mostly of Central Bank of Chile bonds, mortgage bonds, locally issued, low-risk corporate bonds and foreign currencies, mainly U.S. dollars. At the end of each year, the trading portfolio included no stock portfolio investments.

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of observing the behavior of the profits and losses that would have occurred in the current portfolio if the market conditions for a given historical period had been in force, in order to infer the maximum loss on the basis of that information, with a given degree of confidence. The methodology has the advantage of precisely reflecting the historical distribution of the market variables and not requiring any assumptions regarding the distribution of specific probabilities. All the VaR measures are intended to determine the distribution function for a change in the value of a given portfolio, and once that distribution is known, to calculate the percentile related to the necessary degree of confidence, which will be equal to the value at risk by virtue of those parameters. As calculated by the Bank, the VaR is an estimate of the maximum expected loss of market value for a given portfolio over a 1-day horizon, with a 99.00% confidence level. It is the maximum 1-day loss that the Bank could expect to experience in a given portfolio, with a 99.00% confidence level. In other words, it is the loss that the Bank would expect to experience only 1.0% of the time. The VaR provides a single estimate of market risk which is not comparable from one market risk to another. Returns are calculated through the use of a 2-year time window or at least 520 data points obtained since the last reference date for calculation of the VaR going backward in time.

We do not calculate three separate VaRs. We calculate a single VaR for the entire trading portfolio, which in addition is segregated by risk type. The VaR software performs a historical simulation and calculates a Profit and Loss Statement (P&L) for 520 data points (days) for each risk factor (fixed income, foreign currency and variable income.) The P&L of each risk factor is added and a consolidated VaR is calculated with 520 points or days of data. At the same time a VaR is calculated for each risk factor based on the individual P&L calculated for each individual risk factor. Furthermore, a weighted VaR is calculated in the manner described above, but which gives a greater weighting to the 30 most recent data points. The larger of the two VaRs is the one that is reported. In 2022, 2021 and 2020, we used the same VaR model and there has been no change in methodology or assumptions for subsequent periods.

The Bank uses the VaR estimates to provide a warning when the statistically estimated incurred losses in its trading portfolio would exceed prudent levels, and hence, there are certain predetermined limits.

Limitations of the VaR model

When applying a calculation methodology, no assumptions are made regarding the probability distribution of the changes in the risk factors; the historically observed changes are used for the risk factors on which each position in the portfolio will be valued.

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

In addition, the VaR methodology is subject to the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, and may not have a normal distribution; in particular, the assumption of normal distribution may underestimate the probability of extreme market movements;
- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in the risk factors in the future, and any modification of the data may be inadequate; In particular, the use of historical data may fail to capture the risk of potential extreme and adverse market fluctuations, regardless of the time period used;
- A 1-day time horizon may not fully capture the market risk positions which cannot be liquidated or covered in a single day; it would not be possible to liquidate or cover all the positions in a single day;

- The VaR is calculated at the close of business, but trading positions may change substantially in the course of the trading day;
- The use of a 99% degree of confidence does not take account of, or make any statement about, the losses that could occur outside of that degree of confidence; and
- A model such as the VaR does not capture all the complex effects of the risk factors over the value of the positions or portfolios, and accordingly, it could underestimate potential losses.

We perform back-testing daily and generally find that trading losses exceed our VaR estimate approximately one out of every 100 trading days. At the same time, we set a limit to the maximum VaR that we are willing to accept over our trading portfolio. We perform back-testing daily and generally find that trading losses exceed our VaR estimate approximately one out of every 100 trading days. At the same time, we set a limit to the maximum VaR that we are willing to accept over our trading portfolio. Also, a maximum VaR limit was established that can be applied over the trading portfolio. The average VaR as of December 31, 2022 was U.S.\$4.41 million, which is below the total limit. The high, low, and average levels for each component and each year below were as follows:

Consolidated	2022	2021	2020
	(in millions of U.S.\$)		
VaR			
High	6.23	3.43	12.82
Low	2.73	1.11	1.94
Average	4.41	1.96	4.45
Fixed-income investments	5.78		
High	2.75	2.86	11.96
Low	4.20	1.12	1.50
Average	6.23	1.86	3.19
Variable-income investments			
High	—	0.29	0.01
Low	—	—	—
Average	—	0.19	—
Foreign currency investments			
High	4.82	2.33	6.47
Low	0.17	0.09	0.71
Average	1.14	0.77	2.85

Market risk – local and foreign financial management

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

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currencies (not included in the trading portfolio). The Bank performs a simulation of scenarios, which will be calculated as the difference between the present value of the flows in the chosen scenario (a curve with a parallel movement of 25 bps in all its segments) and their value in the base scenario (current market). All the positions in local currency, including the one indexed to inflation (UF), and also the positions in foreign currency are added together based on a historical correlation model existing between the currencies. 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.

Limitations of the sensitivity models

The most important assumption is using an exchange rate of 25 bps based on the yield curve. The Bank uses a 25 bps exchange rate since sudden changes of this magnitude are considered realistic. Prior to 2021, a model was used that considered a change of 100 basis points in the yield curve (57 basis points for real rates). Santander Spain Global Risk Department has also established comparable limits by country, to be able to compare, monitor and consolidate market risk by country in a realistic and orderly way.

In addition, the sensitivity simulation methodology should be interpreted taking into consideration the following limitations:

- The simulation of scenarios assumes that the volumes remain consistent in the Bank's Consolidated Statements of Financial Position and are always renewed at maturity, also including certain credit risk and prepayment considerations that may affect the maturity of certain positions.
- This model assumes an identical change along the entire length of the yield curve and does not take into account the different movements for different maturities.
- The model does not take into account the sensitivity of volumes which results from interest rate changes.
- The limits to losses of budgeted financial income are calculated based on the financial income foreseen for the year, which may not be actually earned, meaning that the real percentage of financial income at risk may be higher than the expected one.

Market Risk – Financial management portfolio – December 31, 2022, 2021 and 2020

	2022		2021		2020	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
Financial management portfolio – local currency (in millions of Ch\$)						
Loss limit	33,550	95,710	32,865	84,864	100,000	329,275
High	23,982	57,176	31,233	80,097	66,504	302,263
Low	15,459	39,957	13,694	41,653	26,492	214,596
Average	21,366	49,580	24,018	62,916	45,380	255,070
Financial management portfolio – foreign currency (in millions of U.S.\$)						
Loss limit	38	43	37	35	32	53
High	10	33	9	32	19	47
Low	0	20	1	1	2	12
Average	3	26	4	18	5	33
Financial management portfolio – consolidated (in millions of Ch\$)						
Loss limit	33,550	95,710	32,865	84,864	100,000	329,275
High	28,699	76,738	25,709	78,259	67,584	286,436
Low	16,515	66,098	12,854	56,857	25,111	210,706
Average	23,438	71,003	21,041	69,577	46,044	246,292

Market risk –Regulatory method

The following table illustrates our market risk exposure according to the Chilean regulatory method, as of December 31, 2022. This information is sent to the FMC on a quarterly basis. Our maximum exposure to long-term interest rate fluctuations is set at 35% of regulatory capital and is approved by the Board of Directors. Our exposure to short-term interest rate risk plus inflation risk is set at 35% of net interest income plus fees sensitive to interest rates.

	As of December 31, 2022 (Ch\$ million)
Regulatory market risk	
Market risk of the trading portfolio (ERM)	
Exposure to interest rates of the trading portfolio	441,688
Exposure to currencies of the trading portfolio	1,535
Risk from foreign currency options	1,145
Total market risk from the trading portfolio	444,368
Risk weighted assets	5,554,604
Market risk of non-trading portfolio	
Exposure to short term interest rates	193,895
Exposure to inflation risk	112,523
Exposure to long term interest rates	1,194,181
Total market risk of non-trading portfolio	1,500,599
Regulatory limit of exposure to short term interest rate risk and inflation risk	
Exposure to short term interest rate risk	193,895
Exposure to inflation risk	112,523
Limit: 35% of (net income from interest and readjustments and net fees sensitive to interest rates)	530,199
Disposable margin	42.21%
Regulatory limit of exposure to long term interest rate risk	
Exposure to long term interest rate risk	1,194,181
35% of regulatory capital	2,365,666
Disposable margin	49.52%

During 2022, the FMC issued a new regulation on the measurement and control of interest rate risk of the banking book and inflation risk, which will come into force in April 2023. According to such new regulation, the short-term exposure to interest rate risk and inflation risk as a percentage of net interest and readjustment income and net fee income sensitive to interest rates, accumulated in the last 12 months, should not exceed a limit established by the Bank's Board. Furthermore, long term exposure to interest rates for the banking book as a percentage of regulatory capital should not exceed a limit established by the Bank's Board. Nonetheless, the FMC can lower limits at their discretion as part of its supervisory authority over the risk management of the Bank.

Derivative activities

At December 31, 2022, 2021, 2020, derivatives are valued at market price on the balance sheet and the net unrealized gain (loss) on derivatives is classified as a separate line item on the income statement. Notional amounts are not recorded on the balance sheet. Banks must mark-to-market derivatives. A derivative financial instrument held for trading purposes must be marked to market and the unrealized gain or loss recognized in the income statement. The FMC recognizes three kinds of hedge accounting: (i) cash flow hedges, (ii) fair value hedges and (iii) hedging of foreign investments.

- When a cash flow hedge exists, the fair value movements on the part of the hedging instrument that is effective are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.
- When a fair value hedge exists, the fair value movements on the hedging instrument and the corresponding fair value movements on the hedged item are recognized in the income statement. Hedged items in the balance sheet are presented at their market value.
- When a hedge of foreign investment exposure exists (*i.e.* investment in a foreign branch), the fair value movements on the part of the hedging instrument that is effective are recognized in equity. Any ineffective portion of the fair value movement on the hedging instrument is recognized in the income statement.

In order to reduce the credit risk in its derivative contracts, the Bank has entered into Credit Support Annex (CSA) agreements with the majority of its counterparties, which include obligations to post daily cash collateral. The majority of the agreements include an obligation to post collateral with a threshold amount of zero. In the table below we identify those contracts with CSA and breakdown the fair value of our derivative portfolio by collateral threshold requirements for 2022 and 2021.

	Fair value of derivative contracts			
	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Derivative contracts with zero threshold collateral amount in CSA	8,177,074	9,588,768	8,696,994	9,280,079
Derivative contracts with threshold collateral amounts in CSA that are greater than zero	440,091	536,318	1,124,413	906,479
Derivative contracts without CSA agreements	3,533,557	3,983,028	302,200	684,683
Total	12,150,722	14,108,114	10,123,607	10,871,241

We classify some of our derivative financial instruments as being financial assets held for trading, due to the guidelines from the FMC. We enter into derivative contracts with some clients who seek hedging instruments. However, substantially all of our derivatives are not actually used for speculative purposes or trading. We also use derivatives to hedge our exposure to foreign exchange, interest rate and inflation risks. The Bank uses derivatives, mainly Ch\$/UF swaps, in order to cover its exposure to inflation due to a higher amount of assets linked to inflation as compared to liabilities. Such derivatives are accounted for as cash flow hedges. Our Financial Management Division usually seeks to maintain liabilities with an average duration that is shorter than that of our assets, including through the use of derivatives, in order to hedge against sudden or rapid falls in the inflation rate, which in general triggers a reduction in short-term rates. To maintain this position, the Bank enters into interest rate swaps that are accounted for as fair value hedges. We had the following derivative financial instruments portfolio as of December 31, 2022, 2021 and 2020:

	Derivative financial instruments portfolio				
	As of December 31, 2022				
	Notional amounts			Fair Value	
	Up to 3 months	More than 3 months to one year	More than one year	Assets	Liabilities
	(Ch\$ million)				
Fair value hedge derivative instruments					
Interest rate swaps	654,403	722,845	9,637,807	213,478	1,166,339
Cross currency swaps	791,818	1,512,048	5,813,035	75,848	333,097
Subtotal	1,446,221	2,234,893	15,450,842	289,326	1,499,436
Cash Flow hedge derivative instruments					
Currency forwards	2,016,430	554,696	—	823	35,332
Cross currency swaps	1,418,236	2,019,072	11,042,590	187,613	1,254,026
Subtotal	3,434,666	2,573,768	11,042,590	188,436	1,289,358
Derivative instruments for trading					
Currency forwards	16,899,371	9,828,036	7,924,973	1,669,807	1,818,024
Interest rate swaps	14,379,949	26,246,111	52,887,046	4,283,817	3,935,401
Cross currency swaps	2,833,905	5,398,185	52,797,664	5,708,306	5,561,634
Call currency options	180,001	24,744	—	1,429	2,794
Put currency options	311,412	7,816	—	9,601	1,467
Subtotal	34,604,638	41,504,892	113,609,683	11,672,960	11,319,320
Total	39,485,525	46,313,553	140,103,115	12,150,722	14,108,114

Derivative financial instruments portfolio					
As of December 31, 2021					
	Notional amounts			Fair Value	
	Up to 3 months	More than 3 months to one year	More than one year (Ch\$ million)	Assets	Liabilities
Fair value hedge derivative instruments					
Interest rate swaps	210,000	87,817	8,505,400	22,933	587,702
Cross currency swaps	338,475	3,056,063	5,026,463	493,175	118,199
Subtotal	548,475	3,143,880	13,531,863	516,108	705,901
Cash Flow hedge derivative instruments					
Currency forwards	359,062	920,278	—	3,497	1,590
Cross currency swaps	456,684	1,033,671	11,469,640	109,531	656,719
Subtotal	815,746	1,953,949	11,469,640	113,028	658,309
Derivative instruments for trading					
Currency forwards	20,194,866	12,383,299	11,511,386	1,088,194	1,199,062
Interest rate swaps	13,982,685	25,156,483	104,333,279	3,009,922	2,997,634
Cross currency swaps	4,920,123	14,514,848	164,061,282	5,392,946	5,308,260
Call currency options	37,321	45,852	427	3,232	1,137
Put currency options	35,482	174,910	—	177	892
Subtotal	39,170,477	52,275,392	280,410,374	9,494,471	9,507,031
Total	40,534,698	57,373,221	305,411,877	10,123,607	10,871,241

Derivative financial instruments portfolio					
As of December 31, 2020					
	Notional amounts			Fair Value	
	Up to 3 months	More than 3 months to one year	More than one year (Ch\$ million)	Assets	Liabilities
Fair value hedge derivative instruments					
Interest rate swaps	50,000	410,687	5,064,113	33,816	83,666
Cross currency swaps	317,400	601,987	5,634,700	294,562	178,529
Subtotal	367,400	1,012,674	10,698,813	328,378	262,195
Cash Flow hedge derivative instruments					
Currency forwards	2,121,326	503,280	601,582	2,985	3,556
Cross currency swaps	424,358	498,373	9,777,491	35,902	183,386
Subtotal	2,545,684	1,001,653	10,379,073	38,887	186,942
Derivative instruments for trading					
Currency forwards	22,729,787	12,175,074	8,215,576	1,085,327	1,158,904
Interest rate swaps	14,006,503	22,118,742	97,803,009	3,651,651	3,588,912
Cross currency swaps	6,719,065	15,138,056	138,352,345	3,921,440	3,819,446
Call currency options	129,339	31,641	57,581	1,527	909
Put currency options	112,145	16,173	58,276	4,875	1,352
Subtotal	43,696,839	49,479,686	244,486,787	8,664,820	8,569,523
Total	46,609,923	51,494,013	265,564,673	9,032,085	9,018,660

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Right

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Our Depositary is The Bank of New York Mellon, with its principal executive office located at 240 Greenwich Street, New York, N.Y. 10286.

Each ADS represents the right to receive 400 shares of Common Stock without par value.

Persons depositing or withdrawing shares or ADS holders must pay:

\$5.00 (or less) per 100 ADSs	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates
\$.05 (or less) per ADS (or a portion thereof)	Any cash distribution to ADS holders
A fee equivalent to the fee that would be payable if securities distributed to you had been deposited with the Depositary	Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the Depositary to ADS holders
\$.05 (or less) per ADS (or a portion thereof) per calendar year	Depositary services
Registration and transfer fees	Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares
Expenses of the Depositary	Cable (including SWIFT), telex and facsimile transmissions (when expressly provided in the Deposit Agreement) Converting foreign currency to U.S. dollars
Taxes and other governmental charges the Depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	As necessary
Any other charges incurred by the Depositary or its agents for servicing the shares or other deposited securities	As necessary

The Depositary may collect any of its fees by deducting those fees from any cash distributions payable to owners, or by selling a portion of distributable property to pay the fees. The Depositary may also collect its annual fee for Depositary services and its fees for any other charges incurred by deducting those fees from any cash distributions or by directly billing ADS holders.

The Depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the Deposit Agreement and the rate that the Depositary or its affiliate receives when buying or selling foreign currency for its own account. The Depositary makes no representation that the exchange rate used or obtained in any currency conversion under the Deposit Agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the Depositary's obligations under the Deposit Agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the Depositary and that may earn or share fees, spreads or commissions.

Direct and Indirect Payments

The Depositary has agreed to make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the Depositary or share revenue from the fees collected from ADS holders from time to time. Under certain circumstances, including termination of the program, we are required to repay to the Depositary amounts reimbursed in prior periods.

The reimbursements include direct payments (legal and accounting fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements, listing fees, investor relations expenses, advertising and public relations expenses and fees payable to service providers for the distribution of hard copy materials to beneficial ADR holders in the Depositary Trust Company, such as information related to shareholders' meetings and related voting instruction cards); and indirect payments (third-party expenses paid directly and fees waived).

In 2022, the Depositary made direct payments and reimbursements to us in the gross amount of U.S.\$1,459,435.59 for expenses related to investor relations of which 29% was withheld for tax purposes in the U.S.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2022, the Bank, under the supervision and with the participation of the Bank's management, including its Disclosure Committee, the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are, as described below, inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, as of December 31, 2022, the Bank's Disclosure Committee, the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer concluded that the Bank's disclosure controls and procedures were effective in ensuring that information relating to the Bank, including its consolidated subsidiaries, required to be disclosed in the reports it files under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to the Bank's management, including its Disclosure Committee and principal financial officers as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

The Bank's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Bank's internal control over financial reporting is a process designed by, or under the supervision of, the Bank's principal executive and principal financial officers and effected by the Bank's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS-IASB and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS-IASB, and that our receipts and expenditures are being made only in accordance with authorizations of the Bank's management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting, no matter how well designed may not prevent or detect misstatements, due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have adapted our internal control over financial reporting to international standards and comply with the guidelines set by the Committee of Sponsoring Organizations of the Treadway Commission in its Internal Control—Integrated Framework (2013). The general framework assigns to management specific responsibilities regarding the structure and effectiveness of the processes related directly and indirectly with the production of consolidated financial statements, as well as the controls needed to mitigate the risks inherent in these processes.

Under the supervision and with the participation of the Bank's management, including the Disclosure Committee, the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on this assessment, our management concluded that, as of December 31, 2022, our internal control over financial reporting was effective based on those criteria.

Changes in Internal Control Over Financial Reporting

There has been no change in the Bank's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Our internal control over financial reporting as of December 31, 2022 has been audited by an independent registered public accounting firm, as stated in its report, which is referenced below.

Report of Independent Registered Public Accounting Firm

For the report of PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, independent registered public accounting firm, dated February 22, 2022, on the effectiveness of our internal control over financial reporting as of December 31, 2022, see page F-3 of our Audited Consolidated Financial Statements.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors determined that one of the members of our Audit Committee, Rodrigo Vergara, met the requirements of an "audit committee financial expert" in accordance with SEC rules and regulations, in that he has an understanding of IFRS-IASB and financial statements, the ability to assess the general application of IFRS-IASB in connection with the accounting for estimates, accruals and reserves, experience analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by our consolidated financial statements, an understanding of internal controls over financial reporting, and an understanding of audit committee functions. All three members of our Audit Committee have experience overseeing and assessing the performance of Santander-Chile and its consolidated subsidiaries and our external auditors with respect to the preparation, auditing and evaluation of our consolidated financial statements.

All three members of our Audit Committee are considered to be independent according to applicable NYSE criteria.

ITEM 16B. CODE OF ETHICS

The Bank has adopted a code of ethics that is applicable to all of the Bank's employees and a copy is included as an exhibit hereto. We will provide to any person without charge, upon request, a copy of our code of ethics. Please email irelations@santander.cl to request a copy. Our code of ethics is available on our website, which does not form part of this Annual Report on Form 20-F, at www.santander.cl under the heading "Información Corporativa."

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Amounts paid to the auditors for statutory audit and other services were as follows:

	2022	2021
	(in millions of Ch\$)	
Audit Fees		
Statutory audit	808	621
Audit-related regulatory reporting	396	352
Other audit-related fees	23	368
Tax Fees		
Compliance	—	—
Advisory Services	—	—
Total	1,227	1,341

Statutory audit: Consists of fees billed for professional services rendered in connection with the audit of our consolidated financial statements that are provided by PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada (PCAOB ID: 1364) in 2021 and 2020 in connection with statutory and regulatory filings or engagements, and attest services.

Audit-related regulatory reporting: Consists of fees billed for assurance and related services that were specifically related to the performance of the audit and review of our filings under the Securities Act.

Tax fees: Consist of fees billed for related services that were specifically related to tax related matters such as assuring the Bank was in compliance with tax laws and other tax advisory services.

The Audit Committee is required to pre-approve the audit and non-audit services performed by the Bank auditors in order to assure that the provision of such services do not impair the audit firm's independence.

In the first months of each year the Audit Committee proposes to the Board the appointment of the independent auditor. As a matter of policy, at that time, the Audit Committee pre-approves the audit and audit related services that the appointed auditors will be required to carry out during the year to comply with the applicable regulation. These services will be included in the corresponding audit contracts of the Bank with its principal auditing firm.

In addition, under such policy, non-recurring audit or audit-related services and all non-audit services provided by the Bank principal auditing firm or other auditing firms are subject to case-by-case approval by the Audit Committee.

The Chief Accounting Officer is in charge of managing the process and must report monthly to the Audit Committee detailing all services to be provided by auditors, and others requiring individual approval.

All services provided by the Bank principal auditing firm in 2021 detailed in the table above were approved by the Audit and Compliance Committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2022, neither Santander-Chile nor any of its affiliates purchased any of Santander-Chile's equity securities.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Summary Comparison of Corporate Governance Standards and NYSE Listed Company Standards

Our corporate governance standards, dictated by Chilean corporate law, differ from the standards followed by U.S. companies under the New York Stock Exchange (NYSE) listing standards in a number of ways. Consequently, you will not have the same protections afforded to shareholders of companies that are subject to all NYSE corporate governance requirements. The following is a non-exhaustive summary of a few key differences:

- Whether a company's executive officers may serve as its directors – the NYSE standards do not prohibit a U.S. company's executive officer from also serving as a director, whereas our corporate governance standards prohibit this.
- Whether the shareholders must be given an opportunity to vote on equity-compensation plans – the NYSE standards require that shareholders be allowed to vote on all equity compensation plans of a U.S. company, whereas our corporate governance standards only require that shareholders be allowed to vote on director compensation.
- The adoption and disclosure of corporate governance guidelines – the NYSE standards require all U.S. companies listed on the NYSE to adopt the NYSE corporate governance guidelines, whereas we follow the corporate governance guidelines established under Chilean law.

As more than 50% of our voting power is held by another company, Santander Spain, we would be permitted to elect for certain exemptions under NYSE corporate governance standards if we were a U.S. company. Specifically, as a U.S. company, we could elect to be exempted from the requirements (i) that we have a majority of independent directors (as defined by the NYSE), (ii) that we have a nominating/corporate governance committee meeting certain conditions, and (iii) that we have a compensation committee meeting certain requirements. Because we would not be required to follow these standards if we were a U.S. company, we have not summarized the differences, if any, between these provisions and our own corporate governance procedures.

Summary of Corporate Governance Standards

For a summary of our Board's corporate governance practices please see "Item 6C—Board Practices" and "Item 10B—Memorandum and Articles of Association" which describe in detail the governing standards of the board committees. Santander-Chile has also adopted diverse measures to promote good corporate governance.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of this Item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to Item 19 for a list of all financial statements filed as part of this Annual Report.

ITEM 19. EXHIBITS

a) Index to Financial Statements

<u>Report of PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, independent registered public accounting firm (PCAOB ID:1364)</u>	F-3
Audited Consolidated Financial Statements	
<u>Consolidated Statements of Financial Position as of December 31, 2022 and 2021</u>	F-6
<u>Consolidated Statements of Income for each of the three years in the period ended December 31, 2022, 2021 and 2020</u>	F-7
<u>Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 2022, 2021 and 2020</u>	F-8
<u>Consolidated Statements of Changes in Equity for each of the three years in the period ended December 31, 2022, 2021 and 2020</u>	F-9
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2022, 2021 and 2020</u>	F-11
<u>Notes to consolidated financial statements</u>	F-13

b) Index to Exhibits

Exhibit Number	Description
1A.1	<u>Restated Articles of Incorporation of Santander-Chile (Spanish Version) (incorporated by reference to exhibit 3(a) to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 9, 2002).</u>
1A.2	<u>Restated Articles of Incorporation of Santander-Chile (English Version) (incorporated by reference to exhibit 3(b) to our Registration Statement on Form F-4 (Registration No. 333-100975) filed with the Commission on December 9, 2002).</u>
1B	<u>Amended and Restated By-Laws (estatutos) of Santander-Chile (English Version) (incorporated by reference to exhibit 99.1 to our Report on Form 6-K (File No. 001-14554) filed with the Commission on March 15, 2017).</u>
2A.1	<u>Form of Amended and Restated Deposit Agreement among Banco Santander-Chile, The Bank of New York Mellon (as depositary) and Owners and Holders of American Depositary Shares (incorporated by reference to our Registration Statement on Form F-6 (Registration No. 333-205890) filed with the Commission on July 27, 2015).</u>
2A.2	<u>English translation of the Foreign Investment Contract among Banco Santander Chile, JPMorgan Chase Bank, N.A. and the Central Bank of Chile relating to the foreign exchange treatment of an investment in ADSs (incorporated by reference to exhibit 2.A.2 to Banco Santander-Chile's Annual Report on Form 20-F for the fiscal year ended December 31, 2015 (File No. 1-14554) filed with the Commission on May 2, 2016).</u>
2A.3	<u>English translation of the Assignment of Rights under the Foreign Investment Contract from JPMorgan Chase Bank, N.A. to The Bank of New York Mellon (incorporated by reference to exhibit 2.A.3 to Banco Santander-Chile's Annual Report on Form 20-F for the fiscal year ended December 31, 2015 (File No. 1-14554) filed with the Commission on May 2, 2016).</u>
2A.4	Copy of the Central Bank Chapter XXVI Regulations Related to the Acquisition of Shares in Chilean Corporations and the Issuance of Instrument on Foreign Stock Exchanges or under Other Terms and Conditions of Issue (accompanied by an English translation) (incorporated by reference to Banco Santander-Chile's Annual Report on Form 20-F for the fiscal year ended December 31, 1996 (File No. 1-13448) filed in paper with the Commission on June 30, 1997).
2B.1	Agreement for the Issuance of Bonds dated November 26, 1996 between Old Santander-Chile and Banco Security (accompanied by an English translation) (incorporated by reference to Banco Santander-Chile's Annual Report for the fiscal year ended December 31, 1996 (File No. 1-13448) filed in paper with the Commission on June 30, 1997).
2D	<u>Description of Securities.</u>
8.1	<u>List of Subsidiaries.</u>
12.1	<u>Section 302 Certification by the Chief Executive Officer.</u>
12.2	<u>Section 302 Certification by the Chief Financial Officer.</u>
12.3	<u>Section 302 Certification by the Financial Controller.</u>
13.1	<u>Section 906 Certification.</u>
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as InlineXBRL and contained in Exhibit 101).

We will furnish to the Securities and Exchange Commission, upon request, copies of any unfiled instruments that define the rights of holders of long-term debt of Banco Santander-Chile.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BANCO SANTANDER-CHILE

By: /s/ Cristian Florence

Name: Cristian Florence

Title: General Counsel

Date: February 22, 2023

**CONSOLIDATED FINANCIAL
STATEMENTS 2022**

Banco Santander-Chile



CONTENT

Report of Independent Registered Public Accounting Firm (PCAOB ID: 1364)	F-3
Consolidated Financial Statements	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	F-6
CONSOLIDATED STATEMENTS OF INCOME	F-7
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	F-8
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	F-9
CONSOLIDATED STATEMENTS OF CASH FLOWS	F-11
Notes to the Consolidated Financial Statements	
NOTE 01 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	F-13
NOTE 02 SIGNIFICANT EVENTS	F-41
NOTE 03 REPORTING SEGMENTS	F-42
NOTE 04 CASH AND CASH EQUIVALENTS	F-46
NOTE 05 FINANCIAL ASSETS FOR TRADING AT FAIR VALUE THROUGH PROFIT AND LOSS	F-47
NOTE 06 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	F-49
NOTE 07 FINANCIAL DERIVATIVE CONTRACTS FOR HEDGE ACCOUNTING	F-55
NOTE 08 FINANCIAL ASSETS AT AMORTISED COST	F-61
NOTE 09 INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES	F-73
NOTE 10 INTANGIBLE ASSETS	F-75
NOTE 11 FIXED ASSETS	F-77
NOTE 12 RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACTS	F-79
NOTE 13 CURRENT AND DEFERRED TAXES	F-82
NOTE 14 OTHER ASSETS	F-85
NOTE 15 NON CURRENT ASSETS AND DISPOSAL GROUPS FOR SALE	F-86
NOTE 16 FINANCIAL LIABILITIES FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	F-87
NOTE 17 FINANCIAL LIABILITIES AT AMORTISED COST	F-88
NOTE 18 REGULATORY CAPITAL FINANCIAL INSTRUMENTS	F-100
NOTE 19 PROVISIONS AND CONTINGENT PROVISIONS	F-101
NOTE 20 OTHER LIABILITIES	F-103
NOTE 21 EQUITY	F-104
NOTE 22 NON-CONTROLLING INTEREST	F-108
NOTE 23 MATURITY OF ASSETS AND LIABILITIES	F-111
NOTE 24 CONTINGENCIES AND COMMITMENTS	F-113
NOTE 25 INTEREST INCOME AND EXPENSES	F-114
NOTE 26 FEES AND COMMISSIONS	F-115
NOTE 27 NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS	F-119
NOTE 28 NET INCOME FROM NON-CURRENT ASSETS AND GROUPS AVAILABLE FOR SALE NOT ADMISSIBLE AS DISCONTINUED OPERATIONS	F-120
NOTE 29 OTHER OPERATING INCOME AND EXPENSES	F-121
NOTE 30 PERSONNEL SALARIES AND EXPENSES	F-122
NOTE 31 ADMINISTRATIVE EXPENSES	F-123
NOTE 32 DEPRECIATION, AMORTISATION, AND IMPAIRMENT	F-124
NOTE 33 EXPECTED CREDIT LOSSES ALLOWANCE	F-125
NOTE 34 TRANSACTIONS WITH RELATED PARTIES	F-126
NOTE 35 PENSION PLANS	F-133
NOTE 36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES	F-136
NOTE 37 RISK MANAGEMENT	F-144
NOTE 38 NON-CURRENT ASSETS HELD FOR SALE	F-177
NOTE 39 SUBSEQUENT EVENTS	F-178

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Banco Santander - Chile

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Banco Santander - Chile and its subsidiaries (the "Company") as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting, appearing under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Expected Credit Loss Allowance for Commercial, Mortgage and Consumer Loans – Collective Basis

As described in Notes 1 and 37 to the consolidated financial statements, management assesses the adequacy of the collective basis expected credit loss allowance for commercial, mortgage and consumer loans using expected credit loss models. As of December 31, 2022, the collective basis expected credit loss allowance was Ch\$ 1,074,430 million on total commercial, mortgage and consumer loans of Ch\$ 38,420,815 million. As described by management, the estimation of the collective basis expected credit loss allowance considers qualitative and quantitative information that may affect the changes in credit risk and the development of assumptions related to the probabilities of default and loss given default, including forward looking information, multi-factor analysis such as type of portfolio or transaction and macroeconomic factors. Management subjectively assesses the adequacy of the qualitative information used to assess the significant increase in credit risk since initial recognition and the development of assumptions such as probabilities of default and loss given default.

The principal considerations for our determination that performing procedures relating to the collective basis expected credit loss allowance for commercial, mortgage and consumer loans is a critical audit matter are (i) the significant judgment by management in determining the collective basis expected credit loss allowance, which in turn led to a high degree of auditor judgement, subjectivity, and effort in performing procedures and evaluating audit evidence obtained relating to the assumptions used related to the probabilities of default and loss given default, including forward looking information, multi-factor analysis such as type of portfolio or transaction and macroeconomic factors; and (ii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the expected credit loss allowance for commercial, mortgage and consumer loans estimation process, which included controls over the assumptions used in the estimation of the collective basis expected credit loss allowance, within the qualitative information. These procedures also included, among others, (i) testing management's process for estimating the collective basis expected credit loss allowance for commercial, mortgage and consumer loans; (ii) testing the completeness, accuracy, and relevance of underlying data used in the model and (iii) the involvement of professionals with specialized skill and knowledge to assist in testing management's process for estimating the collective basis expected credit loss allowance for commercial, mortgage and consumer loans, including evaluating the appropriateness of the methodologies and models, testing data used in the estimate and evaluating the reasonableness of significant assumptions such as the probabilities of default and loss given default, including forward looking information, multi-factor analysis such as type of portfolio or transaction and macroeconomic factors.

/s/ PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada

Santiago, Chile
February 22, 2023

We have served as the Company's auditor since 2016.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended,

		As of December 31,	
		2022	2021
	Note	MCh\$	MCh\$
ASSETS			
Cash and deposits in banks	4	1,982,942	2,881,558
Cash items in process of collection	4	843,816	390,271
Financial assets for trading at fair value through profit and loss	5	11,827,006	9,567,818
Financial derivative contracts		11,672,960	9,494,471
Debt financial instruments		154,046	73,347
Financial assets at fair value through other comprehensive income	6	6,023,039	5,900,754
Debt financial instrument		5,880,733	5,801,379
Other financial instruments		142,306	99,375
Financial derivative contracts for hedge accounting	7	477,762	629,136
Financial assets at amortised cost	8	42,443,725	40,169,358
Debt financial instruments		4,867,591	4,691,730
Interbank loans		32,990	428
Loans and account receivable from customers		37,543,144	35,477,200
Investments in associates and other companies	9	46,586	37,694
Intangible assets	10	107,789	95,411
Property, plant, and equipment	11	238,095	236,939
Right of use assets	12	133,795	137,879
Current taxes	13	36,514	121,534
Deferred taxes	13	641,254	710,896
Other assets	14	3,579,345	2,932,814
Non current assets and disposal groups for sale	15	40,358	29,888
TOTAL ASSETS		68,422,026	63,841,950
LIABILITIES			
Cash items in process of being cleared	4	746,872	379,934
Financial liabilities for trading at fair value through profit and loss	16	11,319,320	9,507,031
Financial derivative contracts		11,319,320	9,507,031
Financial derivative contracts for accounting hedges	7	2,788,794	1,364,210
Financial liabilities at amortised cost	17	43,704,024	44,063,540
Deposits and other demand liabilities		14,086,226	17,900,938
Time deposits and other time liabilities		12,978,790	10,131,055
Obligations under repurchase agreements		315,355	86,634
Interbank borrowings		8,864,765	8,826,583
Issued debt instruments		7,165,893	6,935,423
Other financial liabilities		292,995	182,907
Lease liabilities	12	137,089	139,795
Regulatory capital financial instruments	18	1,733,869	1,461,637
Provisions	19	461,022	463,949
Current taxes	13	148,680	-
Deferred taxes	13	376,727	427,655
Other liabilities	20	2,041,682	1,606,626
TOTAL LIABILITIES		63,458,079	59,414,377
EQUITY			
Attributable to the shareholders of the Bank:		4,854,383	4,333,213
Capital	21	891,303	891,303
Reserves	21	2,860,541	2,550,559
Valuation adjustments	21	(167,147)	(353,850)
Others equity instruments issued other than capital	21	590,247	598,136
Retained earnings		679,439	647,065
Retained earnings from prior years		124,846	57,338
Income for the year		792,276	842,467
Minus: Provision for mandatory dividends	19	(237,683)	(252,740)
Non-controlling interest	22	109,564	94,360
TOTAL EQUITY		4,963,947	4,427,573
TOTAL LIABILITIES AND EQUITY		68,422,026	63,841,950

The accompanying notes form integral part of these consolidated financial statements.

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

		December 31,		
		2022	2021	2020
	Note	MCh\$	MCh\$	MCh\$
OPERATING INCOME				
Interest income and inflation	25	4,086,656	2,904,520	2,215,980
Interest expense and inflation	25	(2,516,544)	(1,109,746)	(638,479)
Net interest income		1,570,112	1,794,774	1,577,501
Fee and commission income	26	729,063	595,181	467,509
Fee and commission expense	26	(321,794)	(245,853)	(183,884)
Net fee and commission income		407,269	349,328	283,625
Net income from financial operations:	27			
Net income/(expense) from financial assets and liabilities for trading		78,191	(28,602)	43,246
Net income from derecognising financial assets and liabilities at amortised cost and financial assets at fair value through other comprehensive income		(1,628)	22,199	47,554
Net income from exchange, adjustment and hedge accounting of foreign exchange		140,615	125,431	58,997
Net income from financial operations		217,178	119,028	149,797
Income from investments in associates and other companies	9	10,310	(475)	1,388
Net income from non-current assets and groups available for sale not admissible as discontinued operations	28	8,518	2,297	2,326
Other operating income	29	5,539	1,662	861
TOTAL OPERATING INCOME		2,218,926	2,266,614	2,015,498
Personnel salaries and expenses	30	(414,808)	(397,675)	(408,670)
Administrative expenses	31	(310,219)	(280,134)	(250,450)
Depreciation and amortisation	32	(129,993)	(122,055)	(109,426)
Impairment of property, plant, and equipment	32	-	-	(638)
Other operating expenses	29	(106,306)	(101,430)	(73,290)
TOTAL OPERATING EXPENSES		(961,326)	(901,294)	(842,474)
NET OPERATING INCOME BEFORE CREDIT LOSSES		1,257,600	1,365,320	1,173,024
Provisions for loan losses for interbank loans and account receivable from customers	33	(441,396)	(355,638)	(546,873)
Provisions for loan losses for contingent loans and others	33	(5,189)	(12,254)	(4,503)
Recovery of loans previously charged-off	33	90,577	76,999	74,926
Provision for loan losses for other financial assets at amortised cost and financial assets at fair value through OCI	33	(486)	(335)	(1,311)
Provision for loan losses		(356,494)	(291,228)	(477,761)
NET OPERATING INCOME BEFORE INCOME TAX		901,106	1,074,092	695,263
Income tax expense	13	(93,624)	(221,664)	(142,533)
Result of continuing operations		807,482	852,428	552,730
Result of discontinued operations		-	-	-
NET INCOME FOR THE YEAR		807,482	852,428	552,730
Attributable to:				
Shareholders of the Bank		792,276	842,467	547,614
Non-controlling interest	22	15,206	9,961	5,116
Earnings per share from continued operations attributable to shareholders of the Bank:				
Basic earnings	21	4.204	4.471	2.906
Diluted earnings	21	4.204	4.471	2.906
Earnings per share attributable to shareholders of the Bank:				
Basic earnings	21	4.204	4.471	2.906
Diluted earnings	21	4.204	4.471	2.906

The accompanying notes form integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended,

	Note	December 31,		
		2022 MCh\$	2021 MCh\$	2020 MCh\$
NET INCOME FOR THE YEAR		807,482	852,428	552,730
Other comprehensive income that will not be reclassified to profit or loss				
Equity instruments at fair value through other comprehensive income		(3)	(243)	(18)
Income tax related to the above		1	66	5
Total items that will not be reclassified to the income statements		(2)	(177)	(13)
Other comprehensive income that will be reclassified to profit or loss				
Debt instruments at fair value through other comprehensive income	21	2,834	(214,835)	73,689
Cash flow hedge	21	254,743	(236,816)	(96,330)
Income tax related to the above		(71,895)	122,987	6,296
Total items that will be reclassified to the income statements		186,682	(328,664)	(16,345)
Other comprehensive income for the year, net of tax		186,680	(328,841)	(16,358)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		994,162	523,587	536,372
Attributable to:				
Shareholders of the Bank		978,979	513,910	531,177
Non-controlling interests	22	15,183	9,677	5,195

The accompanying notes form integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended,

	RESERVES			VALUATION ADJUSTMENTS			Other	RETAINED EARNINGS					
	Capital MCh\$	Reserves and other retained earnings MCh\$	Effects of merger of companies under common control MCh\$	Fair value reserve MCh\$	Cash flow hedge MCh\$	Income tax effects MCh\$	Equity instruments MCh\$	Retained earnings of prior years MCh\$	Income for the year MCh\$	Provision for mandatory dividends MCh\$	Total attributable to shareholders of the Bank MCh\$	Non- controlling interest MCh\$	Total Equity MCh\$
Equity as of December 31, 2019	891,303	2,124,966	(2,224)	28,135	(40,435)	3,444	-	(39,683)	619,091	(185,727)	3,398,870	79,633	3,478,503
Distribution of income from previous period	-	-	-	-	-	-	-	619,091	(619,091)	-	-	-	-
Equity as of January 1, 2020	891,303	2,124,966	(2,224)	28,135	(40,435)	3,444	-	579,408	-	(185,727)	3,398,870	79,633	3,478,503
Increase/decrease capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributions / withdrawals made	-	-	-	-	-	-	-	(331,399)	-	185,727	(145,672)	(145)	(145,817)
Transfer of retained earnings to reserves	-	220,838	-	-	-	-	-	(220,838)	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	-	(164,284)	(164,284)	-	(164,284)
Subtotal	-	220,838	-	-	-	-	-	(552,237)	-	21,443	(309,956)	(145)	(310,101)
Other comprehensive income	-	-	-	73,561	(96,330)	6,332	-	-	-	-	(16,437)	79	(16,358)
Result of continuous operations	-	-	-	-	-	-	-	-	517,614	-	547,614	5,116	552,730
Result of discontinuous operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	73,561	(96,330)	6,332	-	-	547,614	-	531,177	5,195	536,372
Equity as of December 31, 2020	891,303	2,345,804	(2,224)	101,696	(136,765)	9,776	-	27,171	547,614	(164,284)	3,620,091	84,683	3,704,774
Distribution of income from previous period	-	-	-	-	-	-	-	547,614	(547,614)	-	-	-	-
Equity as of January 1, 2021	891,303	2,345,804	(2,224)	101,696	(136,765)	9,776	-	574,785	-	(164,284)	3,620,091	84,683	3,704,774
Issued perpetual bonds and interest	-	-	-	-	-	-	598,136	-	-	-	598,136	-	598,136
Dividends distributions / withdrawals made	-	-	-	-	-	-	-	(310,468)	-	164,284	(146,184)	-	(146,184)
Transfer of retained earnings to reserves	-	206,979	-	-	-	-	-	(206,979)	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	-	(252,740)	(252,740)	-	(252,740)
Subtotal	-	206,979	-	-	-	-	598,136	(517,447)	-	(88,456)	199,212	-	199,212
Other comprehensive income	-	-	-	(214,689)	(236,816)	122,948	-	-	-	-	(328,557)	(284)	(328,841)
Result of continuous operations	-	-	-	-	-	-	-	-	842,467	-	842,467	9,961	852,428
Result of discontinuous operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	(214,689)	(236,816)	122,948	-	-	842,467	-	513,910	9,677	523,587
Equity as of December 31, 2021	891,303	2,552,783	(2,224)	(112,993)	(373,581)	132,724	598,136	57,338	842,467	(252,740)	4,333,213	94,360	4,427,573
Distribution of income from previous period	-	-	-	-	-	-	-	842,467	(842,467)	-	-	-	-
Equity as of January 1, 2022	891,303	2,552,783	(2,224)	(112,993)	(373,581)	132,724	598,136	899,805	-	(252,740)	4,333,213	94,360	4,427,573
Issued perpetual bonds and interest	-	-	-	-	-	-	(7,889)	-	-	-	(7,889)	-	(7,889)
Dividends distributions / withdrawals made	-	-	-	-	-	-	-	(464,977)	-	252,740	(212,237)	-	(212,237)
Transfer of retained earnings to reserves	-	309,982	-	-	-	-	-	(309,982)	-	-	-	-	-
Provision for mandatory dividends	-	-	-	-	-	-	-	-	-	(237,683)	(237,683)	-	(237,683)
Others	-	-	-	-	-	-	-	-	-	-	-	21	21
Subtotal	-	309,982	-	-	-	-	(7,889)	(774,959)	-	15,057	(457,809)	21	(457,788)
Other comprehensive income	-	-	-	2,863	254,743	(70,903)	-	-	-	-	186,703	(23)	186,680
Result of continuous operations	-	-	-	-	-	-	-	-	792,276	-	792,276	15,206	807,482
Result of discontinuous operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	2,863	254,743	(70,903)	-	-	792,276	-	978,979	15,183	994,162
Equity as of December 31, 2022	891,303	2,862,765	(2,224)	(110,130)	(118,838)	61,821	590,247	124,846	792,276	(237,683)	4,854,383	109,564	4,963,947

The accompanying notes form integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended,

Period	Total attributable to shareholders of the Bank	Allocated to reserves	Allocated to dividends	Percentage distributed	Number of shares	Dividend per share (in pesos)
	MCh\$	MCh\$	MCh\$	%		
Year 2021 (Shareholders meeting April 2022)	774,959	309,982	464,977	60	188,446,126,794	2.467
Year 2020 (Shareholders meeting April 2021)	517,447	206,979	310,468	60	188,446,126,794	1.647

The accompanying notes form integral part of these consolidated financial statements.

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

		December 31,		
		2022	2021	2020
	NOTE	MCh\$	MCh\$	MCh\$
A - CASH FLOWS FROM OPERATING ACTIVITIES				
NET INCOME FOR THE YEAR		807,482	852,428	552,730
Adjustments for non-cash items included in net income		(1,456,419)	(1,440,550)	(1,179,767)
Depreciation and amortisation	32	122,993	122,055	109,426
Impairment of property, plant, and equipment	32	-	-	638
Provision for loan losses	33	447,071	368,082	553,190
Mark to market of trading investments		(20,173)	(18,031)	43,609
Income from investments in associates and other companies	9	(10,310)	(2,383)	(1,388)
Net gain on sale of assets received in lieu of payment	28	(4,354)	(5,479)	(5,934)
Provision on assets received in lieu of payment	28	743	349	1,456
Loss on sale of associate		-	-	20
Net gain on sale of property, plant and equipment	28	(6,405)	(673)	(865)
Net interest income	25	(1,570,112)	(1,811,351)	(1,593,848)
Net fee and commission income	26	(407,268)	(332,751)	(267,278)
Changes in deferred taxes	13	(52,181)	226,810	(28,465)
Other non-cash items		36,577	12,822	9,672
Increase/decrease in operating assets and liabilities		289,949	(6,557)	(192,956)
(Increase)/decrease of loans and accounts receivables from customers, net		(2,026,071)	(2,244,100)	(1,673,357)
(Increase)/decrease of financial investments		(647,482)	(2,960,906)	(3,015,784)
Decrease/ (increase) of interbank loans		(32,527)	18,502	(4,078)
Decrease/(increase) of assets received or awarded in lieu of payment		(1,533)	4,822	8,289
Increase/(decrease) of debits in customers checking accounts		(2,673,664)	3,042,985	3,249,540
(Decrease)/increase of time deposits and other time liabilities		2,847,734	(450,736)	(2,611,026)
(Decrease)/increase of obligations with domestic banks		40,093	(215,876)	(54,518)
Increase/(decrease) of other demand liabilities or time obligations		(756,337)	190,050	842,080
Increase/(decrease) of obligations with foreign banks		25,445	2,061,681	(1,095,961)
Increase/(decrease) increase of obligations with Central Bank of Chile		(27,356)	652,179	4,959,260
(Decrease)/increase of obligations under repurchase agreements		228,721	(883,174)	589,753
(Decrease)/increase in other financial liabilities		110,089	(1,411)	(42,040)
(Decrease)/increase of other assets and liabilities		1,989,113	(2,535,796)	(1,850,030)
Redemption of letters of credit		(3,681)	(4,835)	(6,188)
Senior bond issuances		461,221	1,471,106	1,227,166
Redemption of mortgage bonds and payments of interest		(6,665)	(289,173)	(6,312)
Redemption of senior bonds and payments of interest		(1,183,950)	(6,483)	(2,571,384)
Payment of interest on financial liabilities		(31,118)	-	-
Interest received		4,086,656	2,921,097	2,232,327
Interest paid		(2,516,544)	(1,109,746)	(638,479)
Dividends received from investments in other companies	9	526	506	508
Fees and commissions received	26	729,063	578,604	451,162
Fees and commissions paid	26	(321,794)	(245,853)	(183,884)
Total cash flow (used in) provided by operating activities		(358,988)	(594,679)	(819,993)

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

		December 31,		
	NOTE	2022 MCh\$	2021 MCh\$	2020 MCh\$
B - CASH FLOWS FROM INVESTMENT ACTIVITIES:				
Purchases of property, plant, and equipment	11	(58,393)	(57,995)	(50,613)
Sales of property, plant, and equipment	11	18,690	2,498	15,678
Purchases of intangible assets	10	(54,899)	(28,774)	(35,170)
Total cash flow used in investment activities		(94,602)	(84,271)	(70,105)
C - CASH FLOW FROM FINANCING ACTIVITIES:				
Dividends paid		(464,977)	(310,468)	(331,255)
Placement of subordinated bond		102,481	-	475,390
Placement of perpetual bond		-	595,175	-
Lease obligations paid		(21,827)	(46,046)	(42,045)
Total cash flow used in financing activities		(384,323)	238,661	102,090
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR				
		(837,913)	(440,289)	(788,008)
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS				
		25,904	437,564	(28,706)
F - INITIAL BALANCE OF CASH AND CASH EQUIVALENTS				
		2,891,895	2,894,620	3,711,334
FINAL BALANCE OF CASH AND CASH EQUIVALENTS				
	4	2,079,886	2,891,895	2,894,620

		December 31,		
Reconciliation of provisions for the Consolidated Statements of		2022	2021	2020
Cash Flow for the year ended		MCh\$	MCh\$	MCh\$
Provision for loan losses for cash flow purposes	33	447,071	368,227	552,687
Recovery of loans previously charged off	33	(90,577)	(76,999)	(74,926)
Provision for loan losses – net		356,494	291,228	477,761

Changes not related to cash flows							
Reconciliation of liabilities that arise from financing activities	31.12.2021	Cash Flow	Acquisition	Foreign currency exchange	UF Inflation effect	Fair value changes	31.12.2022
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Subordinated bond	1,461,637	101,533	-	-	171,216	-	1,713,870
Senior bonds	6,846,834	(722,729)	-	-	956,367	-	7,080,472
Mortgage bonds	81,110	(6,655)	-	-	7,168	-	81,623
Paid dividend	-	(464,977)	-	-	-	-	(464,977)
Lease obligations	139,795	(24,682)	-	-	21,976	-	137,089
Total liabilities related to financing activities	8,528,860	(1,117,510)	-	-	1,156,727	-	8,568,077

The accompanying notes form integral part of these consolidated financial statements.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**CORPORATE INFORMATION**

Banco Santander-Chile is a banking corporation (limited company) operating under the laws of the Republic of Chile, headquartered at Bandera N°140, Santiago. The corporation provides a broad range of general banking services to its customers, ranging from individuals to major corporations. Banco Santander-Chile and its subsidiaries (collectively referred to herein as the “Bank” or “Banco Santander-Chile”) offers commercial and consumer banking services, including (but not limited to) factoring, collection, leasing, securities and insurance brokering, mutual and investment fund management brokering, and investment banking. Banco Santander Spain controls Banco Santander-Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander Chile Holding S.A., which are controlled subsidiaries of Banco Santander Spain. As of December 31, 2022 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. Banco Santander Spain, through its subsidiaries, has control over 67.18% of the Bank’s shares.

a. Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (hereinafter referred to as IFRS).

For purposes of these financial statements we use 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, reference to “JPY” are to Japanese Yuan, references to “CHF” are to Swiss franc, references to “Chilean pesos”, “pesos” or “Ch\$” are to Chilean pesos, and references to “UF” are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month.

The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. One UF is equaled to Ch\$35,110.98 as of December 31, 2022 and Ch\$30,991.74 as of December 31, 2021. In 2022, UF inflation was 13.3% compared to 6.6% in 2021. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively.

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

b. Basis of preparation for the Consolidated Financial Statements

The Consolidated Financial Statements for the years ended December 31, 2022, 2021 and 2020, incorporate the financial statements of the entities over which the Bank has control (including structured entities); and includes the adjustments, reclassifications and eliminations needed to comply with the accounting and valuation criteria established by IFRS. Control is achieved when the Bank:

- i. has power over the investee;
- ii. is exposed, or has rights, to variable returns from its involvement with the investee; and
- iii. has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities over the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank’s voting rights in an investee are sufficient to give it power, including:

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

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated 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 intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between consolidated entities are eliminated in full on consolidation.

Changes in the consolidated entities ownership interests in subsidiaries that do not result in a loss of control over the subsidiaries are accounted for as equity transactions. The carrying values of the 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 recognised 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 Statements of Changes in Equity. Their share in the income for the year is presented as "Attributable to non-controlling interest" in the Consolidated Statements 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 December 31,								
			2022			2021			2020		
			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 Asesorías Financieras Limitada	Securities brokerage	Santiago, Chile	99.03	-	99.03	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	Purchase of credits and issuance of debt instruments	Santiago, Chile	99.64	-	99.64	99.64	-	99.64	99.64	-	99.64
Klare Corredora de Seguros S.A.	Insurance brokerage	Santiago, Chile	50.10	-	50.10	50.10	-	50.10	50.10	-	50.10
Santander Consumer Chile S.A.	Financing	Santiago, Chile	51.00	-	51.00	51.00	-	51.00	51.00	-	51.00
Sociedad operadora de Tarjetas de Pago Santander Getnet Chile S.A. (1)	Card operator	Santiago, Chile	99.99	0.01	100.00	99.99	0.01	100.00	99.99	0.01	100.00

The detail of non-controlling participation on all the remaining subsidiaries can be seen in Note 24– Non-controlling interest.

ii. Entities controlled by the Bank through other considerations

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

- Santander Gestión de Recaudación y Cobranza Limitada (collection services)
- Bansa Santander S.A. (financing revolving inventory lines to automotive dealers)
- Multiplica SpA (Development card incentive programmes)

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**iii. Associates**

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

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

Associates	Main activity	Place of Incorporation and operation	Percentage of ownership share As of December 31,		
			2022 %	2021 %	2020 %
Redbanc S.A.	ATM services	Santiago, Chile	33.43	33.43	33.43
Transbank S.A.	Debit and credit card services	Santiago, Chile	25.00	25.00	25.00
Centro de Compensación Automatizado S.A.	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Delivery of securities on public offer	Santiago, Chile	29.29	29.29	29.29
Cámara Compensación de Pagos 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
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

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

In the case of Servicios de Infraestructura de Mercado OTC S.A., the Bank actively participates, through its executives, in the administration and in the process of organization, which is why the Administration has concluded that it exerts significant influence on it.

c. Non-controlling interest

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

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

d. Reporting segments

Operating segments are components of an entity:

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

Two or more segments can be combined only if aggregation is consistent with International Financial Reporting Standard 8 “Operating Segments” (IFRS 8) and the segments have similar economic characteristics and are similar in each of the following respects:

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

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

e. Functional and presentation currency

According to International Accounting Standard (IAS) 21 “The Effects of Changes in Foreign Exchange Rates”, the Chilean peso, which is the currency of the primary economic environment in which the Bank operates and the currency which influences its costs and revenue structure, has been defined as the Bank’s functional and presentation currency.

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

The Bank maintains its accounting records and prepares its financial statements in Chilean pesos.

f. Foreign currency transactions

The Bank performs transactions in foreign currencies, mainly in U.S. dollar. Assets and liabilities denominated in foreign currencies, held by the Bank and its subsidiaries are translated to Chilean pesos at the representative market exchange rate of the month for the reported period; the rate used was Ch\$849.59 as of December 31, 2022 (Ch\$854.48 per US\$1 as of December 31, 2021).

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

g. Classification and measurement of financial instrument**I. Classification of financial instrument***i. Classification of financial assets*

Financial assets are classified into a measurement category based on both the Bank’s business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Contractual cash flow assessment determines if the cash flows from the financial asset meet the SPPI (solely payment of principal and interest) criterion, i.e., whether the contractual terms of the financial asset give rise, on specific dates, to cash flows that are solely payments of principal and interest. Principal is the fair value of the financial assets at initial recognition, and interest is the consideration for the time value of money, the credit risk associated with the principal outstanding, and also may include liquidity risk, administrative cost and profit margin.

For classification process the Bank perform the SPPI test, which assesses the contractual term to identify whether they meet SPI criterion, i.e., the contract is a basic lending arrangement. The Bank applies judgement and considers relevant factors such as currency in which the financial asset is denominated, and period for which the interest rate is set.

Business model refers to how the Bank manages its financial assets in order to generate cash flows. The Bank determined its business model on initial application of IFRS 9 at the level that best reflects how it manages groups of financial assets to achieve its business objective.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Banks's business model is not assessed on an instrument-by- instrument basis, but at a higher level of aggregated portfolio and is based on observable factors such as: performance of the financial assets, the risk that affect the performance, and the expected frequency, value and timing of sales.

In accordance with IFRS 9 the business models are:

- Held to collect business model (HTC) - financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realize cash flows by collecting contractual payments over the life of the instrument, under this business model sales made when there is an increase in the credit risk, or to manage credit concentration risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows.
- Held to collect and sell (HTC&S) - financial assets under this business model achieve the objective by both collecting contractual cash flows and selling financial assets, then involve a greater frequency and value of sales than HTC business model.
- Other business model - financial assets held in this business has the objective of realizing cash flows through the sale of the assets. The Bank makes decisions based on the assets' fair values and manages the assets to realize those fair values.

In accordance to the above mentioned, financial instruments are assigned to portfolios which represent specific business models. Each portfolio has its proper business objective and seek to face liquidity risk, inflation and interest rate risk effectively.

Due to exceptional changes arose in the liquidity market, changes that we expect to face in the short and middle term, the Bank is requiring to maintain certain collaterals with 2024-2026 maturity to guarantee a loan programme led by the Chilean Central Bank ("FCIC"), and also is required to establishing greater Technical Reserves due to increase in currents accounts, time deposits and other on demand deposits from our clients. For this reason, the Bank has to create a new business model "Held-to-collect" whose objective is to manage properly the prevailing high level of liquidity, where additionally the Bank has the intention and the ability to hold them until maturity.

The Bank classified all financial liabilities as subsequently measured at amortised cost, except for derivatives that are liabilities, which are measured at fair value through profit or loss.

ii. Reclassification

Reclassification of financial assets is required if, and only if, the objective of the Bank's business model for managing those financial assets changes. Financial liabilities cannot be reclassified.

II. Measurement of financial instruments*i. Initial measurement*

On initial recognition, financial assets and financial liabilities are measured at the transaction price, i.e. the fair value of the consideration given or received (IFRS 13). In the case of financial instruments not at fair value through profit or loss are directly attributable to the acquisition or issue of the financial asset or financial liability.

ii. Subsequent measurement- financial assets

After initial recognition, the Bank shall measure a financial asset at:

(a) Amortised cost

Financial assets that are held in a business model to collect the contractual cash flows and contain contractual terms that give rise on specific dates to cash flows that are SPPI, are measured at amortised cost.

The effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

(b) Fair value through other comprehensive income (FVOCI)

Financial assets that are debt instruments held in a business model that is achieved by both collecting contractual cash flows and selling, and that contain contractual terms that give rise on specific dates to cash flows that are SPPI, are measured at FVOCI. They are subsequently remeasured at fair value and changes therein (except for those relating to impairment, interest

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

income and foreign currency exchange gains and losses) are recognised in other comprehensive income, until the assets are sold. Upon disposal, the cumulative gain and losses in OCI are recognised in the income statements.

(c) Fair value through profit or loss (FVTPL)

Financial assets that do not contain contractual terms that give rise on specified dates to cash flows that are SPPI, or if the financial assets, or if the financial asset is not held in a business model that is either (i) a business model to collect the contractual cash flows or (ii) a business model that is achieved by both collecting contractual cash flows and selling.

Financial assets held for trading are recognised at fair value through profit or loss, likewise derivatives contracts for trading purposes.

(d) Equity instruments

For certain equity instruments, the Bank may make an irrevocable election to present subsequent changes in the fair value of the instrument in other comprehensive income, except for dividend income which is recognised in profit or loss. Gains or losses on derecognition of these equity instruments are not transferred to profit or loss.

iii. Subsequent measurement- financial liabilities

After initial recognition, the Bank shall measure a financial liability at amortised cost.

III. Derecognition of financial assets and liabilities

Financial assets are derecognised when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- the Bank transfers substantially all the risks and rewards of ownership of the financial asset, and therefore the Bank derecognises the financial asset and recognise separately any rights and obligations created or retained in the transfer.

In some cases, the Bank enters into transactions for which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows in an arrangement that meets all the conditions required, i.e. the Bank only transfers collected amounts from original assets, selling or pledging original assets is prohibited, and the Bank has the obligation to remit cash flows collected without material delay.

When a financial asset is sold and the Bank simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date, the Bank continues to recognise the financial assets in their entirety in the statements of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Financial liabilities are derecognised when, and only when, they are extinguished, cancelled or expired.

IV. Contingent loan

The Bank issues contingent liabilities (including letters of credit, foreign letters of credit and performance guarantee) and loan commitments.

Contingent liabilities and undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified term to the customer.

The nominal contractual loan value, when the loan agreed to be provided is on market terms, is not recorded in the statements of financial position. The related ECL allowances are disclosed in Note 19.

V. Offsetting of financial instruments

Financial asset and liability balances are offset, i.e., reported in the Consolidated Statements of Financial Position at their net amount, only if there is a legally enforceable right to offset the recorded amounts and the Bank intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. As of December 31, 2022 and 2021 the Bank does not have balance offsetting of financial instruments.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**h. Derivatives and hedging activities**

The Bank has elected to continue applying the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

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

For presentation purposes, derivatives are presented in accordance with its positive or negative fair value as assets or liabilities, respectively, and include trading and hedging instruments separately (see Note 6).

Hedging transactions

The bank has elected to continue applying the hedge accounting requirements in IAS 39 instead of the requirements of IFRS 9, thus the Bank uses financial derivatives for the following purposes:

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

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

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

1. The derivative hedges one of the following three types of exposure:
 - a. Changes in the value of assets and liabilities due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject (“fair value hedge”);
 - b. Changes in the estimated cash flows arising from financial assets and liabilities, and highly probable forecasted transactions (“cash flow hedge”);
 - c. The net investment in a foreign operation (“hedge of a net investment in a foreign operation”).
2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:
 - a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective (“prospective effectiveness”).
 - b. There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position (“retrospective effectiveness”).

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

- i. 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 Statements of Income.
- ii. For fair value hedges of interest rate risk on a portfolio of financial instruments (macrohedges), gains or losses that arise in measuring hedging instruments within “Interest income and expense”, 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 Statements of Income under “Net income (expense) from financial operations”.
- iii. For cash flow hedges, the change in fair value of the hedging instrument is included as “Cash flow hedge” in “Other comprehensive income”.
- iv. 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 Statements of Income under “Net income (expense) from financial operations”.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 amortised to gain or loss from that date, where applicable.

When cash flow hedges are discontinued, any cumulative gain or loss of the hedging instrument recognised 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 Statements 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 Statements of Income.

i. Fair value measurement

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

i. Valuation of financial instruments

Financial assets are measured according to their fair value, gross of any transaction costs that may be incurred in the course of a sale, except for loans and accounts receivable from customers.

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

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

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

All derivatives are recorded in the Consolidated Statements of Financial Position at the fair value previously described. This value is compared to the valuation as at the trade date. If the fair value is subsequently measured positive, this is recorded as an asset. If the fair value is subsequently measured negative, this is recorded as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recorded in “Net income (expense) from financial operations” in the Consolidated Statements 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. The Credit valuation adjustment (CVA) is a valuation adjustment to OTC derivatives as a result of the risk associated with the credit exposure assumed by each counterparty.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The CVA is calculated taking into account potential exposure to each counterparty in each future period. The debit valuation adjustment (DVA) is a valuation adjustment similar to the CVA but, in this case, it arises as a result of the Bank's own risk assumed by its counterparties in OTC derivatives.

ii. Valuation techniques

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

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

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

The main techniques used as of December 31, 2022 and 2021 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, volatility and prepayments, among others. The Bank's management considers that its valuation models are not significantly subjective, since these methodologies can be adjusted and evaluated, as appropriate, through the internal calculation of fair value and the subsequent comparison with the related actively traded price.

j. Recognising income and expenses

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

i. Interest revenue, interest expense, and similar items

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the ECL provision).

ii. Commissions, fees, and similar items

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

Under IFRS 15, the Bank recognises revenue when (or as) satisfied a performance obligation by transferring a service (i.e. 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 revenues 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 for insurances distribution.
- Other fees and commissions: include income arising from currency changes, financial advisory, cashier check issuance, placement of financial products and online banking services.

The main expenses 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: include mainly expenses generated from online services.

The Bank has incorporated disaggregated revenue and expense disclosures and reportable segment relationship in Note 28.

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

iii. Loan arrangement fees

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

k. Impairment of non-financial assets

The Bank's non-financial assets, 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 recognised 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 amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Goodwill impairment is not reversed.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**I. Property, plant, and equipment**

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

i. Property, plant and equipment for own use

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

Depreciation is calculated using the straight-line method over the acquisition cost of assets less their residual value, assuming that the land on which buildings and other structures stand has an indefinite life and, therefore, is not subject to depreciation. The Bank applies the following useful lives for the tangible assets that comprise its assets:

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

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

The estimated useful lives of the items of property, plant and equipment held for own use are reviewed at the end of each reporting period to detect significant changes. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recorded in the Consolidated Statements 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 the impairment losses thereof, are consistent with those described in relation to property, plant and equipment held for own use.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**m. Leasing**

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, 2022 is 1.59%. After initial recognition, the right-of-use is subsequently depreciated using the straight-line method in accordance with the lease term of the contract, and the lease liability is amortised in accordance with the effective interest method. Financial interest is accounted as interest expense, and depreciation as depreciation expense in each period.

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

Initially, the Bank measures the right-of-use asset at cost. The rent of the lease agreements is agreed in UF and paid in pesos. According to that, monthly variation in UF should be treated as a new measurement, and therefore, readjustments should be recognised as a modification to the obligation and the right-of-use asset.

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

In applying IFRS 16, the Bank has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Bank has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

b. As a lessor

When the Bank acts as a lessor, it determines at the beginning if it corresponds to a financial or operating lease. To do this, it evaluates whether it has substantially transferred all the risks and benefits of the asset. In the affirmative case, it corresponds to a financial lease, otherwise it is a financial lease.

The Bank recognises the lease income on a straight-line basis over the lease term.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**c. Third party financing**

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

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

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 recognises 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 amortisation 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 amortised on a straight-line basis using the estimated useful life, which has been defined by default in 36 months, and can be modified to the extent that it is demonstrated that the Bank will benefit from the use of the intangible for a different period mentioned above.

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

o. Cash and cash equivalents

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

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

- i. Cash flows: Inflows and outflows of cash and cash equivalents, such as deposits with the Central Bank of Chile, deposits in domestic banks, and deposits in foreign banks.
- ii. Operating activities: Principal revenue-producing activities performed by banks and other activities that cannot be classified as investing or financing activities.

The Bank’s activity of granting loans encompasses not only the activities with its debtors but also the related activities that provide the funding to the loans granted. Since the funding for granting such loans is provided by, among other sources, senior bonds, mortgage bonds and subordinated bonds, the Bank presents the related cash flows as operating activities.
- iii. Investing activities: The acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- iv. Financing Activities: Activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

p. Expected credit losses allowance – under IFRS 9

IFRS 9 established a new single impairment model applies to all financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI), including commitment and contingent loans. Investments in equity are outside of the scope of the new impairment requirements.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Bank accounted ECL related to financial assets measured at amortised cost as a loss allowance in the statements of financial position, but the carrying amount of these assets is stated net of the loss allowance. ECL related to contingent loans is accounted as a provision in the statements of financial position. The Bank recognises in profit or loss, as an impairment gain or loss, the amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance IFRS 9, for financial assets measured at amortised cost and contingent loans.

The new model uses a dual measurement approach, under which the loss allowance is measured as either:

- 12-month expected credit losses
- Lifetime expected credit losses

The Bank evaluates the clients within the corporate commercial loan portfolio, by preparing individual credit proposals, verifying debt servicing capacity (projected cash flow), client's financial history and projections for economic sector. All proposal includes analysis of the client, rating and recommendation. For corporations, the evaluation includes subsidiaries and affiliates. Smaller commercial loans, mortgage loans and consumer loans are grouped into homogeneous portfolios, based on a combination of internal and external characteristics.

According to the Bank's policy, an exposure will be considered as defaulted when the past-due amounts of an exposure exceed materiality thresholds for 90 or more consecutive days, it has been restructured, it is in judicial collection, it has been written-off or has been identified as impaired by an internal risk committee. The pulling effect defined as the entire outstanding amount on any loan which has an instalment 90 days or more past due.

As of January 2022, the Bank has updated its definition of default – new default – entailing the application of new parameters on PD, LGD y ELBE, resulting in a release of ECL allowance that amounted of MCh\$3,341.

The measurement basis depends on whether there has been a significant increase in credit risk since initial recognition. Based on changes in credit quality since initial recognition, IFRS 9 outlines a “three-stage” model impairment in accordance with the following diagram:

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
Initial recognition	Significant increase in credit risk since initial recognition	Credit impaired assets
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The Bank, at the end of each reporting period, evaluated whether financial instrument's credit risk has significantly increased since initial recognition or whether an asset is considered to be credit-impaired, and consequently classified the financial instrument in the respective stage:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been returned to Stage 1.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime ECL. Stage loans also include facilities, where the credit risk has improved, and the loan has been returned to stage 2.
- Stage 3: Loans considered credit impaired. The Bank records an allowance for the lifetime ECL, setting the PD at 100%.

The Bank considers reasonable and supportable information that is available without undue cost or effort and that may affect the credit risk on a financial instrument, including forward looking information to determine a significant increase in credit risk since initial recognition. Forward looking information includes past events, current conditions and forecast or future economic conditions (macro-economic data).

Credit risk assessment and forward-looking information (including macro-economic factors), includes quantitative and qualitative information based on the Bank's classification policy:

- a. Adverse changes in the financial situation, such as a significant increase in debt levels.
- b. Significant drops in turnover or in recurring cash flows.
- c. Significant narrowing of operating margins or recurring income.
- d. Significant adverse changes in credit risk cost, due to changes in this risk after initial recognition.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- e. Other changes in the transaction's credit risk that would impact on conditions being significantly different if the transaction were originated or reissued on the reference date.
- f. An actual or expected reduction of the integral credit rating of the operation (client's integral rating) or decrease in the performance score.
- g. An actual or expected significant decrease in the price or external credit rating of the mail operation, as well as other external market indicators of the credit risk for similar operations with the same expected life.

The Bank will classify a loan as stage 2, if contractual payments are 30 or more consecutive days past due, because of the credit risk is deemed to have increased significantly since initial credit recognition, but is not an absolute indicator. The bank did not rebut the backstop presumption of IFRS 9 relating to SICR or default.

Expected credit loss measurement (ECL)

The Bank calculates the ECL allowance mainly through IFRS 9 models and using cash flow discounted methodology.

The ECL are the probability-weighted estimate of credit losses, i.e. the present value of all cash shortfalls. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The three main components to measure the ECL are:

PD: The Probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

LGD: The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral.

EAD: The Exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdown on committed facilities, and accrued interest from missed payments.

For measuring 12-month and lifetime ECL, cash shortfalls are identified as follow:

- 12-month expected credit losses: the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on the financial instruments that are possible within the 12 months after the reporting date.
- Lifetime expected credit losses: the expected credit losses that result from all possible default events over the expected life of the financial instrument.

The Bank considered a multi-factor analysis to perform credit risk analysis. The type of portfolio or transactions, industry, collaterals and monitoring basis (corporate or Other commercial, which include smaller commercial, mortgage and consumer loans).

The Bank divides its portfolio as:

- i. Commercial loans;
- ii. Mortgage loans;
- iii. Consumer loans; and
- iv. Contingent loans.

ECL allowance calculated on an Individual basis:

For financial assets in the corporate portfolio that are (a) credit-impaired at the reporting date (classified in stage 3 with a PD equal to 100%), and (b) is individually significant, the Bank calculates allowance for expected credit losses on an individual basis by using a "Cash flow discounted Methodology". In this instance, the Bank measures the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ECL allowance calculated on a collective basis:

Commercial loans (except for those described within the “ECL allowance calculated on an Individual basis” description aforementioned), mortgage loans and consumer loans are grouped and assessed on a collective basis by using a credit loss allowance model. The estimation of the collective basis expected credit loss allowance considers qualitative and quantitative information that may affect the changes in credit risk and the development of assumptions related to the probabilities of default and loss given default, including forward looking information, multi-factor analysis such as type of portfolio or transaction and macroeconomic factors.

Contingent loans

The Bank has established several irrevocable loan commitments and contingent liabilities. Even though these obligations may not be recognised on the statements of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

When the Bank estimates the ECL for contingent loans, it estimates the expected portion of the loan commitment that will be drawn down over its expected life.

i. Forward looking information

The ECL model includes a broad range of forward-looking information as economic inputs, such as:

- GDO growth
- Unemployment rates
- Central Banks interest rates
- Real estate prices

ii. Modifications of financial assets

When loan measured at amortised cost has been renegotiated or modified but not derecognised, the Bank recognises the resulting gains or losses as the difference between the carrying amount of the original loans and modified contractual cash flows discounted using the EIR before modification.

For ECL estimation purposes on financial assets that have been modified, is required to distinguish between modification that result in derecognition from those that does not result in derecognition. If the modification does not result in derecognition, then the subsequent assessment of whether there is a significant increase in credit risk is made comparing the risk at the reporting date based on the modified contractual term and the risk at initial recognition based on the original, unmodified contractual term.

If the modification results in derecognition, then the modified asset is considered to be a new asset. Accordingly, the date of modification is treated as the date of initial recognition for the purposes of the impairment requirements.

iii. Collateral

The Banks seeks to use collateral to mitigate its credit risks on financial assets, where possible. Types of collateral are: cash, securities, letters of credit, real estate and inventories. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statements of financial position. However, the fair value of collateral affects the calculation of ECLs. The main collateral associated to mortgage loans are real estate, which are valued based on data provided by specialized third parties.

The estimation of ECL reflects the cash flows expected from collateral and other credit enhancement that are part of the contractual terms of the financial instruments.

According to the Bank's policy when assets are repossessed they are transferred to assets held for sale at their fair value less cost to sell as non-financial assets at the repossession date.

iv. Write-offs

The gross carrying amount of a financial asset is reduced when there is no reasonable expectation of recovery. A write-off constitutes a derecognition event of the corresponding loan transaction in its entirety, and therefore, include portions not past-due for installments loans or leasing operation (no partial write-off).

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Subsequent recoveries of amounts previously written-off are credited to the income statements, as recovery of loans previously write-off, as a deduction from provisions for loan losses.

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

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

v. COVID-19 support measures

The COVID-19 pandemic had a major impact on Chile. At first, the Chilean government announced a series of measures to support lending, which included additional funds to the Guarantee Fund for Small Companies (Fogape), a state fund that guarantees loans, leases and other credits provided to small businesses. The Chilean Banks, including us, provided loans with preferential interest rates (MPR plus 3%) and terms of up to 48 months to eligible companies ("Fogape loans"), and 6-month grace period before repayment, guaranteed by the government fund. In February 2021, the government approved the FOGAPE 2.0 – or FOGAPE Reactiva – under this new programme, the maximum rate was set at a monthly rate of TPM (overnight rate) plus 0.6% (7.2% annual rate). The focus was to provide loans for SMEs investments and not only for working capital needs. These loans can be granted until December 31, 2021.

The customers who requested COVID-19 relief, including payment holidays, were not subject to any wider SICR triggers, and were not classified as to Stage 2 for a lifetime ECL assessment unless they had other triggered SICR criteria. Additionally, payment holidays did not cause that such loans to become past due and therefore did not trigger a Stage 2 or Stage 3 lifetime ECL assessment. The assessment of SICRs and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. The Bank has developed estimates based on the best available information about past events, current conditions and forecasts of economic conditions.

In 2021, with uncertainties still caused by COVID-19 virus and according to corporate guidelines, our management has decided not to modify the thresholds for SICR. However, the Bank updated the macro economical forward-looking information and scenarios in 2021, increasing the ECL allowance and releasing the overlay provision established at the end of 2020.

In 2022, there have been no new government measures.

q. Provisions, contingent assets and contingent liabilities

Provisions are liabilities of uncertain timing or amount. Provisions are recognised in the Consolidated 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 if one or more uncertain future events that are not wholly within control of the Bank.

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

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Provisions are classified according to the obligation covered as follows:

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

r. Deferred income taxes and other deferred taxes

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

s. Use of estimates

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

In certain cases, 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 market participants at the measurement date. When available, quoted market prices in active markets have been used as the basis for measurement. When quoted market prices in active markets are not available, the Bank has estimated such values based on the best information available, including the use of modeling and other valuation techniques.

The Bank has established allowances to cover credit losses. 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 Statements of Income. Loans are charged-off when the Bank's management determines that a loan or a portion thereof is impaired. 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.

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

- Allowances for loan losses
- Impairment losses of certain assets
- The useful lives of tangible and intangible assets
- The fair value of assets and liabilities
- Commitments and contingencies
- Current and deferred taxes

t. Non-current assets held for sale

As of December 31, 2021 the Bank reclassified its investments on Redbanc and Transbank from Investments held-for-sale to Investments in associates, due to the lack of potential buyers as a result of the ongoing effects caused by COVID-19 pandemic, in Chile and abroad.

The requirements established in IFRS 5 to classify assets (or disposal group) as held for sale are the following:

- the assets are available for immediate sale in its present conditions and its sale must be highly probable.
- for the sale to be highly probable, the appropriate level of management is committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan.
- additionally, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

An entity shall measure a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less sale cost.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

Assets received or awarded in lieu of payment

Assets received or awarded in lieu of payment of loans and accounts receivable from clients are recognised at their fair value (as determined by an independent appraisal). A price is agreed upon by the parties through negotiation or, when the parties do not reach an agreement, at the amount at which the Bank is awarded those assets at a judicial auction. In the both cases, an independent appraisal is performed. The excess of the outstanding loan balance over the fair value is charged to net income for the period, under "Provision for loan losses". Any excess of the fair value over the outstanding loan balance, less costs to sell of the collateral, is returned to the client. These assets are subsequently adjusted to their net realizable value less cost to sale (assuming a forced sale).

The difference between the carrying value of the asset and the estimated fair value less costs to sell is charged to net income for the period, under "Other operating expenses". The result obtained in the sale of the asset is subsequently recorded under "Other operating income".

Independent appraisals are obtained at least every 18 months and fair values are adjusted accordingly. No adjustments have been made between appraisals with respect to the period covered by these financial statements considering the stability of the real estate market in Chile during past years and expected stability of the real estate market in the coming years.

At least once a year, the Bank performs the necessary analysis to update the "cost to sale" of assets received or awarded in lieu of payments. According to the Bank's survey, as of December 31, 2022 the average cost to sale was estimated at 5.8% of the appraisal value (4.0% as of December 31, 2021).

u. Earnings per share

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

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

As of December 31, 2022, 2021 and 2020 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 are recorded in the Consolidated Statements of Financial Position based on the nature of the debtor (creditor) under "Deposits in the Central Bank of Chile," "Deposits in financial institutions" or "Loans and accounts receivable from customers" ("Central Bank of Chile deposits," "Deposits from financial institutions" or "Customer deposits"), in Note 7.

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

w. Provision for mandatory dividends

As of December 31, 2022, 2021 and 2020 the Bank recorded a provision for mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, pursuant to which at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded, as a deducting item, under the "Retained earnings – provision for mandatory dividends" line of the Consolidated Statements of Changes in Equity with offset to Provisions.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**x. Employee benefits****i. Post-employment benefits – Defined Benefit Plan:**

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

Features of the Plan:

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

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

The Bank uses the method of projected unit credit, to determine the present value of the defined benefit obligation and the current service cost.

Components of defined benefit cost include:

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

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

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

The Bank recognises the present service cost and the net interest of the Personnel salaries and expenses on the Consolidated Statements of Income.

The post-employment benefits liability, recognised in the Consolidated Statements 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. 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 determines the fair value at the end of each reporting period, as well as at the date of settlement, recognising any change in fair value in the income statements of the period.

y. Application of new and revised International Financial Reporting Standards**1. New and revised standards effective in current year**

The following new and revised IFRS have been adopted in these financial statements:

Interest rate benchmark reform - phase 2. Issued on August 27, 2020, and once IASB has finalized its response to the ongoing reform of inter-bank offered rates (IBOR) and other interest rate benchmarks by issuing a package of amendments to IFRS Standards.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The objectives of the Phase 2 amendments are to support companies when changes to contractual cash flow or hedging relationship are made, thus helping companies to provide investors with useful information.

The amendments complement those issued in 2019 and focus on the effects on financial statements when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The amendments in this final phase relate to:

- changes to contractual cash flows—a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting—a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures—a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

These amendments are effective for annual reporting periods beginning on or after January 1, 2021, with early adoption permitted. *The Bank has already implemented this standard, since it has been working since 2019 in a “transition programme”, under the defined road map, the Bank has identified impacted clients and areas, risks to which the Bank is exposed, determined working teams and has involved senior management in a strong governance plan and, additionally has established action’s plans for each impacted risk and impacted areas, which allow us face the challenges related to RFR elimination. See Note 37.*

2. New and revised IFRS issued but not effective

As of the closing date of these financial statements, new International Financial Reporting Standards had been published as well as interpretations of them, which were not mandatory as of December 31, 2022. Although in some cases the early application is permitted by the IASB, the Bank has not taken that option.

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

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

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

Amendments to IAS 1 - Classification of liabilities as current or non-current. Issued on January 23, 2020, this amendment to provide a general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The Amendments:

- clarify that the classification of liabilities should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Earlier application is permitted. *The Bank’s management is evaluating the potential impact of these standards on the consolidated financial statements of the Bank.*

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Annual Improvements to IFRS Standards 2018–2020. Issued on May 15, 2020, the pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project:

1. *IFRS 1 First-time Adoption of International Financial Reporting Standards.* Subsidiary as a first-time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
2. *IFRS 9 Financial Instruments.* Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
3. *IFRS 16 Leases.* Lease incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
4. *IAS 41 Agriculture.* Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

The amendments to IFRS 1, IFRS 9, and IAS 41 are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated. *The Bank's management is evaluating the potential impact of these standards.*

Amendments to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use. Issued on May 15, 2020, this amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. *The Bank's management is evaluating the potential impact of these standards.*

Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract. Issued on May 15, 2020, the changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments published today are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. *The Bank's management is evaluating the potential impact of these standards.*

Amendments to IFRS 3 - Reference to the Conceptual Framework. Issued on May 15, 2020, the changes include:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. *The Bank's management is evaluating the potential impact of these standards.*

Amendments to IAS 8 - Definition of Accounting estimates. Issued on February 12, 2021, these amendments help entities to distinguish between accounting policies and accounting estimates. The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The amendments are effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. *The Bank's management is evaluating the potential impact of these standards.*

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies. Issued on February 12, 2021, these amendments intended to help preparers in deciding which accounting policies to disclose in their financial statements. Disclosure of Accounting Policies amends IAS 1 in the following ways:

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The amendments are applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2. *The Bank's management is evaluating the potential impact of these standards.*

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). Issued on May 7, 2021, to clarify how companies account for deferred tax on transactions such as leases (when a lessee recognises an asset and a liability at the lease commencement) and decommissioning obligations (when an entity recognises a liability and includes the decommissioning costs in the cost of the item of property, plant and equipment).

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. *The Bank's management is evaluating the potential impact of these standards.*

Initial Application of IFRS 17 and IFRS 9—Comparative Information. Issued on December 9, 2021, the main amendment is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9. There are no changes to the transition requirements in IFRS 9. *The Bank's management is evaluating the potential impact of these standards.*

z. Reclassification

The Bank has made changes to the presentation of the consolidated financial statements. The main impacts are related to a different grouping of some lines without affecting any of the balances previously disclosed.

This new presentation for consolidated statements of financial position and consolidated statements of income was applied retrospectively for the comparative figures included in these financial statements.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The main impacts consist merely of reclassifications as explained below:

Consolidated statements of financial position

Previous presentation	31-12-2021		Current presentation	31-12-2021
	MCh\$			MCh\$
ASSETS			ASSETS	
Cash and deposits in banks	2,881,558		Cash and deposits in banks	2,881,558
Cash items in process of collection	390,271		Cash items in process of collection	390,271
Financial derivative contracts	10,123,607		Financial assets for trading at FVTPL	9,567,818
Trading	9,494,471	A	Financial derivative contracts	9,494,471 A
Hedging	629,136	C	Debt financial instruments	73,347 A
Financial assets held for trading	73,347	A	Financial assets at FVOCI	5,902,514
Loans and account receivable at amortised cost	35,477,628		Debt financial instrument	5,803,139 B
Interbank	428	D	Other financial instruments	99,375 B
L&AR	35,477,200	D	Financial derivative contracts for hedge accounting	629,136 C
Debt instruments at amortised cost	4,691,730	D	Financial assets at amortised cost	40,169,358
Loans and account receivable at FVOCI	99,375	B	Debt financial instruments	4,691,730 D
Debt instruments at FVOCI	5,803,139	B	Interbank loans	428 D
Equity instruments at FVOCI	189	E	Loans and account receivable from customers	35,477,200 D
Investments in associates and other companies	35,745		Investments in associates and other companies	35,934 E
Intangible assets	95,411		Intangible assets	95,411
Property, plant, and equipment	236,939		Property, plant, and equipment	236,939
Right of use assets	137,879		Right of use assets	137,879
Current taxes	121,534		Current taxes	121,534
Deferred taxes	710,896		Deferred taxes	710,896
Other assets	2,962,702		Other assets	2,932,814
Other assets	2,932,814		Non current assets and disposal groups for sale	29,888 F
Non-current assets	29,888	F		
TOTAL ASSETS	63,841,950		TOTAL ASSETS	63,841,950

At the statement of financial position level, the Bank has decided to group the assets and liabilities according to their measurement category, among other minor reclassifications, as explained below.

A. Financial assets for trading at FVTPL

Includes derivative contracts and debt financial instruments for trading purposes.

B. Financial assets at FVOCI

Includes debt instruments at FVOCI and other financial instruments, which currently include loans at FVOCI.

C. Financial derivative contracts for hedge accounting

Includes derivative contracts for hedging purposes which are presented separately from trading purposes, to provide more granular information.

D. Financial assets at amortised cost

Includes debt financial instruments, interbank loans separately from account receivable from customers, which were previously presented in a single line in the face of statement of financial position. The Bank has decided to homogenise the presentation.

E. Equity instruments at FVOCI

Equity instruments are presented together with Investments in associates and other companies at the face of the statement of financial position. The details are presented in Note 9 - Investments in associates and other companies.

F. Non-current assets and disposal groups for sale

This new line item includes Assets received or awarded in lieu of payment and Non-current assets held for sale, which currently include assets recovered from leasing for sale. The Bank has decided to open this presentation to improve the transparency of the figures presented in these financial statements.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Previous presentation	31-12-2021		Current presentation	31-12-2021	
	MCh\$			MCh\$	
LIABILITIES					
Deposits and other demand liabilities	17,900,938	I	Cash items in process of being cleared	379,934	
Cash items in process of being cleared	379,934		Financial liabilities for trading at FVTPL	9,507,031	
Obligations under repurchase agreements	86,634	I	Financial derivative contracts	9,507,031	G
Time deposits and other time liabilities	10,131,055	I	Financial derivative contracts for accounting hedges	1,364,210	H
Financial derivative contracts	10,871,241		Financial liabilities at amortised cost	44,063,540	
Trading	9,507,031	G	Deposits and other demand liabilities	17,900,938	I
Hedging	1,364,210	H	Time deposits and other time liabilities	10,131,055	I
Interbank borrowings	8,826,583	I	Obligations under repurchase agreements	86,634	I
Issued debt instruments	8,397,060		Interbank borrowings	8,826,583	I
Issued instruments	6,935,423	I	Issued debt instruments	6,935,423	I
Capital instruments	1,461,637	J	Other financial liabilities	182,907	I
Other financial liabilities	182,907	I	Lease liabilities	139,795	
Lease liabilities	139,795		Regulatory capital financial instruments	1,461,637	J
Current taxes	-		Provisions	463,949	
Deferred taxes	427,655		Current taxes	-	
Provisions	463,949		Deferred taxes	427,655	
Other liabilities	1,606,626		Other liabilities	1,606,626	
TOTAL LIABILITIES	59,414,377		TOTAL LIABILITIES	59,414,377	
EQUITY					
Attributable to the shareholders of the Bank:	4,333,213		Attributable to the shareholders of the Bank:	4,333,213	
Capital	891,303		Capital	891,303	
Reserves	2,550,559		Reserves	2,550,559	
Valuation adjustments	(353,850)		Valuation adjustments	(353,850)	
Others equity instruments issued other than capital	598,136		Others equity instruments issued other than capital	598,136	
Retained earnings	647,065		Retained earnings	647,065	
Retained earnings from prior years	57,338		Retained earnings from prior years	57,338	
Income for the year	842,467		Income for the year	842,467	
Minus: Provision for mandatory dividends	(252,740)		Minus: Provision for mandatory dividends	(252,740)	
Non-controlling interest	94,360		Non-controlling interest	94,360	
TOTAL EQUITY	4,427,573		TOTAL EQUITY	4,427,573	
TOTAL LIABILITIES AND EQUITY	63,841,950		TOTAL LIABILITIES AND EQUITY	63,841,950	

G. Financial liabilities for trading at FVTPL

Includes derivative contracts for trading purposes.

H. Financial derivative contracts for hedge accounting

Includes derivative contracts for hedging purposes which are presented separately from trading purposes, to provide more detailed information.

I. Financial liabilities at amortised cost

Includes Deposits and other demand liabilities, time deposits and other time liabilities, obligations under repurchase agreements, interbank borrowings, issued debt instruments, and other financial liabilities. Regarding Issued debt instruments, only senior bonds are included, Subordinated bonds are presented separately in Regulatory capital financial instruments.

J. Regulatory capital financial instruments

Includes subordinated bonds which were presented together with senior bonds into Issued debt instruments in prior years. The Bank is implementing Basel III and subordinated bonds are included for regulatory capital calculation.

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Consolidated statements of income

Previous presentation	31-12-2021	Reclassification	Current presentation	31-12-2021
	MCh\$	MCh\$		MCh\$
Interest income	2,921,097	(16,266) A	Interest income and inflation	2,904,831
Interest expense	(1,109,746)		Interest expense and inflation	(1,109,746)
Net interest income	1,811,351		Net interest income	1,795,085
Fee and commission income	578,604	16,266 A	Fee and commission income	594,870
Fee and commission expense	(245,853)		Fee and commission expense	(245,853)
Net fee and commission income	332,751		Net fee and commission income	349,017
Net income (expense) from financial operations	(6,403)	(22,199) B	<i>Net income from financial operations:</i>	
			Net income/(expense) from financial assets and liabilities for trading	(28,602)
		22,199 B	Net income from derecognising financial assets and liabilities at amortised cost and financial assets at fair value through other comprehensive income	22,199
Net foreign exchange gain	125,431		Net income from exchange, adjustment and hedge accounting of foreign exchange	125,431
Other operating income	10,391	(10,391) C		
Net operating profit before provision for loan losses	2,273,521		Net income from financial operations	119,028
Provision for loan losses	(291,083)	291,083 F		
		(475) E, C	Income from investments in associates and other companies	(475)
		2,297 C, D	Net income from non-current assets and groups available for sale not admissible as discontinued operations	2,297
		1,662 C	Other operating income	1,662
NET OPERATING INCOME	1,982,438		TOTAL OPERATING INCOME	2,266,614
Personnel salaries and expenses	(397,675)		Personnel salaries and expenses	(397,675)
Administrative expenses	(280,134)		Administrative expenses	(280,134)
Depreciation and amortisation	(122,055)		Depreciation and amortisation	(122,055)
Impairment of property, plant, and equipment	-		Impairment of property, plant, and equipment	-
Other operating expenses	(107,819)	107,819 D		
Total operating expenses	(907,683)	(101,430) D, C	Other operating expenses	(101,430)
OPERATING INCOME	1,074,755		TOTAL OPERATING EXPENSES	(901,294)
Income from investments in associates and other companies	(663)	663 E	NET OPERATING INCOME BEFORE CREDIT LOSSES	1,365,320
			Provisions for loan losses for interbank loans and account receivable from customers	(355,638)
		(145) D	Provisions for loan losses for contingent loans and others	(12,254)
			Recovery of loans previously charged-off	76,999
			Provision for loan losses for other financial assets at amortised cost and financial assets at fair value through OCI	(335)
		(291,083) F	Provision for loan losses	(291,228)
Income from continuing operations before tax	1,074,092		NET OPERATING INCOME BEFORE INCOME TAX	1,074,092
Income tax expense	(221,664)		Income tax expense	(221,664)
Result of continuing operations	852,428		Result of continuing operations	852,428
Result of discontinued operations	-		Result of discontinued operations	-
NET INCOME FOR THE YEAR	852,428	0	NET INCOME FOR THE YEAR	852,428

NOTE 01 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**A. Prepayment commission**

Prepayment commissions are reclassified from Interest income to Fee and commission income.

B. Net income from financial operations

Net income from financial operations is divided considering its measurement category into the following concepts:

- Net income/(expense) from financial assets and liabilities for trading, and
- Net income from derecognising financial assets and liabilities at amortised cost and financial assets at fair value through other comprehensive income.

The Bank considers that this classification provides more detailed information about this line item.

C. Other operating income

The Bank has added the line “Net income from non-current assets and groups available for sale not admissible as discontinued operations” in the Consolidated Statement of Income, in order to include the income related to a) assets received or awarded in lieu of payment and b) to a lesser extent, income from sale of non-current assets, and c) other minor reclassifications as presented in the following table:

Previous presentation	31-12-2021	Current presentation	31-12-2021
	MCh\$		MCh\$
Other operating income	10,391	Net income from non-current assets and groups available for sale not admissible as discontinued operations	
		assets received or awarded in lieu of payment	6,152
		sale of fixed assets	673
		Income from investments in associates and other companies	
		Income from sale of investment	188
		Other operating expenses	
		recovery from operational risk expenses	2,389
		Other operating income	
		others	1,662
TOTAL	10,391	TOTAL	10,391

D. Other operating expenses

In accordance with the aforementioned, expenses from assets received or awarded in lieu of payment and are included in Net income from non-current assets and groups available for sale not admissible as discontinued operations and recovery from operational risk expenses are now included in other operating expenses. A summary of the adjustments is presented in the following table:

Previous presentation	31-12-2021	Current presentation	31-12-2021
	MCh\$		MCh\$
Other operating expenses	107,819	Net income from non-current assets and groups available for sale not admissible as discontinued operations	
		assets received or awarded in lieu of payment	3,855
		Provision for loan losses	
		country risk	145
		Other operating expenses	
		other	103,819
TOTAL	107,819	TOTAL	107,819
		Other operating expenses	
		other	103,819
		Less: recovery from operational risk expenses	(2,389)
		TOTAL	101,430

E. Income from investments in associates and other companies

In the current presentation this item is presented as Operating income, plus the income from sale of investments (MCh\$188), as mentioned in letter C.

F. Provision for loan losses

Provision is presented below operating expenses and opening in the main concepts, to provide more detail.

NOTE 02 - SIGNIFICANT EVENTS

As of December 31, 2022, the following significant events have occurred and affected the Bank's operation and Consolidated Financial Statements.

a. The Board

On March 22, 2022, at the Board of Directors meeting held on such date, the members agreed to summon an Ordinary Shareholders Meeting scheduled for April 27, 2022 with the intention to propose a distribution of profits and payment of dividends equivalent to 60% of the retained earnings as of December 31, 2021 equivalent to \$ 2.46741747 per share and to propose that the remaining 40% of the profits be destined to increase the Bank's reserves.

On July 27, 2022, at the extraordinary session of the Board of Directors meeting held on such date, the members approved the designation of Mr. Roman Blanco Reinoso as new General Manager of the Bank beginning August 1, 2022, replacing Mr. Miguel Mata Huerta.

In an extraordinary session of the Board of Directors held on September 8, 2022, the members agreed to reclassify MCh\$56,602 from reserves to retained earnings to meet future interest payments associated with perpetual bonds.

b. Shareholders' meeting

At the Ordinary Shareholders' Meeting of Banco Santander-Chile held on April 27, 2022, along with the approval of the Consolidated Financial Statements for 2021, the shareholders agreed to distribute 60% of the net profits for the year ("Profit attributable to equity holders of the Bank"), which amounted to \$464,975 million. Those profits represent a dividend of \$2.46741747 Chilean pesos for each share. In addition, the Board approved that the remaining 40% of the profits will increase the Bank's reserves. Likewise, the shareholders discussed about the transitory and optional tax regime (Law 21,210 art 25) from which they may benefit, considering a substitute income tax of 30%.

Furthermore, the members also approved PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada as external auditors for the 2022 financial year.

c. Related entities

On July 25, 2022, at the extraordinary Shareholders meeting of Santander S.A. Sociedad Securitizadora, an increase of capital stock amounting to \$510,000,000 was approved. The final capital amounted to \$1,726,769,815 divided into 280 common, nominative shares of the same series and without par value. The capital increase does not imply a share issuance.

d. Bonds issued**Senior bonds**

As of December 31, 2022 the Bank has issued senior bonds for an amount of USD 30,000,000, JPY 3,000,000,000, CLP182,200,000,000 and UF13,000,000. The debt issuance information is included in Note 17.

Series	Currency	Term (annual)	Issuance rate (annual)	Issuance date	Placement date	Amount	Maturity date
USD Bond	USD	3	SOFR+95bps	04-20-2022	04-28-2022	30,000,000	04-28-2025
JPY Bond	JPY	3	0.65%	09-08-2022	09-15-2022	3,000,000,000	09-15-2025
U6	CLP	5.5	2.95%	10-20-2022	10-21-2022	35,200,000,000	04-01-2026
T20	UF	11.5	2.65%	10-21-2022	10-24-2022	5,000,000	02-01-2034
U7	CLP	5.5	7.00%	11-15-2022	11-16-2022	72,000,000,000	04-01-2026
T17	CLP	10	7.00%	11-18-2022	11-22-2022	75,000,000,000	08-01-2032
W4	UF	10.5	2.65%	12-07-2022	12-09-2022	8,000,000	12-01-2022

e. Others

On February 4, 2022, the Committee for Setting Interchange Rates Limits established the new limits for interchange rates: 0.6% for debit cards, 1.48% for credit cards, and 1.04% for payment cards with provision of funds. The Bank has estimated the effects of the implementation of the limits in approximately MCh\$29,000 for the year 2022.

NOTE 03 - REPORTING SEGMENTS

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

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

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

The 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\$3,000 million. This segment gives customers a variety of services, including consumer loans, credit cards, automobile 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\$3,000 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 projects, chiefly residential, with the aim of expanding sales of mortgage loans.

Corporate & Investment Banking (CIB)

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 Investment Banking segments. These include products such as short-term financing and fund raising, brokerage services, derivatives, securitization, and other tailor-made products. The Treasury area may act as brokers to transactions and also manages the Bank's investment portfolio.

Corporate Activities ("Other")

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

NOTE 03 - REPORTING SEGMENTS, continued

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

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

Below are the tables showing the Bank's results by reporting segment for the years ended December 31, 2022, 2021 and 2020 in addition to the corresponding balances of loans and accounts receivable from customers:

	For the year ended December 31, 2022							
	Loans and accounts receivable from customers (1)	Deposits and other demand deposits (2)	Net interest income	Net fee and commission income	Net income from financial operations	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Retail Banking	27,081,897	13,553,898	1,129,553	312,706	34,721	(263,167)	(635,991)	577,822
Middle-market	8,641,652	6,110,529	389,297	62,644	22,979	(57,253)	(105,160)	312,506
CIB	2,978,420	6,636,113	143,575	37,300	157,793	(8,082)	(91,926)	238,660
Other	27,432	764,476	(92,313)	(5,381)	1,685	(27,993)	(21,943)	(145,945)
Total	38,729,401	27,065,016	1,570,112	407,269	217,178	(356,494)	(855,020)	983,045
Other operating income								5,539
Other operating expenses								(106,306)
Net income from non-current assets and groups available for sale not admissible as discontinued operations								8,518
Income from investments in associates and other companies								10,310
Result of continuing operations before income taxes								901,106
Income tax expense								(93,624)
Result of discontinued operations before income taxes								-
Income tax expense								-
Net income for the year								807,482

(1) Corresponds to loans and accounts receivable and Interbank at amortised cost, without deducting their allowances for loan losses.

(2) Corresponds to Deposits and other demand liabilities and Time deposits and other time liabilities.

(3) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation and amortisation.

NOTE 03 - REPORTING SEGMENTS, continued

For the year ended December 31, 2021								
	Loans and accounts receivable from customers (1)	Deposits and other demand deposits (2)	Net interest income	Net fee and commission income	Net income from financial operations	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Retail Banking	25,784,719	14,779,739	1,035,288	270,750	36,286	(239,885)	(616,287)	486,152
Middle-market	8,511,500	6,185,189	327,519	49,545	18,001	(53,281)	(94,721)	247,063
CIB	2,154,325	6,010,150	96,388	31,027	112,576	2,884	(77,051)	165,824
Other	78,518	1,056,915	335,579	(1,994)	-47,835	(946)	(11,805)	272,999
Total	36,529,062	28,031,993	1,794,774	349,328	119,028	(291,228)	(799,864)	1,172,038
Other operating income								1,662
Other operating expenses								(101,430)
Net income from non-current assets and groups available for sale not admissible as discontinued operations								2,297
Income from investments in associates and other companies								(475)
Result of continuing operations before income taxes								1,074,092
Income tax expense								(221,664)
Result of discontinued operations before income taxes								-
Income tax expense								-
Net income for the year								852,428

(1) Corresponds to loans and accounts receivable and Interbank at amortised cost, without deducting their allowances for loan losses.

(2) Corresponds to Deposits and other demand liabilities and Time deposits and other time liabilities.

(3) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation and amortisation.

NOTE 03 - REPORTING SEGMENTS, continued

	For the year ended December 31, 2020							
	Loans and accounts receivable from customers (1)	Deposits and other demand deposits (2)	Net interest income	Net fee and commission income	Net income from financial operations	Provision for loan losses	Support expenses (3)	Segment's net contribution
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Retail Banking	24,279,248	12,018,691	1,040,490	222,497	28,577	(317,050)	(596,464)	378,050
Middle-market	8,136,402	5,588,657	338,896	45,654	21,859	(109,999)	(91,132)	205,278
CIB	1,635,217	5,051,538	112,837	24,561	82,303	(51,097)	(72,715)	95,889
Other	289,026	2,483,798	85,278	(9,087)	17,058	385	(8,235)	85,399
Total	34,339,893	25,142,684	1,577,501	283,625	149,797	(477,761)	(768,546)	764,616
Other operating income								861
Other operating expenses								(73,928)
Net income from non-current assets and groups available for sale not admissible as discontinued operations								2,326
Income from investments in associates and other companies								1,388
Result of continuing operations before income taxes								695,263
Income tax expense								(142,533)
Result of discontinued operations before income taxes								-
Income tax expense								-
Net income for the year								552,730

(1) Corresponds to loans and accounts receivable and Interbank at amortised cost, without deducting their allowances for loan losses.

(2) Corresponds to the sum of personnel salaries and expenses, administrative expenses, depreciation and amortisation.

(3) Corresponds to other income expenses and impairment of non-financial assets

NOTE 04 - CASH AND CASH EQUIVALENTS

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

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Cash and deposits in banks		
Cash	1,110,830	883,322
Deposits at the Central Bank of Chile	444,491	673,396
Deposits in local banks	2,646	30,265
Deposits in banks abroad	424,975	1,294,575
Subtotals – Cash and deposits in banks	1,982,942	2,881,558
Net cash items in process of collection	96,944	10,337
Cash and cash equivalents	2,079,886	2,891,895

The balance of funds held in cash and at the Central Bank of Chile reflects the monthly average that the Bank must maintain in accordance with the regulations governing minimum reserves although the balance can be withdrawn on demand.

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

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

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Assets		
Documents held by other banks (documents to be cleared)	93,650	122,474
Funds receivable	750,166	267,797
Subtotal	843,816	390,271
Liabilities		
Funds payable	746,872	379,934
Subtotal	746,872	379,934
Cash in process of collection, net	96,944	10,337

NOTE 05 - FINANCIAL ASSETS FOR TRADING AT FAIR VALUE THROUGH PROFIT AND LOSS

The detail of financial assets for trading at fair value through profit and loss is as follows:

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Financial derivative contracts		
Forwards	1,669,807	1,088,194
Swaps	9,992,123	8,402,868
Call currency options	1,429	3,232
Put currency options	9,601	177
Subtotal	11,672,960	9,494,471
Debt financial instruments		
Chilean Central Bank and Government securities	153,967	68,649
Foreign financial debt securities	79	4,698
Subtotal	154,046	73,347
Total	11,827,006	9,567,818

a. As of December 31, 2022 and 2021 the Bank holds the following portfolio of financial assets derivative contracts:

	As of December 31, 2022								
	Notional amount								
			Between 1	Between 3					
	Demand	Up to	and 3	and 12	Between 1	Between 3	More than 5	Total	Fair value
MCh\$	1 month	months	months	and 3 years	and 5 years	years	MCh\$	MCh\$	MCh\$
Currency forward	-	9,245,832	7,653,539	9,828,036	6,178,376	1,009,395	737,202	34,652,380	1,669,807
Interest rate swaps	-	5,583,353	8,796,596	26,246,111	24,855,247	11,658,182	16,373,617	93,513,106	4,283,817
Cross currency swaps	-	1,258,796	1,575,109	5,398,185	19,811,336	11,689,202	21,297,126	61,029,754	5,708,306
Call currency options	-	99,157	80,844	24,744	-	-	-	204,745	1,429
Put currency options	-	309,713	1,699	7,816	-	-	-	319,228	9,601
Total	-	16,496,851	18,107,787	41,504,892	50,844,959	24,356,779	38,407,945	189,719,213	11,672,960

	As of December 31, 2021								
	Notional amount								
			Between 1	Between 3			More than 5		
	Demand	Up to 1	and 3	and 12	Between 1	Between 3	years	Total	Fair value
MCh\$	month	months	months	and 3 years	and 5 years	MCh\$	MCh\$	MCh\$	MCh\$
Currency forward	-	4,975,740	4,892,023	5,873,439	2,272,048	1,404,498	572,858	19,990,606	1,088,194
Interest rate swaps	-	3,073,729	4,409,984	11,320,119	19,002,414	14,025,972	19,384,413	71,216,631	3,009,922
Cross currency swaps	-	1,134,097	1,717,410	6,962,984	21,317,376	22,326,462	37,994,088	91,452,417	5,392,946
Call currency options	-	3,344	24,593	36,394	-	-	-	64,331	3,232
Put currency options	-	10,715	5,268	8,545	-	-	-	24,528	177
Total	-	9,197,625	11,049,278	24,201,481	42,591,838	37,756,932	57,951,359	182,748,513	9,494,471

NOTE 05 - FINANCIAL ASSETS FOR TRADING AT FAIR VALUE THROUGH PROFIT AND LOSS, continued

b. As of December 31, 2021 and 2020 the Bank holds the following portfolio of debt financial instruments for trading:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank financial instruments	1,412	713
Chilean Treasury bonds and notes	152,555	67,936
Subtotal	153,967	68,649
Other Chilean debt financial securities		
Chilean corporate bonds	-	4,698
Subtotal	-	4,698
Foreign financial debt securities		
Other foreign financial instruments	79	-
Subtotal	79	-
Total	154,046	73,347

As of December 31, 2022 and 2021, there were no trading investments sold under resell agreements to clients or financial institutions.

NOTE 06 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets at fair value through other comprehensive income is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Debt financial instruments		
Chilean Central Bank and Government securities	4,074,413	4,240,356
Other Chilean debt financial securities	9,898	11,774
Foreign financial debt securities	1,796,422	1,549,249
Subtotal	5,880,733	5,801,379
Other financial instruments		
Commercial loans	142,306	99,375
Subtotal	142,306	99,375
Total	6,023,039	5,900,754

a. As of December 31, 2022 and 2021 detail of financial debt instruments is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank financial instruments	3,331,264	3,258,417
Chilean Treasury bonds and notes	742,717	981,939
Other Chilean government financial instruments	432	-
Subtotal	4,074,413	4,240,356
<i>of which sold under repurchase agreement</i>	<i>207,280</i>	<i>86,554</i>
Other Chilean debt financial securities		
Chilean Bank debt financial instruments	9,891	11,774
Other Chilean financial instruments	7	-
Subtotal	9,898	11,774
<i>of which sold under repurchase agreement</i>	<i>91</i>	<i>80</i>
Foreign financial debt securities		
Foreign Central Banks financial instruments	1,668,670	1,438,155
Other foreign debt financial instruments	127,752	111,094
Subtotal	1,796,422	1,549,249
<i>of which sold under repurchase agreement</i>	<i>127,752</i>	<i>-</i>
Total	5,880,733	5,801,379

The Bank holds instruments, within “Chilean Central Bank and government securities”, which guarantee derivatives transactions through Comder Contraparte Central S.A., in the local market as of December 31, 2022 and 2021 for an amount of Ch\$133,480 and Ch\$115,680, respectively, while “Foreign financial debt securities” guarantee derivatives transactions through London Clearing House (LCH) as of December 31, 2022 and 2021 for an amount of Ch\$69,666 and Ch\$83,673, respectively. Additionally, the Bank maintains guarantees with Euroclear as of December 31, 2022 and 2021 for an amount of Ch\$590,466 and Ch\$461,419, respectively, to comply with the initial margin required by European EMIR Standard.

As of December 31, 2022, changes in fair value of financial assets measured at FVCO included a cumulative net unrealized loss of MCh\$109,392, recorded as “valuation adjustment” in OCI, where MCh\$110,130 (loss) are attributable to shareholders equity and MCh\$738 (profit) to non-controlling interest.

NOTE 06 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, continued

As of December 31, 2021, debt instruments at FVOCI included a cumulative net unrealized loss of MCh\$112,223, recorded as “valuation adjustment” in OCI, where MCh\$112,993 (loss) are attributable to shareholders equity and MCh\$770 (profit) to non-controlling interest.

The changes in the fair value and the corresponding ECL as of December 31, 2022 is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Gross carrying amount at January 1, 2022	5,803,139	-	-	5,801,379
New financial assets purchased	31,456,434	-	-	31,456,434
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(31,248,163)	-	-	(31,248,163)
Changes in measurement of financial assets	(130,677)	-	-	(128,917)
Other adjustments	-	-	-	-
At December 31, 2022	5,880,733	-	-	5,880,733

	Stage 1	Stage 2	Stage 3	TOTAL
ECL at January 1, 2022	703	-	-	703
New financial assets purchased	5,627	-	-	5,627
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(5,553)	-	-	(5,553)
Changes due to changes in credit risk	100	-	-	100
Write-off	-	-	-	-
Other adjustments	-	-	-	-
At December 31, 2022	877	-	-	877

The changes in the fair value and the corresponding ECL as of December 31, 2021 is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Gross carrying amount at January 1, 2021	7,162,542	-	-	7,162,542
New financial assets purchased	22,610,556	-	-	22,610,556
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(23,770,174)	-	-	(23,770,174)
Changes in measurement of financial assets	(201,143)	-	-	(201,143)
Other adjustments	1,358	-	-	(402)
At December 31, 2021	5,803,139	-	-	5,801,379

	Stage 1	Stage 2	Stage 3	TOTAL
ECL at January 1, 2021	1,138	-	-	1,138
New financial assets purchased	3,293	-	-	3,293
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(3,608)	-	-	(3,608)
Changes due to changes in credit risk	(120)	-	-	(120)
Write-off	-	-	-	-
Other adjustments	-	-	-	-
At December 31, 2021	703	-	-	703

NOTE 06 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, continued

Gross profits and losses realized on the sale of available for sale investments as of December 31, 2022, 2021 and 2020 is as follows:

	As of December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Sale of debt financial instruments at FVOCI generating realized profits	452,668	1,728,731	3,696,791
Realized profits	121	28,131	82,925
Sale of debt financial instruments at FVOCI generating realized losses	1,122,222	1,247,044	379,046
Realized losses	22,195	4,944	2,246

The Bank evaluated those instruments with unrealized losses as of December 31, 2022 and 2021 and concluded they were not impaired. This review consisted of evaluating the economic reasons for any declines, the credit ratings of the securities' issuers, and the Bank's intention and ability to hold the securities until the unrealized loss is recovered. Based on this analysis, the Bank believes that there were no significant or prolonged declines nor changes in credit risk which would cause impairment in its investment portfolio, since most of the decline in fair value of these instruments was caused by market conditions which the Bank considers to be temporary. All of the instruments that have unrealized losses as of December 31, 2022 and 2021 were not in a continuing unrealized loss position for more than one year.

b. Other financial instruments

The Bank classifies certain loans and account receivables at fair value through other comprehensive income (FVOCI), when a credit operation exceeds single client exposure under the Bank's credit risk policy. Initially, the risk committee approves the full operation but with the condition to sell a portion of the loan in the medium term.

Additionally, the Bank includes operations that expect to sell, for which an increase of the credit risk has been identified.

This portfolio is measured at fair value, recognising the adjustment in other comprehensive income. The portfolio is assessed for impairment loss under the ECL model, same as loans at amortised cost.

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2022, is as follows:

	Stage1	Stage2	Stage3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
Gross carrying amount at January 1, 2022	99,643	-	-	99,643
New financial assets originated	72,745	-	-	72,745
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(24,835)	-	-	(24,835)
Changes in measurement of financial assets	(4,921)	-	-	(4,921)
Write-off	-	-	-	-
Other adjustments	-	-	-	-
At December 31, 2022	142,632	-	-	142,632

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
ECL allowance at January 1, 2022	268	-	-	268
New financial assets originated	76	-	-	76
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(110)	-	-	(110)
Changes due to changes in credit risk	92	-	-	92
Write-off	-	-	-	-
Other adjustments	-	-	-	-
At December 31, 2022	326	-	-	326

NOTE 06 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, continued

The changes in the gross carrying amount and the corresponding ECL allowance, as of December 31, 2021, is as follows:

	Stage1	Stage2	Stage3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
Gross carrying amount at January 1, 2021	70,685	-	-	70,685
New financial assets originated	69,180	-	-	69,180
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(35,570)	-	-	(35,570)
Changes in measument of financial assets	2,819	-	-	2,819
Write-off	-	-	-	-
Other adjustments	(7,471)	-	-	(7,471)
At December 31, 2021	99,643	-	-	99,643

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
ECL allowance at January 1, 2021	1,354	-	-	1,354
New financial assets originated	84	-	-	84
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	(1,391)	-	-	(1,391)
Changes due to changes in credit risk	221	-	-	221
Write-off	-	-	-	-
Other adjustments	-	-	-	-
At December 31, 2021	268	-	-	268

NOTE 06 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, continued

The following charts show debt instruments at fair value through other comprehensive income cumulative unrealized profit and loss, as of December 31, 2022:

2022	Less than 12 months				More than 12 months				Total			
	Amortised cost MCh\$	Fair value MCh\$	Unrealized profit MCh\$	Unrealized loss MCh\$	Amortised cost MCh\$	Fair value MCh\$	Unrealized profit MCh\$	Unrealized loss MCh\$	Amortised cost MCh\$	Fair value MCh\$	Unrealized profit MCh\$	Unrealized loss MCh\$
Chilean Central Bank and Government securities												
Chilean Central Bank financial instruments	3,331,635	3,331,264	2,270	(2,641)	-	-	-	-	3,331,635	3,331,264	2,270	(2,641)
Chilean Treasury bonds and notes	834,935	742,717	27	(92,218)	-	-	-	-	834,935	742,717	27	(92,218)
Other Chilean government financial instruments	407	432	25	-	-	-	-	-	407	432	25	-
Subtotal	4,166,977	4,074,413	2,322	(94,859)	-	-	-	-	4,166,977	4,074,413	2,322	(94,859)
Other Chilean debt financial securities												
Chilean Bank debt financial instruments	10,082	9,891	17	(207)	-	-	-	-	10,082	9,891	17	(207)
Other Chilean financial instruments	6	7	-	-	-	-	-	-	6	7	-	-
Subtotal	10,088	9,898	17	(207)	-	-	-	-	10,088	9,898	17	(207)
Foreign financial debt securities												
Foreign Central Banks financial instruments	1,683,052	1,668,670	39,210	(53,592)	-	-	-	-	1,683,052	1,668,670	39,210	(53,592)
Other foreign debt financial instruments	116,351	127,752	11,401	-	-	-	-	-	116,351	127,752	11,401	-
Subtotal	1,799,403	1,796,422	50,611	(53,592)	-	-	-	-	1,799,403	1,796,422	50,611	(53,592)
Loans and account receivable from customer												
Commercial loans	155,990	142,306	-	(13,684)	-	-	-	-	155,990	142,306	-	(13,684)
Subtotal	155,990	142,306	-	(13,684)	-	-	-	-	155,990	142,306	-	(13,684)
Total	6,132,458	6,023,039	52,950	(162,342)	-	-	-	-	6,132,458	6,023,039	52,950	(162,342)

NOTE 06 – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, continued

The following charts show debt instruments at fair value through other comprehensive income cumulative unrealized profit and loss, as of December 31, 2021:

2021	Less than 12 months				More than 12 months				Total			
	Amortised cost MCh\$	Fair value MCh\$	Unrealized profit MCh\$	Unrealized loss MCh\$	Amortised cost MCh\$	Fair value MCh\$	Unrealized profit MCh\$	Unrealized loss MCh\$	Amortised cost MCh\$	Fair value MCh\$	Unrealized profit MCh\$	Unrealized loss MCh\$
Chilean Central Bank and Government securities												
Chilean Central Bank financial instruments	3,257,912	3,258,417	515	(10)	-	-	-	-	3,257,912	3,258,417	515	(10)
Chilean Treasury bonds and notes	1,088,090	981,939	1,051	(107,202)	-	-	-	-	1,088,090	981,939	1,051	(107,202)
Subtotal	4,346,002	4,240,356	1,566	(107,212)	-	-	-	-	4,346,002	4,240,356	1,566	(107,212)
Other Chilean debt financial securities												
Chilean Bank debt financial instruments	11,713	11,773	98	(38)	-	-	-	-	11,713	11,773	98	(38)
Other Chilean financial instruments	4,993	1,761	(3,232)	-	-	-	-	-	4,993	1,761	(3,232)	-
Subtotal	16,706	13,534	(3,134)	(38)	-	-	-	-	16,706	13,534	(3,134)	(38)
Foreign financial debt securities												
Foreign Central Banks financial instruments	1,442,753	1,438,155	1,145	(5,743)	-	-	-	-	1,442,753	1,438,155	1,145	(5,743)
Other foreign debt financial instruments	109,901	111,094	1,193	-	-	-	-	-	109,901	111,094	1,193	-
Subtotal	1,552,654	1,549,249	2,338	(5,743)	-	-	-	-	1,552,654	1,549,249	2,338	(5,743)
Loans and account receivable from customer												
Commercial loans	105,480	99,418	-	(6,062)	-	-	-	-	105,480	99,418	-	(6,062)
Subtotal	105,480	99,418	-	(6,062)	-	-	-	-	105,480	99,418	-	(6,062)
Total	6,020,842	5,902,557	770	(119,055)	-	-	-	-	6,020,842	5,902,557	770	(119,055)

NOTE 07 - FINANCIAL DERIVATIVES CONTRACTS FOR HEDGE ACCOUNTING

As of December 31, 2022 and 2021 the Bank holds the following portfolio of derivative instruments for hedging purposes:

	As of December 31, 2022									
	Notional amount								Fair value	
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$	Assets MCh\$	Liabilities MCh\$
Fair value hedge derivatives										
Interest rate swaps	-	206,630	447,773	722,845	7,300,878	608,013	1,728,916	11,015,055	213,478	1,166,339
Cross currency swaps	-	84,959	706,859	1,512,048	3,149,733	1,200,889	1,462,413	8,116,901	75,848	333,097
Subtotal	-	291,589	1,154,632	2,234,893	10,450,611	1,808,902	3,191,329	19,131,956	289,326	1,499,436
Cash flow hedge derivatives										
Currency forwards	-	176,664	1,839,766	554,696	-	-	-	2,571,126	823	35,332
Cross currency swaps	-	486,032	932,204	2,019,072	6,703,372	2,077,260	2,261,958	14,479,898	187,613	1,254,026
Subtotal	-	662,696	2,771,970	2,573,768	6,703,372	2,077,260	2,261,958	17,051,024	188,436	1,289,358
Total	-	954,285	3,926,602	4,808,661	17,153,983	3,886,162	5,453,287	36,182,980	477,762	2,788,794

	As of December 31, 2021									
	Notional amount								Fair value	
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$	Assets MCh\$	Liabilities MCh\$
Fair value hedge derivatives										
Interest rate swaps	-	20,000	190,000	87,817	6,278,000	384,713	1,842,686	8,803,216	22,933	587,702
Cross currency swaps	-	42,926	295,548	3,056,063	1,168,120	2,272,472	1,585,870	8,420,999	493,175	118,199
Subtotal	-	62,926	485,548	3,143,880	7,446,120	2,657,185	3,428,556	17,224,215	516,108	705,901
Cash flow hedge derivatives										
Currency forwards	-	238,719	120,343	920,279	-	-	-	1,279,341	3,497	1,590
Cross currency swaps	-	221,147	235,537	1,033,671	5,103,045	3,341,606	3,024,988	12,959,994	109,531	656,719
Subtotal	-	459,866	355,880	1,953,950	5,103,045	3,341,606	3,024,988	14,239,335	113,028	658,309
Total	-	522,792	841,428	5,097,830	12,549,165	5,998,791	6,453,544	31,463,550	629,136	1,364,210

a. Micro-hedge accounting**Fair value micro-hedge**

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

NOTE 07 - FINANCIAL DERIVATIVES CONTRACTS FOR HEDGE ACCOUNTING, continued

Below is a detail of the hedged elements and hedge instruments under fair value hedges as of December 31, 2022 and 2021, classified by term to maturity:

	As of December 31, 2022							
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$
Hedged item								
Loans and account receivable at amortised cost								
Commercial loans	-	-	-	180,963	-	-	-	180,963
Debt instruments at FVOCI								
US Treasury bonds	-	-	-	-	-	594,713	1,389,080	1,983,793
Time deposits and other time liabilities								
Time deposits	-	206,630	447,773	873,822	141,539	-	-	1,669,764
Instrumentos de deuda emitidos								
Senior bonds	-	-	-	122,638	2,569,632	1,038,634	757,861	4,488,765
Subordinated bonds	-	-	-	-	84,959	175,555	485,917	746,431
Interbank borrowing								
Interbank loans	-	84,959	706,859	1,057,470	-	-	-	1,849,288
Chilean Central Bank loans	-	-	-	-	6,178,000	-	-	6,178,000
Total	-	291,589	1,154,632	2,234,893	8,974,130	1,808,902	2,632,858	17,097,004
Hedging instrument								
Cross currency swaps	-	84,959	706,859	1,512,048	2,573,252	1,200,890	903,942	6,981,950
Forwards	-	206,630	447,773	722,845	6,400,878	608,012	1,728,916	10,115,054
Total	-	291,589	1,154,632	2,234,893	8,974,130	1,808,902	2,632,858	17,097,004

	As of December 31, 2021							
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$
Hedged item								
Loans and account receivable at amortised cost								
Commercial loans	-	42,724	183,713	42,724	-	-	-	269,161
Debt instruments at FVOCI								
Chilean sovereign bonds	-	-	-	12,817	-	71,093	18,371	102,281
Mortgage financing bonds	-	202	-	-	-	-	-	202
US Treasury bonds	-	-	-	-	-	213,620	1,226,179	1,439,799
Chilean Treasury bonds	-	-	-	-	-	73,915	-	73,915
Time deposits and other time liabilities								
Time deposits	-	20,000	162,538	68,358	-	-	-	250,896
Instrumentos de deuda emitidos:								
Senior bonds	-	-	30,000	616,751	1,182,672	2,198,556	1,414,970	5,442,949
Subordinated bonds	-	-	-	-	85,448	-	170,896	256,344
Interbank borrowing								
Interbank loans	-	-	-	1,779,882	-	-	-	1,779,882
Chilean Central Bank loans	-	-	-	-	6,178,000	-	-	6,178,000
Total	-	62,926	376,251	2,520,532	7,446,120	2,557,184	2,830,416	15,793,429
Hedging instrument								
Cross currency swaps	-	42,926	286,251	2,482,715	1,168,120	2,272,471	987,730	7,240,213
Interest rate swaps	-	20,000	90,000	37,817	6,278,000	284,713	1,842,686	8,553,216
Total	-	62,926	376,251	2,520,532	7,446,120	2,557,184	2,830,416	15,793,429

NOTE 07 - FINANCIAL DERIVATIVES CONTRACTS FOR HEDGE ACCOUNTING, continued**Cash flow micro-hedges**

The Bank uses cross currency swaps to hedge the risk from variability of cash flows attributable to changes in the interest rates of bonds and interbank loans at a variable interest rate. The inflation risk that arises in some items is covered by both forwards as well as cross currency swaps.

Below is the notional amount of the hedged items as of December 31, 2022 and 2021, and the period when the cash flows will be generated:

	As of December 31, 2022							Total MCh\$
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	
Hedged item								
Loans and accounts receivable at amortised cost								
Mortgage loans	-	545,747	2,563,558	1,999,451	5,568,862	1,026,081	1,577,002	13,280,701
Debt instruments at FVOCI								
Chilean Treasury bonds	-	-	-	-	-	492,370	191,906	684,276
Issued debt instruments								
Senior bonds	-	-	-	-	315,999	-	-	315,999
Subordinated bonds	-	70,222	140,444	245,526	818,511	558,809	493,051	2,326,563
Interbank borrowings								
Interbank loans	-	46,727	67,967	328,791	-	-	-	443,485
Total	-	662,696	2,771,969	2,573,768	6,703,372	2,077,260	2,261,959	17,051,024
Hedging instrument								
Cross currency swaps	-	486,032	932,203	2,019,072	6,703,372	2,077,260	2,261,959	14,479,898
Currency forward	-	176,664	1,839,766	554,696	-	-	-	2,571,126
Total	-	662,696	2,771,969	2,573,768	6,703,372	2,077,260	2,261,959	17,051,024

	As of December 31, 2021							Total MCh\$
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	
Hedged item								
Loans and accounts receivable at amortised cost								
Mortgage loans	-	331,694	355,880	1,131,422	4,364,910	2,015,703	2,176,996	10,376,605
Debt instruments at FVOCI								
Chilean Treasury bonds	-	-	-	-	-	532,190	209,411	741,601
Time deposits and other time liabilities								
Time deposits	-	-	-	85,448	-	-	-	85,448
Issued debt instruments								
Senior bonds (fixed rate)	-	85,448	-	480,736	738,135	793,713	638,581	2,736,613
Interbank borrowings								
Interbank loans	-	42,724	-	256,344	-	-	-	299,068
Total	-	459,866	355,880	1,953,950	5,103,045	3,341,606	3,024,988	14,239,335
Hedging instrument								
Cross currency swaps	-	221,147	235,537	1,033,671	5,103,045	3,341,606	3,024,988	12,959,994
Currency forwards	-	238,719	120,343	920,279	-	-	-	1,279,341
Total	-	459,866	355,880	1,953,950	5,103,045	3,341,606	3,024,988	14,239,335

NOTE 07 - FINANCIAL DERIVATIVES CONTRACTS FOR HEDGE ACCOUNTING, continued*i. Forecasted cash flows for interest rate risk*

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

	As of December 31, 2022							
	Demand	Up to	Between	Between	Between	Between	More than	Total
	MCh\$	1 month	1 and 3	3 and 12	1 and 3	3 and 5	5 years	MCh\$
	MCh\$	MCh\$	months	months	years	years	MCh\$	MCh\$
Hedged item								
Inflows	-	-	4,267	4,627	-	-	-	8,894
Outflows	-	(288)	(733)	(5,993)	(10,273)	(5,063)	(4,310)	(26,660)
Net flows	-	(288)	3,534	(1,366)	(10,273)	(5,063)	(4,310)	(17,766)
Hedging instrument								
Inflows	-	-	(4,267)	(4,627)	-	-	-	(8,894)
Outflows (*)	-	288	733	5,993	10,273	5,063	4,310	26,660
Net flows	-	288	(3,534)	1,366	10,273	5,063	4,310	17,766

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

	As of December 31, 2021							
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$
Hedged item								
Inflows	-	-	-	-	-	-	-	-
Outflows	-	(86)	-	(97)	(11,819)	(7,727)	(5,619)	(25,348)
Net flows	-	(86)	-	(97)	(11,819)	(7,727)	(5,619)	(25,348)
Hedging instrument								
Inflows	-	-	-	-	-	-	-	-
Outflows (*)	-	86	-	97	11,819	7,727	5,619	25,348
Net flows	-	86	-	97	11,819	7,727	5,619	25,348

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

ii. Forecasted cash flows for inflation risk:

	As of December 31, 2022							
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$
Hedged item								
Inflows	-	112,209	410,507	397,542	1,197,961	393,717	702,610	3,214,546
Outflows	-	(10,882)	(24,505)	(20,551)	(98,565)	(52,368)	(52,297)	(259,168)
Net flows	-	101,327	386,002	376,991	1,099,396	341,349	650,313	2,955,378
Hedging instrument								
Inflows	-	10,882	24,505	20,551	98,565	52,368	52,297	259,168
Outflows	-	(112,209)	(410,507)	(397,542)	(1,197,961)	(393,717)	(702,610)	(3,214,546)
Net flows	-	(101,327)	(386,002)	(376,991)	(1,099,396)	(341,349)	(650,313)	(2,955,378)

NOTE 07 - FINANCIAL DERIVATIVES CONTRACTS FOR HEDGE ACCOUNTING, continued

	As of December 31, 2021							Total MCh\$
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	
Hedged item								
Inflows	-	29,673	69,969	124,365	756,915	611,335	824,048	2,416,305
Outflows	-	-	(1,722)	(45,306)	(40,278)	(65,673)	(45,406)	(198,385)
Net flows	-	29,673	68,247	79,059	716,637	545,662	778,642	2,217,920
Hedging instrument								
Inflows	-	-	1,722	45,306	40,278	65,673	45,406	198,385
Outflows	-	(29,673)	(69,969)	(124,365)	(756,915)	(611,335)	(824,048)	(2,416,305)
Net flows	-	(29,673)	(68,247)	(79,059)	(716,637)	(545,662)	(778,642)	(2,217,920)

iii. Forecasted cash flows for exchange rate risk

	As of December 31, 2022							Total MCh\$
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	
Hedged item								
Inflows	-	-	-	-	-	-	-	-
Outflows	-	(5,687)	(4,281)	(20,192)	(6,784)	(3,208)	(1,606)	(41,759)
Net flows	-	(5,687)	(4,281)	(20,192)	(6,784)	(3,208)	(1,606)	(41,759)
Hedging instrument								
Inflows	-	-	-	-	-	-	-	-
Outflows	-	5,687	4,281	20,192	6,784	3,208	1,606	41,759
Net flows	-	5,687	4,281	20,192	6,784	3,208	1,606	41,759

As of December 31, 2021 the Bank had no forecasted cash flows for exchange rate risk.

b. Other comprehensive income effect

The accumulated effect of the mark to market adjustment of cash flow hedges generated by hedge instruments used in hedged cash flow was recorded in the Consolidated Statements of Changes in Equity, within other comprehensive income, as of December 31, 2022 and 2021, is as follows:

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Hedged item		
Interbank loans	(2,343)	974
Time deposits and other time liabilities	-	(8,816)
Issued debt instruments	415	21,701
Debt instruments at FVOCI	(22,571)	(33,509)
Loans and accounts receivable at amortised cost	(94,339)	(353,931)
Total	(118,838)	(373,581)

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 fluctuations of fair value attributable to risk components are almost completely offset.

During the current year, the Bank did not enter into any cash flow hedges relating to forecasted transactions.

NOTE 07 - FINANCIAL DERIVATIVES CONTRACTS FOR HEDGE ACCOUNTING, continued**c. P&L effect**

The amounts recycling from other comprehensive income to income for the year related to cash flow hedges are as follows:

	For the years ended December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Bond hedging derivatives	(826)	(3,248)	(3,149)
Interbank loans hedging derivatives	(4,762)	(286)	1
Mortgage loans hedging derivatives	(37,698)	(22,160)	-
Cash flow hedge net gain (loss)	(43,286)	(25,694)	(3,148)

See Note 21 - Equity, letter e, for other comprehensive income reconciliation

d. Net investment hedges in foreign operations

As of December 31, 2022, and 2021, the Bank does not have any foreign net investment hedges nor hedge accounting.

e. Fair value macro-hedges

As of December 31, 2022	Notional amount							Total MCh\$
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	
Hedge item								
Loans and account receivable at amortised cost								
Mortgage loans	-	-	-	-	576,481	-	558,470	1,134,951
Commercial loans	-	-	-	-	900,000	-	-	900,000
Total	-	-	-	-	1,476,481	-	558,470	2,034,951
Hedging instrument								
Cross currency swaps	-	-	-	-	576,481	-	558,470	1,134,951
Interest rate swaps	-	-	-	-	900,000	-	-	900,000
Total	-	-	-	-	1,476,481	-	558,470	2,034,951

As of December 31, 2021	Notional amount							Total MCh\$
	Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	
Hedge item								
Loans and account receivable at amortised cost								
Mortgage loans	-	-	9,298	573,347	-	-	412,190	994,835
Commercial loans	-	-	100,000	50,000	-	100,000	185,950	435,950
Total	-	-	109,298	623,347	-	100,000	598,140	1,430,785
Hedging instrument								
Cross currency swaps	-	-	9,298	573,347	-	-	598,140	1,180,785
Interest rate swaps	-	-	100,000	50,000	-	100,000	-	250,000
Total	-	-	109,298	623,347	-	100,000	598,140	1,430,785

As of December 31, 2022, and 2021 Other Assets include MCh\$185,810 and MCh\$217,979 respectively, related to fair value measurement of net assets or liabilities subject to macrohedges. See Note 14.

As of December 31, 2022, and 2021, Other Liabilities include MCh\$124,147 and MCh\$68,524 respectively, related to fair value measurement of net assets or liabilities subject to macrohedges. See Note 20.

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST

As of December 31, 2022 and 2021 the composition and balances are as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Debt financial instruments		
Chilean Central Bank and Government securities	4,867,591	4,691,730
Subtotal	4,867,591	4,691,730
Interbank loans		
Foreign banks	32,990	428
Subtotal	32,990	428
Loans and account receivable from customers		
Commercial loans	17,023,023	17,049,848
Mortgage loans	15,566,253	13,732,516
Consumer loans	4,953,868	4,694,836
Subtotal	37,543,144	35,477,200
Total	42,443,725	40,169,358

a. Debt financial instruments

The detail of the instruments classified as Debt instruments at amortised cost is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Chilean Central Bank and Government securities		
Chilean Central Bank bonds	-	-
Chilean Central Bank notes	4,868,485	4,692,441
Other Chilean Central Bank and government securities	-	-
Subtotal	4,868,485	4,692,441
Total	4,868,485	4,692,441

The related credit risk provision amounted to MCh\$894 and MCh\$711 as of December 31, 2022 and 2021, respectively.

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued

The changes in the amortised value and the corresponding ECL as of December 31, 2022 is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Gross carrying amount at January 1, 2022	4,692,441	-	-	4,692,441
New financial assets purchased	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	-	-	-	-
Changes due to modifications not derecognised	176,044	-	-	176,044
Other adjustments	-	-	-	-
At December 31, 2022	4,868,485	-	-	4,868,485

	Stage 1	Stage 2	Stage 3	TOTAL
ECL at January 1, 2022	711	-	-	711
New financial assets purchased	-	-	-	-
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	-	-	-	-
Changes due to modifications not derecognised	183	-	-	183
Write-off	-	-	-	-
Other adjustments	-	-	-	-
At December 31, 2022	894	-	-	894

The changes in the amortised value and the corresponding ECL as of December 31, 2021 is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
Gross carrying amount at January 1, 2021	-	-	-	-
New financial assets purchased	4,680,639	-	-	4,680,639
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	-	-	-	-
Changes due to modifications not derecognised	11,802	-	-	11,802
Other adjustments	-	-	-	-
At December 31, 2021	4,692,441	-	-	4,692,441

	Stage 1	Stage 2	Stage 3	TOTAL
ECL at January 1, 2021	-	-	-	-
New financial assets purchased	709	-	-	709
Transfers to stage 1	-	-	-	-
Transfers to stage 2	-	-	-	-
Transfers to stage 3	-	-	-	-
Assets derecognised or matured (excluding write-off)	-	-	-	-
Changes due to modifications not derecognised	2	-	-	2
Write-off	-	-	-	-
Other adjustments	-	-	-	-
At December 31, 2021	711	-	-	711

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued**b. Interbank Loans and Loans and account receivable from customers**

As of December 31, 2022	Assets before allowances				ECL allowance (*)				Net Assets MCh\$
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Interbank loans									
Foreign banks	32,991	-	-	32,991	1	-	-	1	32,990
Subtotal	32,991			32,991	1	-	-	1	32,990
Commercial loans									
Commercial loans	11,168,530	1,158,198	965,669	13,292,397	62,595	74,972	405,743	543,310	12,749,087
Foreign trade loans	1,525,589	61,981	24,938	1,612,508	6,453	2,262	16,820	25,535	1,586,973
Checking accounts debtors	106,281	16,204	9,776	132,261	1,049	1,179	6,438	8,666	123,595
Credit card debtors	112,483	11,208	8,986	132,677	1,141	1,683	5,671	8,495	124,182
Factoring transactions	859,269	13,438	5,683	878,390	956	587	1,812	3,355	875,035
Leasing transactions	1,113,284	156,368	76,325	1,345,977	6,288	9,478	29,462	45,228	1,300,749
Student loans	39,728	2,016	11,089	52,833	1,284	690	10,747	12,721	40,112
Other loans and accounts receivable	219,294	2,753	15,499	237,546	3,487	505	10,264	14,256	223,290
Subtotal	15,144,458	1,422,166	1,117,965	17,684,589	83,253	91,356	486,957	661,566	17,023,023
Mortgage loans									
Loans with mortgage finance bonds	1,648	41	224	1,913	3	1	33	37	1,876
Endorsable mortgage mutual loans	1,769	56	413	2,238	3	2	69	74	2,164
Mortgage mutual financed with mortgage bonds	81,982	780	4,859	87,621	227	23	753	1,003	86,618
Other mortgage mutual loans	14,513,299	364,616	679,780	15,557,695	19,130	10,371	131,460	160,961	15,396,734
Other credit and account receivable	73,382	1,974	4,186	79,542	25	65	591	681	78,861
Subtotal	14,672,080	367,467	689,462	15,729,009	19,388	10,462	132,906	162,756	15,566,253
Consumer loans									
Installment consumer loans	3,195,357	177,463	206,540	3,579,360	74,428	60,096	138,842	273,366	3,305,994
Checking account debtors	147,023	1,851	6,782	155,656	6,065	542	4,318	10,925	144,731
Credit card debtors	1,481,073	38,320	24,783	1,544,176	13,318	13,310	17,117	43,745	1,500,431
Leasing transactions	2,468	184	-	2,652	307	9	-	316	2,336
Other consumer loans	175	48	745	968	85	16	491	592	376
Subtotal	4,826,096	217,866	238,850	5,282,812	94,203	73,973	160,768	328,944	4,953,868
Total	34,675,625	2,007,499	2,046,277	38,729,401	196,845	175,791	780,631	1,153,267	37,576,134

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued

As of December 31, 2021	Assets before allowances				ECL allowance (*)				Net Assets
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Interbank loans									
Foreign banks	428	-	-	428	-	-	-	-	428
Subtotal	428	-	-	428	-	-	-	-	428
Commercial loans									
Commercial loans	11,605,779	1,320,691	794,211	13,720,681	63,889	90,253	331,548	485,690	13,234,991
Foreign trade loans	1,450,323	66,029	18,440	1,534,792	9,136	2,519	12,179	23,834	1,510,958
Checking accounts debtors	75,454	17,752	9,155	102,361	1,120	1,003	7,131	9,254	93,107
Credit card debtors	100,632	8,305	7,987	116,924	1,379	1,251	6,528	9,158	107,766
Factoring transactions	662,800	12,385	3,317	678,502	2,641	492	2,289	5,422	673,080
Leasing transactions	1,060,573	212,718	64,407	1,337,698	8,266	19,438	28,257	55,961	1,281,737
Student loans	43,002	4,413	8,599	56,014	1,046	590	5,821	7,457	48,557
Other loans and accounts receivable	94,871	2,233	9,137	106,241	1,172	443	4,974	6,589	99,652
Subtotal	15,093,434	1,644,526	915,253	17,653,213	88,649	115,989	398,727	603,365	17,049,848
Mortgage loans									
Loans with mortgage finance bonds	3,714	347	240	4,301	5	7	39	51	4,250
Endorsable mortgage mutual loans	3,075	484	364	3,923	9	10	61	80	3,843
Mortgage mutual financed with mortgage bonds	79,797	1,805	3,376	84,978	168	45	448	661	84,317
Other mortgage mutual loans	12,879,267	365,052	536,957	13,781,276	25,198	12,658	104,766	142,622	13,638,654
Other credit and account receivable	746	150	800	1,696	5	8	231	244	1,452
Subtotal	12,966,599	367,838	541,737	13,876,174	25,385	12,728	105,545	143,658	13,732,516
Consumer loans									
Installment consumer loans	3,229,118	155,656	208,139	3,592,913	108,359	33,244	134,743	276,346	3,316,567
Checking accounts debtors	119,402	2,087	1,108	122,597	4,380	440	622	5,442	117,155
Credit card debtors	1,251,952	20,611	7,761	1,280,324	12,906	4,476	4,839	22,221	1,258,103
Leasing transactions	3,068	110	22	3,200	272	19	15	306	2,894
Other consumer loans	55	49	109	213	22	18	56	96	117
Subtotal	4,603,595	178,513	217,139	4,999,247	125,939	38,197	140,275	304,411	4,694,836
Total	32,664,056	2,190,877	1,674,129	36,529,062	239,973	166,914	644,547	1,051,434	35,477,628

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued**a. Interbank loans**

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2022, is as follows:

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Gross carrying amount at January 1, 2022	428	-	-	-	-	-	428
Transfers:							
Transfers from stage 1 to stage 2	-	-	-	-	-	-	-
Transfers from stage 1 to stage 3	-	-	-	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-	-	-	-
Net changes of financial assets	32,561	-	-	-	-	-	32,561
Write-off	-	-	-	-	-	-	-
Other adjustments	2	-	-	-	-	-	2
At December 31, 2022	32,991	-	-	-	-	-	32,991

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
ECL allowance at January 1, 2022	-	-	-	-	-	-	-
Transfers							
Transfers to stage 2	-	-	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-	-	-
Transfers to stage 1	-	-	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-	-	-
Transfers to stage 1	-	-	-	-	-	-	-
Net changes of the exposure and modifications in credit risk	1	-	-	-	-	-	1
Write-off	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At December 31, 2022	1	-	-	-	-	-	1

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2021, is as follows:

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Gross carrying amount at January 1, 2021	18,930	-	-	-	-	-	18,930
Transfers:							
Transfers from stage 1 to stage 2	-	-	-	-	-	-	-
Transfers from stage 1 to stage 3	-	-	-	-	-	-	-
Transfers from stage 2 to stage 3	-	-	-	-	-	-	-
Transfers from stage 2 to stage 1	-	-	-	-	-	-	-
Transfers from stage 3 to stage 2	-	-	-	-	-	-	-
Transfers from stage 3 to stage 1	-	-	-	-	-	-	-
Net changes of financial assets	(18,502)	-	-	-	-	-	(18,502)
Write-off	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At December 31, 2021	428	-	-	-	-	-	428

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
ECL allowance at January 1, 2021	1	-	-	-	-	-	1
Transfers							
Transfers to stage 2	-	-	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-	-	-
Transfers to stage 3	-	-	-	-	-	-	-
Transfers to stage 1	-	-	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-	-	-
Transfers to stage 1	-	-	-	-	-	-	-
Net changes of the exposure and modifications in credit risk	(1)	-	-	-	-	-	(1)
Write-off	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At December 31, 2021	-	-	-	-	-	-	-

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued**b. Commercial loans**

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2022, is as follows:

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Gross carrying amount at January 1, 2022	10,377,271	4,716,168	1,411,363	233,158	551,237	364,016	17,653,213
Transfers:							
Transfers from stage 1 to stage 2	(539,387)	(492,763)	539,387	492,763	-	-	-
Transfers from stage 1 to stage 3	(2,169)	(57,501)	-	-	2,169	57,501	-
Transfers from stage 2 to stage 3	-	-	(234,165)	(256,444)	234,165	256,444	-
Transfers from stage 2 to stage 1	397,703	350,391	(397,703)	(350,391)	-	-	-
Transfers from stage 3 to stage 2	-	-	27,958	154,166	(27,958)	(154,166)	-
Transfers from stage 3 to stage 1	-	369	-	-	-	(369)	-
Net changes of financial assets	735,541	(262,145)	(154,244)	(44,096)	(9,790)	(14,601)	250,665
Write-off	-	-	-	-	(66,456)	(74,191)	(140,647)
Other adjustments	(83,178)	4,158	(1)	415	1	(37)	(78,642)
At December 31, 2022	11,885,781	4,258,677	1,192,595	229,571	683,368	434,597	17,684,589

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
ECL allowance at January 1, 2022	50,052	38,597	101,334	14,655	222,516	176,211	603,365
Transfers							
Transfers to stage 2	(7,575)	(31,569)	19,943	82,410	-	-	63,209
Transfers to stage 3	(13)	(2,858)	-	-	666	12,082	9,877
Transfers to stage 1	-	-	(19,924)	(50,214)	76,362	84,285	90,509
Transfers to stage 2	12,752	6,295	(28,387)	(42,778)	-	-	(52,118)
Transfers to stage 1	-	-	10,409	15,418	(9,992)	(34,993)	(19,158)
Transfers to stage 3	-	15	-	-	-	(303)	(288)
Net changes of the exposure and modifications in credit risk	(16,913)	30,964	(22,255)	10,385	62,668	34,611	99,460
Write-off	-	-	-	-	(66,456)	(74,191)	(140,647)
Other adjustments	415	3,091	(26)	386	(2)	3,493	7,357
At December 31, 2022	38,718	44,535	61,094	30,262	285,762	201,195	661,566

ECL allowance of corporate loans in stage 3, includes MCh\$105,837 from cash flow discounted methodology.

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2021, is as follows:

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Gross carrying amount at January 1, 2021	9,723,988	4,534,810	1,589,715	228,591	530,066	380,019	16,987,189
Transfers:							
Transfers from stage 1 to stage 2	(915,643)	(215,952)	915,643	215,952	-	-	-
Transfers from stage 1 to stage 3	(6,966)	(26,769)	-	-	6,966	26,769	-
Transfers from stage 2 to stage 3	-	-	(174,851)	(138,464)	174,851	138,464	-
Transfers from stage 2 to stage 1	632,584	105,704	(632,584)	(105,704)	-	-	-
Transfers from stage 3 to stage 2	-	-	4,410	60,942	(4,410)	(60,942)	-
Transfers from stage 3 to stage 1	-	67	-	-	-	(67)	-
Net changes of financial assets	1,571,979	(281,046)	(290,971)	(28,054)	(76,707)	(29,762)	865,439
Write-off	-	-	-	-	(79,529)	(90,845)	(170,374)
Other adjustments	(36,430)	7,541	1	(105)	-	380	(28,613)
At December 31, 2021	10,969,512	4,124,355	1,411,363	233,158	551,237	364,016	17,653,641

	Stage 1		Stage 2		Stage 3		TOTAL
	Corporate	Other commercial	Corporate	Other commercial	Corporate	Other commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
ECL allowance at January 1, 2021	39,174	41,358	65,452	44,315	261,505	193,268	645,072
Transfers							
Transfers to stage 2	(11,895)	(24,694)	51,953	46,093	-	-	61,457
Transfers to stage 3	(84)	(1,515)	-	-	1,696	10,432	10,529
Transfers to stage 3	-	-	(24,577)	(30,672)	66,562	53,132	64,445
Transfers to stage 1	9,294	5,223	(23,462)	(15,905)	-	-	(24,850)
Transfers to stage 2	-	-	297	2,129	(1,715)	(12,595)	(11,884)
Transfers to stage 1	-	17	-	-	-	(78)	(61)
Net changes of the exposure and modifications in credit risk	12,551	18,202	31,673	(31,186)	(26,003)	22,819	28,056
Write-off	-	-	-	-	(79,529)	(90,845)	(170,374)
Other adjustments	1,012	6	(2)	(119)	-	78	975
At December 31, 2021	50,052	38,597	101,334	14,655	222,516	176,211	603,365

ECL allowance of corporate loans in stage 3, includes MCh\$87,418 from cash flow discounted methodology.

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued**c. Mortgage loans**

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2022, is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
Gross carrying amount at January 1, 2022	12,966,600	367,837	541,737	13,876,174
Transfers:				
Transfers from stage 1 to stage 2	(770,851)	770,851	-	-
Transfers from stage 1 to stage 3	(127,190)	-	127,190	-
Transfers from stage 2 to stage 3	-	(326,428)	326,428	-
Transfers from stage 2 to stage 1	752,897	(752,897)	-	-
Transfers from stage 3 to stage 2	-	289,978	(289,978)	-
Transfers from stage 3 to stage 1	588	-	(588)	-
Net changes of financial assets	1,854,186	18,544	6,882	1,879,612
Write-off	-	-	(22,282)	(22,282)
Other adjustments	(4,150)	(418)	73	(4,495)
At December 31, 2022	14,672,080	367,467	689,462	15,729,009

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
ECL allowance at January 1, 2022	25,385	12,728	105,545	143,658
Transfers				
Transfers from stage 1 to stage 2	(7,352)	26,822	-	19,470
Transfers from stage 1 to stage 3	(2,210)	-	10,838	8,628
Transfers from stage 2 to stage 3	-	(20,901)	30,498	9,597
Transfers from stage 2 to stage 1	6,022	(30,066)	-	(24,044)
Transfers from stage 3 to stage 2	-	19,302	(35,285)	(15,983)
Transfers from stage 3 to stage 1	4	-	(233)	(229)
Net changes of the exposure and modifications in credit risk	(2,464)	2,585	43,782	43,903
Write-off	-	-	(22,282)	(22,282)
Other adjustments	3	(8)	43	38
At December 31, 2022	19,388	10,462	132,906	162,756

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2021, is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
Gross carrying amount at January 1, 2021	11,518,363	392,372	501,090	12,411,825
Transfers:				
Transfers from stage 1 to stage 2	(157,009)	157,009	-	-
Transfers from stage 1 to stage 3	(29,280)	-	29,280	-
Transfers from stage 2 to stage 3	-	(172,574)	172,574	-
Transfers from stage 2 to stage 1	121,278	(121,278)	-	-
Transfers from stage 3 to stage 2	-	122,001	(122,001)	-
Transfers from stage 3 to stage 1	508	-	(508)	-
Net changes of financial assets	1,520,280	(9,792)	(6,425)	1,504,063
Write-off	-	-	(31,895)	(31,895)
Other adjustments	(7,540)	99	(378)	(7,819)
At December 31, 2021	12,966,600	367,837	541,737	13,876,174

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
ECL allowance at January 1, 2021	25,065	8,441	79,016	112,522
Transfers				
Transfers from stage 1 to stage 2	(15,297)	15,135	-	(162)
Transfers from stage 1 to stage 3	(715)	-	2,750	2,035
Transfers from stage 2 to stage 3	-	(9,062)	19,749	10,687
Transfers from stage 2 to stage 1	7,681	(8,675)	-	(994)
Transfers from stage 3 to stage 2	-	3,529	(13,827)	(10,298)
Transfers from stage 3 to stage 1	8	-	(44)	(36)
Net changes of the exposure and modifications in credit risk	8,649	3,356	49,871	61,876
Write-off	-	-	(31,895)	(31,895)
Other adjustments	(6)	4	(75)	(77)
At December 31, 2021	25,385	12,728	105,545	143,658

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued**d. Consumer loans**

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2022, is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
Gross carrying amount at January 1, 2022	4,603,589	178,519	217,139	4,999,247
Transfers:				
Transfers from stage 1 to stage 2	(658,444)	658,444	-	-
Transfers from stage 1 to stage 3	(34,730)	-	34,730	-
Transfers from stage 2 to stage 3	-	(336,208)	336,208	-
Transfers from stage 2 to stage 1	342,438	(342,438)	-	-
Transfers from stage 3 to stage 2	-	113,277	(113,277)	-
Transfers from stage 3 to stage 1	16,545	-	(16,545)	-
Net changes of financial assets	556,707	(53,732)	(44,453)	458,522
Write-off	-	-	(174,919)	(174,919)
Other adjustments	(9)	4	(33)	(38)
At December 31, 2022	4,826,096	217,866	238,850	5,282,812

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
ECL allowance at January 1, 2022	125,939	38,197	140,275	304,411
Transfers:				
Transfers from stage 1 to stage 2	(91,772)	166,623	-	74,851
Transfers from stage 1 to stage 3	(8,244)	-	17,516	9,272
Transfers from stage 2 to stage 3	-	(140,415)	175,093	34,678
Transfers from stage 2 to stage 1	21,587	(87,763)	-	(66,176)
Transfers from stage 3 to stage 2	-	41,172	(63,765)	(22,593)
Transfers from stage 3 to stage 1	498	-	(15,308)	(14,810)
Net changes of the exposure and modifications in the credit risk	46,196	56,153	81,891	184,240
Write-off	-	-	(174,920)	(174,920)
Other adjustments	(1)	6	(14)	(9)
At December 31, 2022	94,203	73,973	160,768	328,944

NOTE 08 - FINANCIAL ASSETS AT AMORTISED COST, continued

The changes in the gross carrying amount and the corresponding ECL allowance as of December 31, 2021, is as follows:

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
Gross carrying amount at January 1, 2021	4,439,163	236,595	265,121	4,940,879
Transfers:				
Transfers from stage 1 to stage 2	(191,748)	191,748	-	-
Transfers from stage 1 to stage 3	(11,715)	-	11,715	-
Transfers from stage 2 to stage 3	-	(111,869)	111,869	-
Transfers from stage 2 to stage 1	113,107	(113,107)	-	-
Transfers from stage 3 to stage 2	-	24,112	(24,112)	-
Transfers from stage 3 to stage 1	185	-	(185)	-
Net changes of financial assets	254,596	(48,966)	(28,313)	177,317
Write-off	-	-	(118,953)	(118,953)
Other adjustments	1	6	(3)	4
At December 31, 2021	4,603,589	178,519	217,139	4,999,247

	Stage 1	Stage 2	Stage 3	TOTAL
	MCh\$	MCh\$	MCh\$	MCh\$
ECL allowance at January 1, 2021	88,825	31,732	158,642	279,199
Transfers:				
Transfers from stage 1 to stage 2	(53,167)	67,937	-	14,770
Transfers from stage 1 to stage 3	(1,954)	-	5,022	3,068
Transfers from stage 2 to stage 3	-	(59,937)	73,416	13,479
Transfers from stage 2 to stage 1	11,789	(30,186)	-	(18,397)
Transfers from stage 3 to stage 2	-	6,392	(16,215)	(9,823)
Transfers from stage 3 to stage 1	418	-	(906)	(488)
Net changes of the exposure and modifications in the credit risk	80,028	22,261	39,271	141,560
Write-off	-	-	(118,953)	(118,953)
Other adjustments	-	(2)	(2)	(4)
At December 31, 2021	125,939	38,197	140,275	304,411

In the course of 2022, the Bank has updated the macro-economic information and scenarios, resulting in an increase of ECL allowance of MCh\$73,000, which were covered with post-model adjustment previously recorded. As of December 31, 2022 the Bank maintains MCh\$91,351 in residual overlays, to face future macro-economic information and scenarios updates and to cover certain defaulted loans from mortgage and other commercial portfolios and specific clients.

In 2021, the Bank has updated the macro-economic scenarios, resulting an increase of ECL allowance of MCh\$43,000 and releasing the post-model adjustment established for 2020 (MCh\$59,000).

NOTE 09 - INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

Investments in associates and other companies are shown in the following table:

	Ownership interest As of December 31,			Carrying value As of December 31,			Profit and loss As of December 31,		
	2022 %	2021 %	2020 %	2022 MCh\$	2021 MCh\$	2020 MCh\$	2022 MCh\$	2021 MCh\$	2020 MCh\$
Redbanc S.A. (*)	33.43	33.43	-	3,800	3,321	-	572	472	-
Transbank S.A. (*)	25.00	25.00	-	27,732	21,288	-	6,508	(3,046)	-
Centro de Compensación Automatizado S.A.	33.33	33.33	33.33	5,172	3,664	2,788	1,567	876	603
Sociedad Interbancaria de Depósito de Valores S.A.	29.29	29.29	29.29	1,949	1,769	1,633	442	344	302
Cámara de Compensación de Alto Valor S.A.	15.00	15.00	15.00	1,110	1,008	971	140	58	28
Administrador Financiero del Transantiago S.A.	20.00	20.00	20.00	3,169	3,134	3,476	804	437	337
Servicios de Infraestructura de Mercado OTC S.A.	12.48	12.48	12.48	1,682	1,561	1,528	109	33	(24)
Subtotal				44,614	35,745	10,396	10,142	(826)	1,246
Shares or rights in other companies									
Bladex				-	-	136	-	188	-
Stock Exchanges				1,964	1,941	2,445	168	163	142
Others				8	8	10	-	-	-
Total				46,586	37,694	12,987	10,310	(475)	1,388

(*) In December 2021, the Bank reclassified its participation in Redbanc S.A. and Transbank S.A. as Investment in associates, after its prior decision to classify them as “Non-current assets held for sale and discontinued operations”, due to lack of buyers. See Note 1 v) and Note 39.

In April 22, 2021, Transbank held an extraordinary shareholders meeting, where the members approved a capital increase of MCh\$30,000. In June 22, 2021, at the ordinary Board of Directors meeting, the Bank approved the contribution, the first contribution was made on July for MCh\$2,500 and the second on September for MCh\$4,999.

a. Equity instruments at fair value through other comprehensive income

As described in Note 1 g), the Bank has elected to measure equity instruments at FVOCI and thus present in OCI changes in the fair value. Those equity investment are considered “strategic investments”, are not held for trading and are not material.

Dividends are recognised in the income statements under “Income from investments in associates and other companies”.

In July 2021, the Bank sold its participation in Bladex.

The fair value of these equity investments is as follows:

	December 31,	
	2022 MCh\$	2021 MCh\$
Stock exchange	1,964	1,941
Others	8	8
Total	1,972	1,949

NOTE 09 - INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES, continued

b. Summary of financial information of associates as of and for the years ended December 31, 2022, 2021 and 2020:

	As of December 31,											
	2022				2021				2020			
	Assets MCh\$	Liabilities MCh\$	Equity MCh\$	Net income MCh\$	Assets MCh\$	Liabilities MCh\$	Equity MCh\$	Net income MCh\$	Assets MCh\$	Liabilities MCh\$	Equity MCh\$	Net income MCh\$
Redbanc S.A.	30,518	19,150	9,657	1,711	28,410	18,475	8,522	1,413	25,483	16,820	8,018	645
Transbank S.A.	14,982,071	13,872,786	848,977	260,308	1,317,587	1,232,689	97,337	(12,439)	1,006,137	938,800	84,007	(16,670)
Centro de Compensación Automatizado S.A.	19,342	4,295	10,345	4,702	13,247	2,519	8,100	2,628	11,134	2,953	6,371	1,810
Sociedad Interbancaria de Depósito de Valores S.A.	7,717	463	5,746	1,508	6,676	358	5,143	1,175	5,840	314	4,496	1,030
Cámara de Compensación de Alto Valor S.A.	8,357	1,004	6,423	930	7,569	931	6,246	392	7,158	722	6,246	190
Administrador Financiero del Transantiago S.A.	60,738	40,113	16,604	4,021	54,437	35,279	17,233	1,925	49,841	30,670	17,227	1,944
Servicios de Infraestructura de Mercado OTC S.A.	16,631	3,418	13,210	3	35,640	23,023	12,246	371	14,480	2,232	12,441	(193)
Total	15,125,374	13,941,229	910,962	273,183	1,463,566	1,313,274	154,827	(4,535)	1,120,073	992,511	138,806	(11,244)

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

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

d. Activity with respect to investments in other companies in 2022, 2021 and 2020 is as follows:

	As of December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Opening balance as of January 1,	37,694	12,987	10,177
Acquisition of investments	-	27,233	-
Sale of investments	-	(136)	(20)
Participation in income	10,310	(475)	1,388
Dividends received	526	506	508
Other adjustments	(1,944)	(2,421)	934
Closing balances as of December 31,	46,586	37,694	12,987

NOTE 10 - INTANGIBLE ASSETS

As of December 31, 2022 and 2021, the composition of intangible assets is as follows:

	Average remaining useful life	Net opening balance as of January 1, 2021 MCh\$	As of December 31, 2022		
			Gross balance MCh\$	Accumulated amortisation MCh\$	Net balance MCh\$
Licenses		-	-	-	-
Software development	2	95,411	351,309	(243,520)	107,789
Total		95,411	351,309	(243,520)	107,789

	Average remaining useful life	Net opening balance as of January 1, 2021 MCh\$	As of December 31, 2021		
			Gross balance MCh\$	Accumulated amortisation MCh\$	Net balance MCh\$
Licenses		-	-	-	-
Software development	2	82,537	294,745	(199,334)	95,411
Total		82,537	294,745	(199,334)	95,411

The changes in the value of intangible assets during the periods ended December 31, 2022 and December 31, 2021 is as follows:

i. Gross balance

Gross balances	Software development	Total
	MCh\$	MCh\$
Balances as of January 1, 2022	294,745	294,745
Acquisitions	54,899	54,899
Disposals and impairment	(145)	(145)
Other	1,810	1,810
Balances as of December 31, 2022	351,309	351,311
Balances as of January 1, 2021	284,534	284,534
Acquisitions	47,487	47,487
Disposals and impairment	(37,276)	(37,276)
Other	-	-
Balances as of December 31, 2021	294,745	294,745

NOTE 10 - INTANGIBLE ASSETS. continued**ii. Accumulated amortisation**

Accumulated amortisation	Software development MCh\$	Total MCh\$
Balances as of January 1, 2022	(199,334)	(199,334)
Year's amortisation	(42,376)	(42,376)
Other changes	(1,810)	(1,810)
Balances as of December 31, 2022	(243,520)	(243,520)
Balances as of January 1, 2021	(201,997)	(201,997)
Year's amortisation	(32,252)	(32,252)
Other changes	34,915	34,915
Balances as of December 31, 2021	(199,334)	(199,334)

The Bank has no restriction on intangible assets as of December 31, 2022 and 2021. Additionally, intangible assets have not been pledged as guarantee for fulfillment of financial liabilities, and the Bank has no debt related to Intangible assets as of those dates.

NOTE 11 - FIXED ASSETS

As of December 31, 2022 and 2021, the composition of property, plant, and equipment balances is as follows:

	Net opening balance as of January 1, 2022 MCh\$	As of December 31, 2022		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
Buildings	144,731	311,363	(165,563)	145,800
Land	15,478	15,021	-	15,021
Equipment	57,569	296,022	(247,744)	48,278
Other	19,161	99,536	(70,540)	28,996
Total	236,939	721,942	(483,847)	238,095

	Net opening balance as of January 1, 2021 MCh\$	As of December 31, 2021		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
Buildings	152,247	306,153	(161,422)	144,731
Land	15,447	15,478	-	15,478
Equipment	52,448	278,176	(220,607)	57,569
Other	20,712	82,433	(63,272)	19,161
Total	240,854	682,240	(445,301)	236,939

The changes in the value of property, plant, and equipment as of December 31, 2022 and 2021 is as follows:

i. Gross balance

2022	Buildings	Land	Equipment	Other	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of January 1, 2022	306,153	15,478	278,176	82,433	682,240
Additions	26,690	-	14,941	16,762	58,393
Disposals	(15,684)	(457)	(410)	(2,139)	(18,690)
Impairment due to damage	-	-	-	-	-
Other	(5,796)	-	3,315	2,480	(1)
Balances as of December 31, 2022	311,363	15,021	296,022	99,536	721,942

2021	Buildings	Land	Equipment	Other	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of January 1, 2021	293,022	15,477	243,084	75,159	626,742
Additions	16,687	1	37,275	4,032	57,995
Disposals	(52)	-	(1,854)	(592)	(2,498)
Impairment due to damage	-	-	-	-	-
Other	(3,504)	-	(329)	3,834	1
Balances as of December 31, 2021	306,153	15,478	278,176	82,433	682,240

NOTE 11 - FIXED ASSETS, continued

ii. Accumulated depreciation

2022	Buildings MCh\$	Land MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2022	(161,422)	-	(220,607)	(63,272)	(445,301)
Depreciation charges in the period	(19,481)	-	(27,498)	(9,318)	(56,297)
Sales and disposals in the period	15,340	-	361	2,050	17,751
Other	-	-	-	-	-
Balances as of December 31, 2022	(165,563)	-	(247,744)	(70,540)	(483,847)
2021	Buildings MCh\$	Land MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
Balances as of January 1, 2021	(140,805)	-	(190,636)	(54,447)	(385,888)
Depreciation charges in the period	(20,620)	-	(30,976)	(9,308)	(60,904)
Sales and disposals in the period	3	-	1,005	483	1,491
Other	-	-	-	-	-
Balances as of December 31, 2021	(161,422)	-	(220,607)	(63,272)	(445,301)

NOTE 12 - RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACTS

The composition of the right of use assets as of December 31, 2022 and 2021 is as follows:

	Opening balances as of January 1, 2022 MCh\$	As of December 31, 2022		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
2022				
Land and building	137,879	231,603	(97,808)	133,795
Other	-	-	-	-
Total	137,879	231,603	(97,808)	133,795
	Opening balances as of January 1, 2021 MCh\$	As of December 31, 2021		
		Gross balance MCh\$	Accumulated depreciation MCh\$	Net balance MCh\$
2021				
Land and building	147,997	212,446	(74,567)	137,879
Other	-	-	-	-
Total	147,997	212,446	(74,567)	137,879

The movement of the right of use assets under lease during the 2022 and 2021 period, is as follows:

i. Gross balance

	Land and building MCh\$	Other MCh\$	Total MCh\$
2022			
Balances as of January 1, 2022	212,446	-	212,446
Additions	31,207	-	31,207
Disposals	(12,050)	-	(12,050)
Impairment	-	-	-
Other	-	-	-
Balances as of December 31, 2022	231,603	-	231,603
	Land and building MCh\$	Other MCh\$	Total MCh\$
2021			
Balances as of January 1, 2021	197,573	-	197,573
Additions	25,582	-	25,582
Disposals	(10,709)	-	(10,709)
Impairment	-	-	-
Other	-	-	-
Balances as of December 31, 2021	212,446	-	212,446

NOTE 12 - RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACTS, continued**ii. Accumulated amortisation**

	Land and building MCh\$	Other MCh\$	Total MCh\$
2022			
Balances as of January 1, 2022	(74,567)	-	(74,567)
Amortisation for the period	(31,319)	-	(31,319)
Sales and disposals during the period	8,078	-	8,078
Transfers	-	-	-
Others	-	-	-
Balances as of December 31, 2022	(97,808)	-	(97,808)
2021			
Balances as of January 1, 2021	(49,576)	-	(49,576)
Amortisation for the period	(28,899)	-	(28,899)
Sales and disposals during the period	3,908	-	3,908
Transfers	-	-	-
Others	-	-	-
Balances as of December 31, 2021	(74,567)	-	(74,567)

a. Lease liability

As of December 31, 2022 and 2021, the composition of lease liability balances are composed as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Lease liability	137,089	139,795
Total	137,089	139,795

b. Expenses associated with assets for the right of use leased assets and lease liability

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Depreciation	31,319	28,899
Interests	2,283	2,283
Short term lease	3,844	3,844
Total	37,446	35,026

NOTE 12 - RIGHT OF USE ASSETS AND OBLIGATION FOR LEASE CONTRACTS, continued

c. As of December 31, 2022 and 2021, the maturity level of the lease liability, according to their contractual maturity is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	25,902	23,391
Due after 1 year but within 2 years	24,862	23,390
Due after 2 years but within 3 years	22,093	21,730
Due after 3 years but within 4 years	19,565	18,888
Due after 4 years but within 5 years	13,220	16,360
Due after 5 years	31,447	36,036
Total	137,089	139,795

d. Operational leases – lessor

As of December 31, 2022 and 2021, the future minimum lease cash inflows under non-cancellable operating leases are as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	1,090	1,062
Due after 1 year but within 2 years	1,805	1,081
Due after 2 years but within 3 years	582	902
Due after 3 years but within 4 years	475	690
Due after 4 years but within 5 years	470	624
Due after 5 years	1,194	1,403
Total	5,616	5,762

e. As of December 31, 2022 and 2021, the Bank has no financial leases which cannot be unilaterally rescinded.

f. The Bank has no restriction on property, plant and equipment as of December 31, 2022 and 2021. Additionally, the property, plant and equipment have not been provided as guarantees of financial liabilities. The Bank has no debt in connection with property, plant and equipment.

NOTE 13 - CURRENT AND DEFERRED TAXES**a. Current taxes**

As of December 31, 2022 and 2021, the Bank recognises taxes payable (recoverable), which is determined based on the currently applicable tax legislation. This amount is recorded net of recoverable taxes, and is shown as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Summary of current tax liabilities (assets)		
Current tax (assets)	(36,514)	(121,534)
Current tax liabilities	148,680	-
Total tax payable (recoverable)	112,166	(121,534)
(Assets) liabilities current taxes detail (net)		
Income tax, tax rate	147,668	4,434
Minus:		
Provisional monthly payments	(33,021)	(138,515)
Credit for training expenses	(2,039)	(2,110)
Grant credits	(1,160)	-
Other	718	14,657
Total tax payable (recoverable)	112,166	(121,534)

b. Effect on income

The effect of income tax expense on income for the years ended December 31, 2022, 2021 and 2020 is comprised of the following items:

	As of December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
Income tax expense			
Current tax	139,961	4,434	174,205
Credits (debits) for deferred taxes			
Origination and reversal of temporary differences	(52,181)	226,810	(28,465)
Valuation provision		-	-
Subtotals	87,780	231,244	145,740
Tax for rejected expenses (Article No21)	236	210	1,354
Other	5,608	(9,790)	(4,561)
Net charges for income tax expense	93,624	221,664	142,533

NOTE 13 - CURRENT AND DEFERRED TAXES, continued**c. Effective tax rate reconciliation**

The reconciliation between the income tax rate and the effective rate applied in determining tax expenses as of December 31, 2022, 2021 and 2020, is as follows:

	For the year ended,					
	2022		2021		2020	
	Tax rate %	Amount MCh\$	Tax rate %	Amount MCh\$	Tax rate %	Amount MCh\$
Tax calculated over profit before tax	27.00	238,415	27.00	290,005	27.00	187,721
Price level restatement for tax purposes ⁽¹⁾	(18.70)	(165,164)	(7.56)	(81,235)	(6.15)	(42,730)
Single penalty tax (rejected expenses)	0.03	236	(0.01)	210	0.19	1,354
Other	2.28	20,137	0.00	12,684	(0.55)	(3,812)
Effective tax rates and expenses for income tax	10.61	93,624	19.43	221,664	20.50	142,533

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

d. Effect of deferred taxes on comprehensive income

Below is a summary of the separate effect of deferred tax on other comprehensive income, showing the asset and liability balances, for the years ended December 31, 2022 and 2021:

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Deferred tax assets		
Debt instruments at FVOCI	76,512	33,489
Cash flow hedges	35,689	100,867
Total deferred tax assets recognised through other comprehensive income	112,201	134,356
Deferred tax liabilities		
Debt instruments at FVOCI	(46,976)	(1,839)
Cash flow hedges	(3,603)	-
Total deferred tax liabilities recognised through other comprehensive income	(50,579)	(1,839)
Net deferred tax balances in equity	61,622	132,517
Deferred taxes in equity attributable to shareholders of the Bank	61,821	132,724
Deferred tax in equity attributable to non-controlling interests	(199)	(207)

NOTE 13 - CURRENT AND DEFERRED TAXES, continued**e. Effect of deferred taxes on income**

As of December 31, 2022 and 2021, the Bank has recorded effects for deferred taxes in the financial statements:

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Deferred tax assets		
Interests and adjustments	17,670	9,815
Extraordinary charge-offs	29,613	12,687
Assets received in lieu of payment	1,223	2,843
Exchange rate adjustments	-	16,611
Property, plant and equipment valuation	4,708	1,545
Allowance for loan losses	276,364	329,028
Provision for expenses	88,372	83,174
Derivatives	50	-
Leased assets	95,152	107,564
Subsidiaries tax losses	5,570	12,757
Right of use assets	887	516
Others	9,444	-
Total deferred tax assets	529,053	576,540
Deferred tax liabilities		
Valuation of investments	423	151,062
Fixed assets valuation	-	2,001
Prepaid expenses	7,285	18,895
Valuation provision	3,147	8,228
Derivatives	289,352	245,517
Exchange rate adjustments	8,779	-
Other	17,162	113
Total deferred tax liabilities	326,148	425,816

f. Summary of deferred tax assets and liabilities

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

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Deferred tax assets		
Recognised through other comprehensive income	112,201	134,356
Recognised through profit or loss	529,053	576,540
Total deferred tax assets	641,254	710,896
Deferred tax liabilities		
Recognised through other comprehensive income	50,579	1,839
Recognised through profit or loss	326,148	425,816
Total deferred tax liabilities	376,727	427,655

NOTE 14 - OTHER ASSETS

Other Assets includes the following:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Assets available to be granted under the financial leasing agreements	32,220	51,957
Guarantee deposits (margin accounts) (1)	2,442,325	1,988,410
Gold investments	715	718
VAT credit	44,180	38,844
Prepaid expenses (2)	245,937	322,887
Valuation adjustments by macro hedge (3)	160,531	217,979
Pension plan assets	542	523
Accounts and notes receivable	184,989	92,039
Brokerage dealer and simultaneous transactions	243,345	44,860
Other cash submitted guarantess	2	41,195
In-progress operation	31,709	15,163
Other assets (4)	192,850	118,239
Total	3,579,345	2,932,814

- (1) Guarantee deposits (margin accounts) correspond to collateral associated with derivative financial contracts to mitigate the counterparty credit risk and are mainly established in cash. These guarantees operate when mark to market of derivative financial instruments exceed the levels of threshold agreed in the contracts, which could result in the Bank delivering or receiving collateral.
- (2) Under this item, the Bank has recorded prepaid expense related to the Santander LATAM Pass programme, which is consumed on a monthly basis in accordance with the client use of Bank's transactional products and therefore the Bank assigned the respective LATAM Pass miles. In May 2020, LATAM Airlines Group S.A began a reorganization process under Chapter 11, with an aim to continue operating. LATAM has publicly stated its intention to honor all current and future tickets, as well as travel vouchers, miles and frequent flyer programmes, which has been ratified by the bankruptcy court of New York (in charge of chapter 11). In addition, LATAM formalized two tranches of the DIP (Debtor in Possession) financing proposal for a total of USD 2,200 million, obtaining all resources necessary to continue operating during the crisis. In October 2020, the company made its first disbursement for US\$1,150 million from the DIP financing, which represents 50% of the amount available and allowed to reestablish its operations and start preparing its reorganization plan. On January 27, 2021, the request made by LATAM to postpone the deadline for submitting its reorganization plan was approved. On November 26, 2021, LATAM submitted to the Bankruptcy court a Reorganization Plan supported by main stakeholders to strengthen the capital structure and long-term sustainability. The plan includes the injection of US\$8,190 million through capital, convertible bonds and debt, with the purposes of allowing the company to exit from Chapter 11 with appropriate capitalization to execute its business plan.
- (3) Net assets and liabilities fair value valuation subject to macro hedges. See Note 7.
- (4) Other assets mainly include settlement of derivatives and other financial transactions.

NOTE 15 - NON CURRENT ASSETS AND DISPOSAL GROUPS FOR SALE

The non-current assets held for sales is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Assets received or awarded in lieu of payment		
Assets received in lieu of payment	14,231	10,921
Assets awarded at judicial sale	22,573	16,899
Provision on assets received in lieu of payment or awarded	(1,182)	(406)
Subtotal	35,622	27,414
Non current assets held for sale		
Assets recovered from leasing for sale	4,736	2,474
Subtotal	4,736	2,474
Total	40,358	29,888

NOTE 16 - FINANCIAL LIABILITIES FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS

A financial liability is classified as a financial liability at fair value through profit or loss if it is held for trading or it is designated by the entity as at fair value through profit or loss (under specified conditions). The Bank has not designated financial liabilities at FVPL.

A financial liability is held for trading if it is incurred principally for the purpose of repurchasing it in the near term or it is a derivative. The Bank only has derivatives under this classification, whose purpose is to hedge the exchange rate and interest rate risk related to future obligations.

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Financial derivative contracts		
Forwards	1,818,024	1,199,062
Swaps	9,497,035	8,305,894
Call Options	2,794	1,137
Put Options	1,467	938
Total	11,319,320	9,507,031

As of December 31, 2022 and 2021 the Bank holds the following portfolio of financial liabilities derivative contracts:

As of December 31, 2022									
Notional amount									
	On Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$	Fair value MCh\$
Currency forward	-	10,130,103	7,474,471	10,559,457	4,725,547	1,913,113	2,034,929	36,837,620	1,818,024
Interest rate swaps	-	4,042,822	9,226,258	26,018,228	25,470,384	11,344,275	15,274,620	91,376,587	3,935,401
Cross currency swaps	-	726,140	1,580,644	5,192,387	18,051,948	10,879,098	20,229,246	56,659,463	5,561,634
Call currency options	-	289,795	70,941	10,365	-	-	-	371,101	2,794
Put currency options	-	68,099	11,304	27,612	-	-	-	107,015	1,467
Total	-	15,256,959	18,363,618	41,808,049	48,247,879	24,136,486	37,538,795	185,351,786	11,319,320

	As of December 31, 2021								
	Notional amount								
	On Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$	Fair value MCh\$
Currency forward	-	5,369,842	4,957,261	6,398,764	3,301,424	2,119,432	1,952,222	24,098,945	1,199,062
Interest rate swaps	-	1,131,174	5,367,798	13,652,696	19,103,274	12,988,788	20,012,086	72,255,816	2,997,634
Cross currency swaps	-	659,937	1,408,678	7,215,300	22,141,245	23,952,436	36,666,238	92,043,834	5,308,260
Call currency options	-	3,101	6,284	9,458	427	-	-	19,270	1,137
Put currency options	-	3,023	16,476	166,365	-	-	-	185,864	938
Total	-	7,167,077	11,756,497	27,442,583	44,546,370	39,060,656	58,630,546	188,603,729	9,507,031

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Deposits and other demand liabilities		
Checking accounts	11,711,969	14,385,633
Demand accounts	630,807	1,155,891
Other demand deposits	379,331	607,718
Obligation related to payments cards provision	6,758	9,624
Other demand liabilities	1,357,361	1,742,072
Subtotal	14,086,226	17,900,938
Time deposits and other time liabilities		
Time deposits	12,779,206	9,926,507
Time savings account	191,257	195,570
Other time liabilities	8,327	8,978
Subtotal	12,978,790	10,131,055
Obligations under repurchase agreements		
Operation with foreign banks	103,425	-
Operation with other Chilean entities	211,930	86,634
Subtotal	315,355	86,634
Interbank borrowings		
Loans from chilean financial institutions	41,317	1,226
Loans from foreign financial institutions	3,239,358	3,213,918
Loans from Chilean Central Bank	5,584,090	5,611,439
Subtotal	8,864,765	8,826,583
Issue debt instruments		
Mortgage finance bonds	3,798	7,479
Senior bonds	7,080,472	6,846,834
Mortgage bond	81,623	81,110
Subtotal	7,165,893	6,935,423
Other financial liabilities		
Other domestic obligations	292,417	182,737
Foreign obligations	578	170
Subtotal	292,995	182,907
Total	43,704,024	44,063,540

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**a. Obligations under from repurchase agreements**

The Bank raises funds by selling financial instruments and committing itself to buy them back at future dates, plus interest at a predetermined rate. As of December 31, 2022 and 2021, obligations related to instruments sold under repurchase agreements are as follows:

	As of December 31,							
	2022				2021			
	From 1 day to less than 3 months MCh\$	More than 3 months and less than 1 year MCh\$	More than 1 year MCh\$	Total MCh\$	From 1 day to less than 3 months MCh\$	More than 3 months and less than 1 year MCh\$	More than 1 year MCh\$	Total MCh\$
Chilean Central Bank and Government securities								
Chilean Treasury bonds and notes	186,891	109	-	186,800	76,725	-	-	76,725
Other Chilean government financial instruments	-	-	-	-	9,829	-	-	9,829
Subtotal	186,891	109	-	186,800	86,554	-	-	86,554
Other Chilean debt financial securities								
Chilean Bank debt financial instruments	84	-	-	84	80	-	-	80
Subtotal	84	-	-	84	80	-	-	80
Foreign financial debt securities								
Other foreign debt financial instruments	128,471	-	-	128,471	-	-	-	-
Subtotal	128,471	-	-	128,471	-	-	-	-
Total	315,446	109	-	315,355	86,634	-	-	86,634

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**b. Interbank borrowings**

As of December 31, 2022 and 2021 the Interbank borrowings are as follows:

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Loans from Chilean Central Bank	5,584,090	5,611,439
Loans from Chilean financial institutions	41,317	1,226
Loans from foreign financial institutions		
Bank of America	2,313,121	411,775
The Bank of Nova Scotia	199,224	203,466
The Bank of New York Mellon	169,583	106,485
Standard Chartered Bank	110,224	51,616
State Bank Of India	100,653	60,901
Barclays Bank Plc London	84,978	86,616
Banco Santander Hong Kong	58,326	5,315
Zurcher Kantonalbank	42,650	-
Sumitomo Mitsui Banking Corporation	42,524	389,676
Wells Fargo Bank NA	42,479	363,854
Commerzbank Ag	25,349	69,323
Banco Santander Singapur	19,633	17,737
Wachovia Bank NA	11,410	33,926
Banco Santander Brasil	7,359	2,415
Bank of China	2,540	6,051
Hong Kong and Shanghai Banking	2,521	1,500
Bank of Tokio Mitsubishi	1,164	552
China Merchants Bank	1,146	-
Industrial Bank Of Korea	901	169
Shanghai Pudong Development Bank	394	-
Bank Of Taiwan , Taipei	386	-
Kbc Bank Nv	243	-
Banca Nazionale Del Lavoro	233	193
Korea Exchange Bank	230	1,545
Unicredit	219	222
Bbva Uruguay	198	238
Hua Nan Commercial Bank	195	54
Bank For Foreign Trade Of Vietnam	181	-
Intesa Sanpaolo	124	338
Agricultural Bank Of China	114	104
Fortis Bank	110	82
Banco Santander Central Hispano	104	170
China Construction Bank	101	119
Credit Agricole Italia	90	67
Bbva Bancomer	86	268
Subtotal	3,238,796	1,814,777

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Loans from foreign financial institutions, continued		
Caixabank	80	51
Taiwan Cooperative Bank	73	92
Banco Itau Bba S.A.	71	-
Turkiye Garanti Bankasi	70	19
Banco Do Brasil	67	467
Shinhan Bank	58	1,321
Banco Bilbao Vizcaya Argentaria	56	125
Abn Amro Bank N.V.	36	-
Kotak Mahindra Bank Limited	32	-
Banco De Galicia Y Buenos Aires	19	-
Citibank NA	-	259,620
Banco Santander España	-	865,377
The Toronto Dominion Bank	-	136,904
The Bank Of Montreal	-	48,859
Hsbc Bank Plc	-	51,895
Industrial and Commercial Bank	-	203
Deutsche Bank Ag	-	530
Mizuho Bank	-	725
Dz Bank Ag Deutsche Zentral	-	14,733
Bank of Communications	-	8,443
Banca Commerciale Italiana	-	932
Kookmin Bank	-	491
Yapi Ve Kredi Bankasi	-	417
Commerce Bank Na	-	319
Icici Bank Limited	-	305
The Hongkong and Shanghai Bank	-	202
Bank of India	-	181
Banco De La Nacion Argentina	-	159
Bank of East Asia	-	143
Turkiye Cumhuriyeti Ziraat Ban	-	141
Turkiye Is Bankasi	-	122
Canara Bank	-	72
Indian Overseas Bank	-	67
Banco De Credito Del Peru	-	58
Citic Industrial Bank	-	57
Banque Nationale De Paris	-	2,806
Banco Comercial Portugues	-	989
Ningbo Commercial Bank	-	556
Hsbc Bank USA	-	517
Banco De Bogota	-	345
Bank of Baroda	-	213
Credit Agricole Reims	-	171
First Union National Bank	-	132
Finans Bank	-	109
Nanjing City Commercial Bank	-	89
Banco Itau Brasil	-	84
Rabobank Nederland	-	57
Iccrea Banca	-	28
Bancolombia	-	9
Banco Credicoop Cooperativo	-	6
Subtotal	562	1,399,141
Total	8,864,765	8,826,583

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**i. Loans from the Chilean Central Bank**

In response to the COVID-19 pandemic, the Chilean Central Bank awarded two credit lines for banks to reinforce their liquidity: The first line of credit was the Credit Facility Conditioned to Increase of Loans (FCIC), whose objective was for banks to continue financing households and companies' loans. The FCIC1 amounted to US\$24 billion for the whole banking system and has maturities of up to 4 years and must be secured by government bonds, corporate bonds or highly rated large commercial loans as collateral. The FCIC2 amounted to US\$16 billion and was available only for banks which previously disbursed FCIC1. The FCIC3 was announced in January 2021 and amounted to US\$10 billion. The second credit line was the Liquidity Credit line (LCL) and was an unsecured loan facility and had maturities of up to 2 years. In addition, the LCL was limited to the aggregate amount of the liquidity reserve requirements of each bank.

The loans balances from the Chilean Central Bank by maturity are as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	-	-
Due within 1 and 2 year	5,584,084	-
Due within 2 and 3 year	-	5,611,439
Due within 3 and 4 year	-	-
Due after 5 years	-	-
Total loans from Chilean Central Bank	5,584,084	5,611,439

ii. Loans from Chilean financial institutions

These obligations' maturities are as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	41,318	1,226
Due within 1 and 2 year	-	-
Due within 2 and 3 year	-	-
Due within 3 and 4 year	-	-
Due after 5 years	-	-
Total loans from Chilean financial institutions	41,318	1,226

iii. Foreign obligations

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	3,239,363	3,213,918
Due within 1 and 2 year	-	-
Due within 2 and 3 year	-	-
Due within 3 and 4 year	-	-
Due after 5 years	-	-
Total loans from foreign financial institutions	3,239,363	3,213,918

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**c. Issued debt instruments**

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 summarised below:

	As of December 31, 2022		
	Current MCh\$	Non-current MCh\$	Total MCh\$
Mortgage finance bonds	2,592	1,206	3,798
Senior bonds	482,696	6,597,776	7,080,472
Mortgage bond	7,108	74,515	81,623
Issued debt instruments	492,396	6,673,497	7,165,893
Other financial liabilities	292,756	239	292,995
Total	785,152	6,673,736	7,458,888

	As of December 31, 2021		
	Current MCh\$	Non-current MCh\$	Total MCh\$
Mortgage finance bonds	3,946	3,533	7,479
Senior bonds	1,158,301	5,688,533	6,846,834
Mortgage bond	6,041	75,069	81,110
Issued debt instruments	1,168,288	5,767,135	6,935,423
Other financial liabilities	182,646	261	182,907
Total	1,350,934	5,767,396	7,118,330

i. Mortgage finance bonds

These bonds are used to finance mortgage loans. Their principal amounts are amortised on a quarterly basis. The range of maturities of these bonds is between five and twenty years, Loans are indexed to UF and create a yearly interest yield of 5.20% as of December 31, 2022 (5.21% as of December 31, 2021).

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Due within 1 year	2,592	3,946
Due after 1 year but within 2 years	1,039	2,395
Due after 2 year but within 3 years	167	980
Due after 3 year but within 4 years	-	158
Due after 4 year but within 5 years	-	-
Due after 5 years	-	-
Total mortgage bonds	3,798	7,479

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**ii. Senior bonds**

The following table shows senior bonds by currency:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Santander bonds in UF	3,510,708	3,144,544
Santander bonds in USD	2,215,515	1,976,909
Santander bonds in CHF	644,780	850,924
Santander bonds in Ch\$	223,467	311,060
Santander bonds in AUD	122,611	143,030
Current bonds in JPY	203,512	234,667
Santander bonds in EUR	159,879	185,700
Total senior bonds	7,080,472	6,846,834

1. Placement of senior bonds

In 2022, the Bank issued bonds for UF 26,326,000, USD 30,000,000, CLP 347,000,000,000 and JPY 3,000,000,000, detailed as follows:

Series	Currency	Amount	Term (years)	Issuance rate (% annual)	Placement date	Series Maximum amount	Maturity date
T3	UF	5,000,000	11	1.55	06-16-22	5,000,000	01-01-30
W3	UF	2,116,000	7.5	1.60	06-30-22	2,116,000	06-01-26
W5	UF	1,210,000	9	1.80	06-30-22	1,210,000	03-01-28
U2	UF	3,000,000	11.5	2.8	07-28-22	3,000,000	06-01-32
U1	UF	3,000,000	7.5	2.5	08-09-22	3,000,000	06-01-29
T20	UF	5,000,000	11.5	2.65	10-24-22	5,000,000	02-01-34
W4	UF	8,000,000	10.5	2.65	12-09-22	8,000,000	12-01-33
W9	UF	2,000,000	9.5	2.70	07-27-22	2,000,000	06-01-31
Total		29,326,000				29,326,000	
Bono USD	USD	30,000,000	3	Sofr + 95pb	04-28-22	30,000,000	04-28-25
Total		30,000,000				30,000,000	
U6	CLP	64,800,000,000	5.5	2.95	06-16-22	64,800,000,000	04-01-26
U5	CLP	100,000,000,000	4.5	2.70	06-29-22	93,000,000,000	04-01-25
U6	CLP	35,200,000,000	5.5	2.95	10-21-22	35,200,000,000	04-01-26
U7	CLP	72,000,000,000	5.5	7	11-16-22	72,000,000,000	04-01-26
T17	CLP	75,000,000,000	10	7.5	11-22-22	75,000,000,000	08-01-32
Total		347,000,000,000				347,000,000,000	
Bono JPY	JPY	3,000,000,000	3	0.65	09-15-2022	3,000,000,000	09-15-25
Total		3,000,000,000				3,000,000,000	

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued

In 2021, the Bank issued bonds for UF 4,000,000, USD 693,000,000, JPY 25,000,000,000 and CHF 340,000,000, detailed as follows:

Series	Currency	Amount	Term (years)	Issuance rate (% annual)	Placement date	Series Maximum amount	Maturity date
W1	UF	4,000,000	5.25	1.55	02-04-2018	6,000,000	06-01-2025
Total	UF	4,000,000				6,000,000	
US Bonds	USD	50,000,000	2.8	0.71	02-25-2021	50,000,000	12-28-2023
US Bonds	USD	100,000,000	2.9	0.72	02-25-2021	100,000,000	01-26-2024
US Bonds	USD	27,000,000	7	2.0	06-09-2021	27,000,000	06-09-2028
US Bonds	USD	16,000,000	5	1.64	07-15-2021	16,000,000	07-15-2026
US Bonds	USD	500,000,000	10	3.18	10-21-2021	500,000,000	10-26-2031
Total		693,000,000				693,000,000	
JPY Bonds	JPY	10,000,000,000	5	0.35	05-13-2021	10,000,000,000	05-13-2026
JPY Bonds	JPY	2,000,000,000	4	0.40	07-12-2021	2,000,000,000	07-12-2025
JPY Bonds	JPY	10,000,000,000	4	0.42	07-13-2021	10,000,000,000	07-28-2025
JPY Bonds	JPY	3,000,000,000	4.4	0.48	11-08-2021	3,000,000	05-18-2026
Total		25,000,000,000				25,000,000,000	
CHF Bonds	CHF	150,000,000	6	0.33	06-22-2021	150,000,000	06-22-2027
CHF Bonds	CHF	190,000,000	5	0.30	10-12-2021	190,000,000	10-22-2026
Total		340,000,000				340,000,000	

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**2. Repurchase of senior bonds**

During 2022, the Bank repurchased the following bonds:

Date	Type	Currency	Amount
01-07-2022	Senior	UF	1,065,000
01-10-2022	Senior	UF	150,000
02-03-2022	Senior	\$	4,000,000,000
02-04-2022	Senior	UF	785,000
02-04-2022	Senior	UF	1,205,000
02-17-2022	Senior	USD	4,156,000
03-08-2022	Senior	UF	7,000
03-09-2022	Senior	UF	5,000
03-10-2022	Senior	UF	5,000
03-14-2022	Senior	UF	5,000
07-28-2022	Senior	UF	70,000
07-29-2022	Senior	UF	9,000
08-05-2022	Senior	UF	31,000
09-07-2022	Senior	UF	602,000
09-08-2022	Senior	UF	100,000
09-12-2022	Senior	UF	377,000
09-27-2022	Senior	UF	93,000
09-28-2022	Senior	UF	414,000
10-11-2022	Senior	UF	50,000
10-12-2022	Senior	UF	43,000
10-13-2022	Senior	UF	1,000
10-19-2022	Senior	UF	64,000
10-20-2022	Senior	UF	181,000
10-27-2022	Senior	UF	50,000
11-02-2022	Senior	UF	1,000
11-07-2022	Senior	UF	2,000
11-08-2022	Senior	UF	687,000
11-09-2022	Senior	UF	165,000
11-15-2022	Senior	UF	1,000
11-17-2022	Senior	UF	100,000
11-21-2022	Senior	UF	3,000
11-23-2022	Senior	UF	400,000
11-28-2022	Senior	UF	415,000
12-01-2022	Senior	UF	1,052,000
12-06-2022	Senior	UF	130,000
12-13-2022	Senior	UF	348,000
12-14-2022	Senior	UF	140,000
12-15-2022	Senior	UF	104,000
12-16-2022	Senior	UF	291,000
12-19-2022	Senior	UF	97,000
12-26-2022	Senior	UF	4,000
12-28-2022	Senior	UF	60,000

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued

During 2021, the Bank repurchased the following bonds:

Date	Type	Currency	Amount
02-18-2021	Senior	UF	8,000
02-18-2021	Senior	CLP	14,720,000,000
02-22-2021	Senior	CLP	500,000,000
02-22-2021	Senior	CLP	150,000,000
02-24-2021	Senior	UF	300,000
03-04-2021	Senior	UF	519,000
03-05-2021	Senior	CLP	300,000,00
03-05-2021	Senior	CLP	1,900,000,000
03-22-2021	Senior	UF	50,000
03-24-2021	Senior	UF	150,000
03-24-2021	Senior	UF	7,000
06-01-2021	Senior	UF	107,000
06-15-2021	Senior	UF	1,000
06-17-2021	Senior	CLP	970,000,000
06-23-2021	Senior	UF	105,000
06-23-2021	Senior	UF	50,000
06-24-2021	Senior	UF	21,000
06-24-2021	Senior	UF	278,000
06-24-2021	Senior	UF	20,000
06-24-2021	Senior	UF	100,000
07-06-2021	Senior	UF	1,000,000
07-07-2021	Senior	UF	340,000
07-09-2021	Senior	UF	312,000
07-20-2021	Senior	UF	194,000
07-21-2021	Senior	UF	150,000
07-21-2021	Senior	UF	100,000
07-22-2021	Senior	UF	100,000
07-22-2021	Senior	UF	25,000
07-22-2021	Senior	UF	57,000
08-09-2021	Senior	UF	4,500,000
08-10-2021	Senior	UF	710,000
08-13-2021	Senior	CLP	61,000,000,000
10-01-2021	Senior	CLP	5,950,000,000
10-05-2021	Senior	UF	704,000
10-05-2021	Senior	CLP	3,720,000,000
10-05-2021	Senior	UF	4,200,000,000
10-05-2021	Senior	UF	89,000
10-05-2021	Senior	UF	150,000
10-06-2021	Senior	UF	18,000
10-06-2021	Senior	UF	138,000
10-06-2021	Senior	UF	420,000
10-07-2021	Senior	UF	1,000,000
10-26-2021	Senior	UF	318,000
10-26-2021	Senior	UF	1,500,000
10-26-2021	Senior	UF	167,000
10-26-2021	Senior	UF	489,000
10-26-2021	Senior	UF	100,000
10-26-2021	Senior	CLP	50,600,000,000
10-27-2021	Senior	CLP	3,760,000,000
10-27-2021	Senior	UF	1,874,000
10-28-2021	Senior	CLP	12,340,000,000
10-29-2021	Senior	CLP	3,500,000,000
11-15-2021	Senior	UF	205,000
11-16-2021	Senior	CLP	30,000,000,000
12-06-2021	Senior	UF	119,000
12-06-2021	Senior	UF	20,000
12-07-2021	Senior	UF	31,000
12-09-2021	Senior	UF	10,000
12-15-2021	Senior	UF	340,000

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**3. The maturities of senior bonds are as follows:**

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	482,696	1,158,301
Due after 1 year but within 2 years	1,185,935	511,144
Due after 2 year but within 3 years	1,599,241	1,285,409
Due after 3 year but within 4 years	1,282,436	1,549,769
Due after 4 year but within 5 years	408,607	616,750
Due after 5 years	2,121,557	1,725,461
Total senior bonds	7,080,472	6,846,834

iii. Mortgage bonds

Detail of mortgage bonds per currency is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Mortgage bonds in UF	81,623	81,110
Total mortgage bonds	81,623	81,110

1. Allocation of mortgage bonds

During 2022 and 2021, the Bank has not placed any mortgage bonds.

2. The maturities of Mortgage bonds are as follows

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	7,108	6,041
Due after 1 year but within 2 years	11,411	9,698
Due after 2 year but within 3 years	11,779	10,011
Due after 3 year but within 4 years	12,159	10,334
Due after 4 year but within 5 years	12,551	10,667
Due after 5 years	26,615	34,359
Total Mortgage bonds	81,623	81,110

NOTE 17 - FINANCIAL LIABILITIES AT AMORTISED COST, continued**d. Other financial liabilities**

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

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Non-current portion		
Due after 1 year but within 2 years	68	48
Due after 2 year but within 3 years	74	53
Due after 3 year but within 4 years	84	58
Due after 4 year but within 5 years	13	57
Due after 5 years	-	45
Non-current portion subtotal	239	261
Current portion		
Amounts due to credit card operators	186,237	149,894
Acceptance of letters of credit	110	159
Other long-term financial obligations, short-term portion	106,409	32,593
Current portion subtotal	292,756	182,646
Total other financial liabilities	292,995	182,907

NOTE 18 - REGULATORY CAPITAL FINANCIAL INSTRUMENTS

As of December 31, 2022 and 2021, the Bank's subordinated bonds classified as current and non-current are summarised below:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Current portion	-	-
Non- current portion	1,733,869	1,461,637
Total subordinated bonds	1,733,869	1,461,637

Detail of the subordinated bonds per currency is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Subordinated bonds denominated in USD	169,835	230,118
Subordinated bonds denominated in UF	1,564,034	1,231,519
Total subordinated bonds	1,733,869	1,461,637

i. Placement of subordinated bonds

	Currency	Placement amount	Interest rate	Plazo de emisión	Placement date	Maturity date
USTDW70320	UF	3,300,000	3.51%	6 years	01-07-2022	09-01-2028

During 2021, the Bank did not place any subordinated bonds.

ii. The Maturities of subordinated bonds

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Due within 1 year	-	-
Due after 1 year but within 2 years	-	-
Due after 2 year but within 3 years	-	-
Due after 3 year but within 4 years	175,800	-
Due after 4 year but within 5 years	-	180,439
Due after 5 years	1,558,069	1,281,198
Total subordinated bonds	1,733,869	1,461,637

iii. Balances of subordinated bonds

	December 31,	December 31,
	2022	2021
	MCh\$	MCh\$
Balances as of January 1,	1,461,637	1,357,529
New issues/placements	101,503	83,557
Accrued interest at effective interés rate	6,563	(4,250)
Readjustments accrued by UF or exchange rate	172,941	25,001
Others	(8,775)	(200)
Balances as of December 31,	1,733,869	1,461,637

NOTE 19 - PROVISIONS AND CONTINGENT PROVISIONS

As of December 31, 2022 and 2021, the composition is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Provisions for personnel salaries and expenses	99,424	109,001
Provisions for lawsuits and litigations	5,533	3,035
Provision for loyalty programmes	38	38
Provision for operational risks	5,149	1,578
Provision for other contingencies	63,232	52,205
Provisions for mandatory dividends	237,683	252,740
Provision for interest of perpetual bonds	4,966	4,995
Provisions for contingent loan	44,997	40,357
Total	461,022	463,949

a. Below is the activity regarding provisions during the years ended December 31, 2022, 2021 and 2020:

	Personnel salaries and expenses MCh\$	Lawsuit and litigations MCh\$	Loyalty programme MCh\$	Operational risks MCh\$	Contingencies MCh\$	Mandatory Dividend MCh\$	Interest of perpetual bonds MCh\$	Contingent loan MCh\$	Total MCh\$
Balances as of January 1, 2022	109,001	3,035	38	1,578	52,205	252,740	4,995	40,357	463,949
Provisions established	121,779	2,963	-	4,053	24,365	237,683	30,523	110,211	531,577
Application of provisions	(132,340)	(465)	-	(482)	(13,578)	(252,740)	(30,552)	-	(429,917)
Provisions released	(1,748)	-	-	-	-	-	-	(105,687)	(107,435)
Other	2,768	-	-	-	-	-	-	116	2,848
Balances as of December 31, 2022	99,424	5,533	38	5,149	63,232	237,683	4,966	44,997	461,022
Balances as of January 1, 2021	102,958	2,411	38	-	32,726	164,284	-	28,247	330,664
Provisions established	90,363	624	-	1,578	30,413	252,740	4,995	73,201	453,914
Application of provisions	(80,768)	-	-	-	-	-	-	-	(80,768)
Provisions released	(1,836)	-	-	-	(10,934)	(164,284)	-	(63,654)	(240,708)
Other	(1,716)	-	-	-	-	-	-	2,563	847
Balances as of December 31, 2021	109,001	3,035	38	1,578	52,205	252,740	4,995	40,357	463,949
Balances as of January 1, 2020	99,500	3,104	-	-	14,559	185,727	-	23,240	326,130
Provisions established	75,891	856	38	-	24,867	164,284	-	14,683	280,619
Application of provisions	(70,676)	(1,549)	-	-	-	-	-	-	(72,225)
Provisions released	(1,759)	-	-	-	(6,700)	(185,727)	-	(9,676)	(203,862)
Other	2	-	-	-	-	-	-	-	2
Balances as of December 31, 2020	102,958	2,411	38	-	32,726	164,284	-	28,247	330,664

NOTE 19 - PROVISIONS AND CONTINGENT PROVISIONS, continued

b. Provisions for personnel salaries and expenses includes:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Provision for short-term benefits	97,866	104,313
Provision for long-term benefits	926	285
Provision for seniority compensation	601	6,018
Provision for other personnel benefits	31	5
Total	99,424	110,621

c. Provisions for contingent loan risk

Provision for contingent loan arise from contingent liabilities and loan commitments. Provisions for ECL risks in respect of contingent loan are included in ECL allowance in the income statements for the year.

An analysis of changes in the corresponding ECL allowance as of December 31, 2022 and 2021 is as follows:

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	TOTAL
ECL allowance at January 1, 2022	23,029	9,599	7,729	40,357
Transfer				
Transfers from stage 1 to stage 2	(1,585)	4,719	-	3,134
Transfers from stage 1 to stage 3	(143)	-	2,846	2,703
Transfers from stage 2 to stage 3	-	(1,860)	6,124	4,264
Transfers from stage 2 to stage 1	1,832	(7,467)	-	(5,635)
Transfers from stage 3 to stage 2	-	3,762	(2,926)	836
Transfers from stage 3 to stage 1	1	-	(78)	(77)
Net changes on financial assets	2,998	35	(3,801)	(768)
Write-off	-	-	-	-
Other adjustments	184	1	-2	183
At December 31, 2022	26,316	8,789	9,892	44,997

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	TOTAL
ECL allowance at January 1, 2021	13,825	6,315	8,107	28,247
Transfer				
Transfers from stage 1 to stage 2	(1,303)	4,714	-	3,411
Transfers from stage 1 to stage 3	(70)	-	2,876	2,806
Transfers from stage 2 to stage 3	-	(217)	4,990	4,773
Transfers from stage 2 to stage 1	1,323	(4,551)	-	(3,228)
Transfers from stage 3 to stage 2	-	217	(1,699)	(1,482)
Transfers from stage 3 to stage 1	12	-	(469)	(457)
Net changes on financial assets	9,058	3,120	(6,074)	6,104
Write-off	-	-	-	-
Other adjustments	184	1	(2)	183
At December 31, 2021	23,029	9,599	7,729	40,357

NOTE 20 - OTHER LIABILITIES

The other liabilities line item is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Accounts and notes payable	405,878	445,493
Income received in advance	901	798
Macro-hedge valuation adjustment (1)	85,725	68,524
Guarantees received (margin accounts) (2)	1,017,968	857,679
Broker dealer and simultaneous transactions	265,793	48,031
Withholding VAT	36,814	35,792
Accounts payable insurance companies	10,893	12,558
In-progress operations	21,918	27,595
Deferred income	5,453	5,836
Other liabilities	190,339	104,320
Total	2,041,682	1,606,626

(1) Valuation balances of net assets and liabilities at market value subject to macro-hedging

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

NOTE 21 – EQUITY**a. Capital**

As of December 31, 2022, and 2021 the Bank had 188,446,126,794 shares outstanding, all of which are subscribed for and paid in full, amounting to Ch\$ 891,303 million. All shares have the same rights and have no preferences or restrictions.

The activity with respect to shares during 2022, 2021 and 2020 was as follows:

	SHARES As of December 31,		
	2022	2021	2020
Issued as of January 1	188,446,126,794	188,446,126,794	188,446,126,794
Issuance of paid shares	-	-	-
Issuance of outstanding shares	-	-	-
Stock options exercised	-	-	-
Issued as of December 31,	188,446,126,794	188,446,126,794	188,446,126,794

As of December 31, 2022, 2021 and 2020 the Bank does not have any of its own shares in treasury, nor do any of the consolidated companies.

As of December 31, 2022, the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank New York Mellon	-	19,845,850,871	19,845,850,871	10.53
Banks on behalf of third parties	16,841,385,216	-	16,841,385,216	8.94
Pension funds (AFP) on behalf of third parties	13,742,809,166	-	13,742,809,166	7.29
Stock brokers on behalf of third parties	6,122,497,451	-	6,122,497,451	3.25
Other minority holders	5,300,582,822	-	5,300,582,822	2.81
Total	168,600,275,923	19,845,850,871	188,446,126,794	100.00

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

As of December 31, 2021, the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank New York Mellon	-	20,710,338,871	20,710,338,871	10.99
Banks on behalf of third parties	17,318,500,798	-	17,318,500,798	9.19
Pension funds (AFP) on behalf of third parties	11,949,134,854	-	11,949,134,854	6.34
Stock brokers on behalf of third parties	5,870,596,720	-	5,870,596,720	3.12
Other minority holders	6,004,554,283	-	6,004,554,283	3.18
Total	167,735,787,923	20,710,338,871	188,446,126,794	100.00

(*) American Depositary 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, 2020, the shareholder composition was as follows:

Corporate Name or Shareholder's Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank New York Mellon	-	22,450,671,671	22,450,671,671	11.91
Banks on behalf of third parties	15,925,407,468	-	15,925,407,468	8.45
Pension funds (AFP) on behalf of third parties	9,929,343,874	-	9,929,343,874	5.27
Stock brokers on behalf of third parties	6,892,162,980	-	6,892,162,980	3.66
Other minority holders	6,655,539,533	-	6,655,539,533	3.53
Total	165,995,455,123	22,450,671,671	188,446,126,794	100.00

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

b. Dividends

The distribution of dividends is detailed in the Consolidated Statements of Changes in Equity.

c. As of December 31, 2022, 2021 and 2020 the basic and diluted earnings per share were as follows:

	As of December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
a) Basic earnings per share			
Total attributable to the shareholders of the Bank	792,276	845,645	547,614
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch\$)	4.204	4.487	2.906
Basic earnings per share from continuing operations (in Ch\$)	4.204	4.487	2.906
Basic earnings per share from discontinued operations (in Ch\$)	-	-	-
b) Diluted earnings per share			
Total attributable to the shareholders of the Bank	792,276	845,645	547,614
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794	188,446,126,794
Adjusted number of shares	188,446,126,794	188,446,126,794	188,446,126,794
Diluted earnings per share (in Ch\$)	4.204	4.487	2.906
Diluted earnings per share from continuing operations (in Ch\$)	4.204	4.487	2.906
Diluted earnings per share from discontinued operations (in Ch\$)	-	-	-

As of December 31, 2022, 2021 and 2020 the Bank does not own instruments with dilutive effects.

NOTE 21 – EQUITY, continued**d. Other comprehensive income from available for sale investments and cash flow hedges:**

	For the years ended December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
Debt instruments at FVOCI			
As of January 1,	(112,223)	102,855	29,184
Gain (losses) on the re-measurement of debt instruments at FVOCI, before tax	23,004	(233,109)	30,062
Recycling from other comprehensive income to income for the year	(20,173)	18,031	43,609
Subtotals	2,831	(215,078)	73,671
Total	(109,392)	(112,223)	102,855
Cash flow hedges			
As of January 1,	(373,581)	(136,765)	(40,435)
Gains (losses) on the re-measurement of cash flow hedges, before tax	298,029	(211,122)	(93,182)
Recycling adjustments on cash flow hedges, before tax	(43,286)	(25,694)	(3,148)
Amounts removed from equity and included in carrying amount of non-financial asset (liability) which acquisition or incurrence was hedged as a highly probable transaction	-	-	-
Subtotals	254,743	(236,816)	(96,330)
Total	(118,838)	(373,581)	(136,765)
Other comprehensive income, before taxes	(228,230)	(485,804)	(33,910)
Income tax related to other comprehensive income components			
Income tax relating to debt instruments at FVOCI	29,536	31,650	(27,464)
Income tax relating to cash flow hedges	32,086	100,867	36,927
Total	61,622	132,517	9,463
Other comprehensive income, net of tax	(166,608)	(353,287)	(24,447)
Attributable to:			
Shareholders of the Bank	(167,147)	(353,849)	(25,293)
Non-controlling interest	539	562	846

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.

e. Other equity instruments issued other than capital

As of December 31, 2022 and 2021 the balance of the perpetual bonds was as follow:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Perpetual bond	590,247	598,136
Totals	590,247	598,136

The perpetual bonds were issued on October 2021.

NOTE 21 – EQUITY, continued

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 summarised below:

	As of December 31, 2022			As of December 31, 2021		
	Current MCh\$	Non-current MCh\$	Total MCh\$	Current MCh\$	Non-current MCh\$	Total MCh\$
Perpetual bonds	-	590,247	590,247	-	598,136	598,136
Total	-	590,247	590,247	-	598,136	598,136

The detail of perpetual bonds is as follows:

	As of December 31,	
	2022 MCh\$	2021 MCh\$
US\$ Bonds	590,247	598,136
Total	590,247	598,136

The terms of the perpetual bonds were as follows:

Series	Currency	Amount	Terms (years)	Interest Rate (Annual)	Issuance date	Principal Amount USD	Maturity date
AT1 Bond	USD	700,000,000	-	4.63	10-21-2021	700,000,000	-
Total USD		700,000,000				700,000,000	

During 2022 and 2021, no partial bond repurchases have been made.

The movement of the balance of regulatory capital financial instruments issued as of December 31, 2022 and 2021, is as follows:

	2022 MCh\$	2021 MCh\$
Balances as of January 01,	598,136	-
New issuances	-	564,356
Interest rate and fx exchange	(7,889)	33,780
Balances as of December 31,	590,247	598,136

NOTE 22 - NON-CONTROLLING INTEREST

The non-controlling interest included in the equity and the income from the Bank's subsidiaries is summarised as follows:

As of December 31, 2022	Non- controlling %	Equity MCh\$	Income MCh\$	Other comprehensive income			
				Debt instruments at FVOCI	Deferred tax	Total other comprehensive income	Comprehensive income
				MCh\$	MCh\$	MCh\$	MCh\$
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	201	21	-	-	-	21
Santander Corredores de Bolsa Limitada	49.41	24,725	1,762	(32)	9	(23)	1,739
Santander Asesorías Financieras Limitada	0.97	561	47	-	-	-	47
Santander S.A. Sociedad Securitizadora	0.36	3	(1)	-	-	-	(1)
Klare Corredora de Seguros S.A.	49.90	356	(1,277)	-	-	-	(1,277)
Santander Consumer Chile S.A.	49.00	49,269	10,193	-	-	-	10,193
Subtotal		75,115	10,745	(32)	9	(23)	10,722
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	6,988	2,168	-	-	-	2,168
Bansa Santander S.A.	100.00	24,250	3,239	-	-	-	3,239
Multiplica Spa	100.00	3,211	(946)	-	-	-	(946)
Subtotal		34,449	4,461	-	-	-	4,461
Total		109,564	15,206	(32)	9	(23)	15,183
As of December 31, 2021	Non- controlling %	Equity MCh\$	Income MCh\$	Other comprehensive income			
				Debt instruments at FVOCI	Deferred tax	Total other comprehensive income	Comprehensive income
				MCh\$	MCh\$	MCh\$	MCh\$
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	179	5	-	-	-	5
Santander Corredores de Bolsa Limitada	49.41	22,970	717	(238)	65	(173)	544
Santander Asesorías Financieras Limitada	0.97	513	21	(152)	41	(111)	(90)
Santander S.A. Sociedad Securitizadora	0.36	1	-	-	-	-	-
Klare Corredora de Seguros S.A.	49.90	1,631	(1,270)	-	-	-	(1,270)
Santander Consumer Chile S.A.	49.00	39,080	9,386	-	-	-	9,386
Subtotal		64,374	8,859	(390)	106	(284)	8,575
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	4,820	139	-	-	-	139
Bansa Santander S.A.	100.00	21,010	1,096	-	-	-	1,096
Multiplica Spa	100.00	4,156	(133)	-	-	-	(133)
Subtotal		29,986	1,102	-	-	-	1,102
Total		94,360	9,961	(390)	106	(284)	9,677

NOTE 22 - NON-CONTROLLING INTEREST, continued

As of December 31, 2020	Non- controlling %	Equity MCh\$	Income MCh\$	Other comprehensive income			
				Debt instruments at FVOCI	Deferred tax	Total other comprehensive income	Comprehensive income
				MCh\$	MCh\$	MCh\$	MCh\$
Subsidiaries:							
Santander Corredora de Seguros Limitada	0.25	174	(4)	(4)	1	(3)	(7)
Santander Corredores de Bolsa Limitada	49.41	22,614	351	(38)	9	(29)	322
Santander Asesorías Financieras Limitada	0.97	493	(5)	152	(41)	111	106
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Klare Corredora de Seguros S.A.	49.90	2,902	(880)	-	-	-	(880)
Santander Consumer Chile S.A.	49.00	29,649	5,619	-	-	-	5,619
Subtotal		55,834	5,081	110	(31)	79	5,160
Entities controlled through other considerations:							
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	4,808	(127)	-	-	-	(127)
Bansa Santander S.A.	100.00	19,565	349	-	-	-	349
Multiplica Spa	100.00	4,476	(187)	-	-	-	(187)
Subtotal		28,849	35				35
Total		84,683	5,116	110	(31)	79	5,195

Banco Santander-Chile and Subsidiaries**Notes to the Consolidated Financial Statements**

AS OF DECEMBER 31, 2022 AND 2021 AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020

NOTE 22 - NON-CONTROLLING INTEREST, continued

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

	As of December 31,											
	2022				2021				2020			
	Assets MCh\$	Liabilities MCh\$	Capital MCh\$	Net income MCh\$	Assets MCh\$	Liabilities MCh\$	Capital MCh\$	Net income MCh\$	Assets MCh\$	Liabilities MCh\$	Capital MCh\$	Net income MCh\$
Santander Corredora de Seguros Limitada	92,541	13,093	71,121	8,327	88,492	13,388	69,129	1,975	79,936	10,777	70,554	(1,395)
Santander Corredores de Bolsa Limitada	321,411	270,952	46,863	3,596	98,496	51,649	45,396	1,451	94,802	49,038	45,053	711
Santander Asesorías Financieras Limitada	60,640	2,725	53,082	4,833	54,731	1,683	50,900	2,148	52,070	1,142	51,454	(526)
Santander S.A. Sociedad Securitizadora	1,107	398	857	(148)	810	463	455	(108)	630	175	547	(92)
Klare Corredora de Seguros S.A.	2,153	1,440	3,272	(2,559)	3,952	681	5,816	(2,545)	6,415	599	7,579	(1,763)
Santander Consumer Chile S.A.	884,701	784,146	79,755	20,800	742,700	662,945	60,588	19,167	693,992	633,177	49,348	11,467
Santander Gestión de Recaudación y Cobranzas Ltda.	8,037	1,049	4,820	2,168	6,636	1,816	4,681	139	7,789	3,108	4,808	(127)
Bansa Santander S.A.	213,661	189,411	21,011	3,239	103,927	82,917	19,914	1,096	84,496	64,582	19,565	349
Multiplica Spa	4,337	1,126	4,157	(946)	4,409	253	1,289	(133)	4,336	47	4,476	(187)
Total	1,588,588	1,264,340	284,938	39,310	1,178,676	883,096	280,158	15,422	1,040,914	763,830	269,657	7,427

NOTE 23 - MATURITY OF FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2022 and 2021, the detail of the maturities of assets and liabilities is as follows:

As of December 31, 2022	On Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$
Financial assets								
Cash and deposits in banks	1,982,942	-	-	-	-	-	-	1,982,942
Cash items in process of collection	843,816	-	-	-	-	-	-	843,816
Financial assets for trading at FVTPL								
Financial derivative contracts and hedge contracts (1)	-	734,755	570,803	1,499,473	3,396,062	2,026,248	3,923,381	12,150,722
Debt financial instruments	-	1	114,165	70	3,880	23,277	12,653	154,046
Financial assets at FVOCI								
Debt financial instrument	-	2,617,251	744,182	68,973	2,167	559,210	1,888,950	5,880,733
Other financial instruments	-	-	-	-	70,668	66,478	5,160	142,306
Financial assets at amortised cost (2)								
Debt financial instruments	-	-	96,326	-	2,545,919	2,225,346	-	4,867,591
Interbank loans	-	32,991	-	-	-	-	-	32,991
Loans and account receivable from customers	713,513	3,402,788	2,980,575	5,158,378	7,943,135	4,431,396	14,066,625	38,696,410
Guarantee deposits (margin accounts)	2,442,325	-	-	-	-	-	-	2,442,325
Total financial assets	5,982,596	6,787,786	4,506,051	6,726,894	13,961,831	9,331,955	19,896,769	67,193,882
Financial liabilities								
Cash items in process of being cleared	746,872	-	-	-	-	-	-	746,872
Financial liabilities for trading at FVTPL								
Financial derivative contracts and hedge contracts (1)	-	67,236	151,948	2,541,236	4,686,662	2,415,134	4,245,898	14,108,114
Financial liabilities at amortised cost								
Deposits and other demand liabilities	14,086,226	-	-	-	-	-	-	14,086,226
Time deposits and other time liabilities	234,170	12,712,880	5,806	-	25,934	-	-	12,978,790
Obligations under repurchase agreements	-	211,730	103,516	109	-	-	-	315,355
Interbank borrowings	24,667	149,482	818,030	2,252,305	5,620,281	-	-	8,864,765
Issued debt instruments (3)	-	-296,206	204,084	584,517	2,809,573	1,915,970	3,681,824	8,899,762
Other financial liabilities	-	292,756	-	-	142	97	-	292,995
Lease liabilities	-	-	-	25,902	46,955	32,784	31,448	137,089
Guarantees received (margin accounts)	1,017,968	-	-	-	-	-	-	1,017,968
Total financial liabilities	16,109,903	13,137,878	1,283,384	5,404,069	13,189,547	4,363,985	7,959,170	61,447,936

(1) Includes derivative contracts for trading purposes and hedge derivatives contracts.

(2) Debt financial instruments, Interbank loans and loans and accounts receivable from customer are presented on a gross basis, the related allowance are Ch\$894, Ch\$1 and Ch\$1,153,266 million, respectively.

(3) Includes Subordinated bonds for MCh\$1,733,869 which is presented as Regulatory capital financial instruments.

NOTE 23 - MATURITY OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2021	On Demand MCh\$	Up to 1 month MCh\$	Between 1 and 3 months MCh\$	Between 3 and 12 months MCh\$	Between 1 and 3 years MCh\$	Between 3 and 5 years MCh\$	More than 5 years MCh\$	Total MCh\$
Financial assets								
Cash and deposits in banks	2,881,558	-	-	-	-	-	-	2,881,558
Cash items in process of collection	390,271	-	-	-	-	-	-	390,271
Financial assets for trading at FVTPL								
Financial derivative contracts and hedge contracts (1)	-	186,546	318,606	1,185,220	2,222,851	2,172,208	4,038,176	10,123,607
Debt financial instruments	-	698	67	-	24,341	38,644	9,597	73,347
Financial assets at FVOCI								
Debt financial instrument	-	3,259,823	90	309,831	89,127	306,049	1,838,219	5,803,139
Other financial instruments	-	-	-	-	61,835	32,658	4,882	99,375
Financial assets at amortised cost (2)								
Debt instruments at amortised cost	-	-	-	-	429,630	4,262,811	-	4,692,441
Interbank loans	-	-	428	-	-	-	-	428
Loans and accounts receivables	194,086	1,563,103	1,695,151	3,792,426	5,077,346	665,057	23,541,893	36,529,062
Guarantee deposits (margin accounts)	1,988,410	-	-	-	-	-	-	1,988,410
Total financial assets	5,454,325	5,010,170	2,014,342	5,287,477	7,905,130	7,477,427	29,432,767	62,581,638
Financial liabilities								
Cash items in process of being cleared	379,934	-	-	-	-	-	-	379,934
Financial liabilities for trading at FVTPL								
Financial derivative contracts and hedge contracts (1)	-	195,808	348,382	987,403	2,948,206	2,294,608	4,096,834	10,871,241
Financial liabilities at amortised cost								
Deposits and other demand liabilities	17,900,938	-	-	-	-	-	-	17,900,938
Time deposits and other time liabilities	204,548	5,211,798	2,642,651	1,902,664	108,510	39,728	21,156	10,131,055
Obligations under repurchase agreements	-	86,634	-	-	-	-	-	86,634
Interbank borrowings	100,135	218,528	606,255	2,290,225	5,611,440	-	-	8,826,583
Issued debt instruments	-	7,375	289,466	871,447	1,819,637	2,368,118	3,041,017	8,397,060
Other financial liabilities	182,442	69	101	34	101	115	45	182,907
Lease liabilities	-	-	-	23,391	45,121	35,248	36,035	139,795
Guarantees received (margin accounts)	857,679	-	-	-	-	-	-	857,679
Total financial liabilities	19,625,676	5,720,212	3,886,855	6,075,164	10,533,015	4,737,817	7,195,087	57,773,826

(1) Includes derivative contracts for trading purposes and hedge derivatives contracts.

(2) Debt financial instruments, Interbank loans and loans and accounts receivable from customer are presented on a gross basis, the related allowance are Ch\$711, Ch\$0 and Ch\$1,051,434 million, respectively.

(3) Includes Subordinated bonds for MCh\$1,461,637 which is presented as Regulatory capital financial instruments.

NOTE 24 - CONTINGENCIES AND COMMITMENTS**a. Lawsuits and legal procedures**

As of the issuance date of these financial statements, the Bank and its affiliates were subject to certain legal actions in the normal course of their business. As of December 31, 2022, the Bank and its subsidiaries have provisions for this item of Ch\$5,533 million (Ch\$3,035 million as of December 31, 2021) which is included in "Provisions" in the Consolidated Statements of Financial Position as provisions for contingencies.

b. Contingent loans

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

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Personal guarantees	924,173	579,051
Personal guarantees in local currency	483,807	349,906
Personal guarantees in foreign currency	440,366	229,145
Letter of credits of merchandise traffic operations	255,522	377,308
Transactions related to contingent events	1,476,599	1,390,410
Transactions related to contingent events in local currency	1,216,117	1,204,670
Transactions related to contingent events in foreign currency	260,482	185,740
Unrestricted prompt cancel credit lines	8,974,077	8,986,535
Other credit commitments	324,962	265,517
Credit for university studies	1,617	2,640
Other irrevocable credit commitments	323,345	262,877
Total	11,945,333	11,598,821

c. Held securities

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

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Third party operations		
Collections	104,972	109,465
Transferred financial assets managed by the Bank	9,090	16,987
Assets from third parties managed by the Bank and its affiliates	1,081,895	1,307,727
Subtotal	1,195,957	1,434,179
Custody of securities		
Securities held in custody	9,057,428	7,022,067
Securities held in custody deposited in other entity	756,880	820,948
Issued securities held in custody	12,397,099	9,713,122
Subtotal	22,211,407	17,556,137
Total	23,407,364	18,990,316

As of December 31, 2022, the Bank has classified the portfolios managed by private banking into "Assets from third parties managed by the Bank and its affiliates" (memo account). At the end of December 2022, the balance for this was Ch\$1,081,895 million (Ch\$1,307,692 million as of December 31, 2021).

d. Guarantees

Banco Santander-Chile has an integral bank policy of coverage of Official Loyalty N°5721202 in force with the company Compañía de Seguros Chilena Consolidada S.A., coverage for USD50,000,000 per claim with an annual limit of USD100,000,000, which covers both the Bank and its subsidiaries, with an expiration date of June 30, 2023.

e. Contingent loans and liabilities

The Bank took on several contingent loans and liabilities, to satisfy its clients' needs, that are not recognised in the Consolidated Financial Statements of Financial Position; these contain loan risks and are, therefore, part of the Bank's global risk.

NOTE 25 - INTEREST AND INFLATION INCOME

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

a. For the years ended December 31, 2022, 2021 and 2020 the income from interest, was attributable to the following items:

Items	For the years ended December 31,								
	2022			2021			2020		
	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$
Financial assets at amortised cost									
Resale agreements	1,063	-	1,063	190	-	190	124	-	124
Debt financial instruments	62,876	195,082	257,958	15,078	103,164	118,242	69,276	36,141	105,417
Interbank loans	925		925	429	-	429	36	-	36
Commercial loans	954,978	825,146	1,780,124	662,170	404,803	1,066,973	719,250	173,967	893,217
Mortgage loans	412,741	1,818,172	2,230,913	337,669	838,851	1,176,520	322,687	314,777	637,464
Consumer loans	629,770	1,090	630,860	475,133	559	475,692	564,363	338	564,701
Other interest income	78,192	8,242	86,434	5,808	8,629	14,437	8,674	4,384	13,058
Subtotal	2,140,545	2,847,732	4,988,277	1,496,477	1,356,006	2,852,483	1,684,410	529,607	2,214,017
Financial asset at fair value through other comprehensive income									
Debt financial instruments	270,026	43,104	313,130	87,311	7,346	94,567	-	-	-
Other financial instruments	1,705	1,643	3,348	3,056	1,160	4,216	2,866	393	3,259
Subtotal	271,731	44,747	316,478	90,367	8,506	98,783	2,866	393	3,259
Hedging accounting	437,899	(1,655,998)	(1,218,099)	30,953	(77,789)	(46,836)	20,239	(21,535)	(1,296)
TOTAL	2,850,175	1,236,481	4,086,656	1,617,797	1,286,723	2,904,520	1,707,515	508,465	2,215,980

b. For the years ended December 31, 2022, 2021 and 2020, the Bank's expenses classified as interest expense are as follows:

Items	For the years ended December 31,								
	2022			2021			2020		
	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$	Interest MCh\$	Inflation adjustments MCh\$	Total MCh\$
Financial liabilities at amortised cost									
Demand deposits	13,623	12,023	25,646	14,533	4,938	19,471	13,576	1,526	15,102
Time deposits and liabilities	759,511	119,613	879,124	88,949	20,451	109,400	141,091	20,876	161,967
Repurchase agreements	15,774	-	15,774	839	-	839	1,899	-	1,899
Interbank loans	98,357	-	98,357	43,692	-	43,692	45,176	-	45,176
Issued debt instruments	174,707	448,103	622,810	133,583	228,153	361,736	186,672	113,996	300,668
Other financial liabilities	26,430	39,934	66,364	3,382	33,026	36,408	10,140	14,733	24,873
Subtotal	1,088,402	619,673	1,708,075	284,978	286,568	571,546	398,554	151,131	549,685
Lease contracts	2,862	-	2,862	2,283	-	2,283	2,651	-	2,651
Regulatory capital financial instruments	66,728	172,949	239,677	54,211	74,325	128,636	45,879	26,099	71,978
Others equity instruments	28,234	-	28,234	4,995	-	4,995	-	-	-
Hedging accounting	1,089,816	(552,120)	537,696	(539,680)	941,966	402,286	(371,787)	385,952	14,165
TOTAL	2,276,042	240,502	2,516,544	(193,213)	1,302,859	1,109,746	29,418	563,182	638,479

NOTE 26 - FEES AND COMMISSIONS

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

	For the years ended December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
Fee and commission income			
Fees and commissions for prepayments	11,348	16,266	15,943
Fees and commissions of loans with credit lines	233	311	404
Fees and commissions for lines of credits and overdrafts	8,766	7,602	7,428
Fees and commissions for guarantees and letters of credit	35,935	39,010	36,277
Fees and commissions for card services	352,448	273,641	196,308
Fees and commissions for management of accounts	52,226	39,581	34,825
Fees and commissions for collections and payments	54,060	26,871	23,242
Fees and commissions for intermediation and management of securities	10,019	10,750	11,272
Insurance brokerage fees	52,568	43,898	39,764
Fees and commissions for factoring operations services	1,829	1,223	1,432
Fees and commissions for securitizations	45	29	57
Fees and commissions for financial advice	9,362	14,332	7,574
Office banking	21,771	17,823	15,119
Fees for other services rendered	56,543	49,178	44,072
Other fees earned	61,910	54,666	33,792
Total	729,063	595,181	467,509
	For the years ended December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
Fee and commission expense			
Compensation for card operation	105,695	76,418	48,814
Commissions for licence for use brands	7,360	5,570	5,241
Commissions for services linked to the credit card and prepaid cards	11,458	10,083	9,102
Commissions for obligations of loyalty programmes and merits for card customers	95,946	81,734	64,795
Fees and commissions for securities transactions	8,551	8,001	5,955
Office banking	2,382	2,115	2,078
Interbank services	47,428	34,143	24,957
Other fees	42,974	27,789	22,942
Total	321,794	245,853	183,884
Net fees and commissions income	407,269	349,328	283,625

NOTE 26 - FEES AND COMMISSIONS, continued

The income and expenses for the commissions of the business segments and the calendar for the recognition of income from ordinary activities as of December 31, 2022 are presented below:

As of December 31, 2022	Segments					Revenue recognition calendar for ordinary activities		
	Individuals and PYMEs	Companies and Institutions	Global Investment Banking	Others	Total	Transferred over time	Transferred at a point in time	Accrual model
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commission income								
Commissions for prepayments	7,072	3,229	11	1,036	11,348	-	11,348	-
Commissions of loans with credit lines	170	-	-	63	233	-	233	-
Commissions for lines of credits and overdrafts	7,039	(836)	2,556	7	8,766	8,766	-	-
Commissions for guarantees and letters of credit	5,028	20,295	10,036	576	35,935	35,935	-	-
Commissions for card services	301,123	24,915	9,417	16,993	352,448	71,904	280,544	-
Commissions for management of accounts	48,336	3,011	845	34	52,226	46,054	6,172	-
Commissions for collections and payments	65,897	9,318	8,052	(29,207)	54,060	-	38,065	15,995
Commissions for intermediation and management of securities	2,249	276	6,874	620	10,019	-	10,019	-
Commissions for factoring operations services	52,757	12	1	(202)	52,568	-	-	52,568
Commissions for securitizations	313	657	761	98	1,829	-	1,829	-
Commissions for financial advice	-	-	45	-	45	-	45	-
Remuneration for insurance commercialization	(1,362)	2,894	3,916	3,914	9,362	-	9,362	-
Office banking	15,260	5,489	1,022	0	21,771	21,771	-	-
Fees for other services rendered	52,059	3,801	668	15	56,543	-	56,543	-
Other fees earned	47,603	9,790	6,905	(2,388)	61,910	-	61,910	-
Total	603,544	82,851	51,109	(8,441)	729,063	184,430	476,070	68,563
Commission expenses								
Compensation for card operation	94,473	9,619	1,418	185	105,695	12,505	93,190	-
Commissions for licence for use brands	6,679	620	51	10	7,360	5,500	1,860	-
Commissions for services linked to the credit card and prepaid cards	11,029	391	38	0	11,458	11,458	-	-
Commissions for obligations of loyalty programmes and merits for card customers	94,958	987	1	0	95,946	85,412	10,534	-
Fees and commissions for securities transactions	0	0	6,186	2,365	8,551	-	8,551	-
Office banking	4,772	(82)	(2,308)	0	2,382	2,382	-	-
Interbank services	33,658	6,026	7,804	(60)	47,428	-	47,428	-
Other fees	45,269	2,646	619	(5,560)	42,974	-	42,974	-
Total	290,838	20,207	13,809	(3,060)	321,794	117,257	204,537	0
Total Net commission income and expenses	312,706	62,644	37,300	(5,381)	407,269	67,173	271,533	68,563

NOTE 26 - FEES AND COMMISSIONS, continued

The income and expenses for the commissions of the business segments and the calendar for the recognition of income from ordinary activities as of December 31, 2021 are presented below:

As of December 31, 2021	Segments					Revenue recognition calendar for ordinary activities		
	Individuals and PYMEs MCh\$	Companies and Institutions MCh\$	Global Investment Banking MCh\$	Others MCh\$	Total MCh\$	Transferred over time MCh\$	Transferred at a point in time MCh\$	Accrual model MCh\$
Commission income								
Commissions for prepayments	8,360	7,572	1,525	(1,191)	16,266	-	16,266	-
Commissions of loans with credit lines	323	1	-	(13)	311	-	311	-
Commissions for lines of credits and overdrafts	6,284	835	430	53	7,602	7,602	-	-
Commissions for guarantees and letters of credit	11,620	19,281	7,983	126	39,010	39,010	-	-
Commissions for card services	258,971	11,223	3,401	46	273,641	58,186	215,455	-
Commissions for management of accounts	35,933	2,496	1,149	3	39,581	39,581	-	-
Commissions for collections and payments	24,615	1,561	653	42	26,871	-	12,498	14,373
Commissions for intermediation and management of securities	3,687	355	5,790	918	10,750	-	10,750	-
Commissions for factoring operations services	43,995	-	3	(100)	43,898	-	-	43,898
Commissions for securitizations	359	418	444	2	1,223	-	1,223	-
Commissions for financial advice	-	-	29	-	29	-	29	-
Remuneration for insurance commercialization	1	2,297	12,097	(63)	14,332	-	14,332	-
Office banking	12,493	4,494	836		17,823	17,823	-	-
Fees for other services rendered	45,278	3,306	581	13	49,178	-	49,178	-
Other fees earned	38,017	6,788	2,311	7,550	54,666	-	54,666	-
Total	489,936	60,627	37,232	7,386	595,181	162,202	374,708	58,271
Commission expenses								
Compensation for card operation	69,756	5,119	1,034	509	76,418	9,041	67,377	-
Commissions for licence for use brands	5,370	215	(15)	-	5,570	4,162	1,408	-
Commissions for services linked to the credit card and prepaid cards	9,987	80	16	-	10,083	10,083	-	-
Commissions for obligations of loyalty programmes and merits for card customers	81,610	621	3	(500)	81,734	72,760	8,974	-
Fees and commissions for securities transactions	-	-	4,688	3,313	8,001	-	8,001	-
Office banking	4,237	(73)	(2,049)		2,115	2,115	-	-
Interbank services	24,230	4,338	5,618	(43)	34,143	-	34,143	-
Other fees	41,588	2,568	4,472	(20,839)	27,789	-	27,789	-
Total	236,778	12,868	13,767	(17,560)	245,853	98,161	147,692	-
Total Net commission income and expenses	253,158	47,759	23,465	24,946	349,328	64,041	227,016	58,271

NOTE 26 - FEES AND COMMISSIONS, continued

The income and expenses for the commissions of the business segments and the calendar for the recognition of income from ordinary activities as of December 31, 2020 are presented below:

As of December 31, 2020	Segments					Revenue recognition calendar for ordinary activities		
	Individuals and PYMEs MCh\$	Companies and Institutions MCh\$	Global Investment Banking MCh\$	Others MCh\$	Total MCh\$	Transferred over time MCh\$	Transferred at a point in time MCh\$	Accrual model MCh\$
Commission income								
Commissions for prepayments	8,450	6,362	1,116	15	15,943	-	15,943	-
Commissions of loans with credit lines	299	98	7	-	404	-	404	-
Commissions for lines of credits and overdrafts	6,334	690	398	6	7,428	7,428	-	-
Commissions for guarantees and letters of credit	11,304	17,505	7,112	356	36,277	36,277	-	-
Commissions for card services	187,098	6,620	2,568	22	196,308	47,073	149,235	-
Commissions for management of accounts	31,508	2,495	819	3	34,825	34,825	-	-
Commissions for collections and payments	21,281	1,514	367	80	23,242	-	11,303	11,939
Commissions for intermediation and management of securities	3,353	299	8,149	(529)	11,272	-	11,272	-
Commissions for factoring operations services	39,764	-	-	-	39,764	-	-	39,764
Commissions for securitizations	398	501	530	3	1,432	-	1,432	-
Commissions for financial advice	-	-	57	-	57	-	57	-
Remuneration for insurance commercialization	-	1,893	5,681	-	7,574	-	7,574	-
Office banking	10,393	4,077	649	-	15,119	15,119	-	-
Fees for other services rendered	39,318	3,606	1,028	120	44,072	-	44,072	-
Other fees earned	18,550	9,322	6,582	(662)	33,792	-	33,792	-
Total	378,050	54,982	35,063	(586)	467,509	140,722	275,084	51,703
Commission expenses								
Compensation for card operation	43,933	3,905	732	488	49,058	5,804	43,254	-
Commissions for licence for use brands	4,927	262	52	0	5,241	3,917	1,324	-
Commissions for services linked to the credit card and prepaid cards	8,829	182	79	12	9,102	9,102	-	-
Commissions for obligations of loyalty programmes and merits for card customers	64,795	-	-	-	64,795	57,681	7,114	-
Fees and commissions for securities transactions	-	-	3,871	2,084	5,955	-	5,955	-
Office banking	1,326	434	314	4	2,078	2,078	-	-
Interbank services	16,073	5,183	3,663	38	24,957	-	24,957	-
Other fees	15,987	221	2,049	4,441	22,698	-	22,698	-
Total	155,870	10,187	10,760	7,067	183,884	78,582	105,302	-
Total Net commission income and expenses	222,180	44,795	24,303	(7,653)	283,625	62,140	169,782	51,703

NOTE 27 - NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS

The detail of income (expense) from financial operations is as follows:

	For the years ended December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Net income/(expense) from financial assets for trading at FVTPL			
Financial derivative contracts	70,001	(25,405)	41,559
Debt financial instruments	8,139	(4,841)	1,449
Other financial instrumets	51	24	239
Subtotal	78,191	(30,222)	43,247
Net income from financial liabilities for trading at FVTPL			
Financial derivative contracts	-	1,620	-
Subtotal	-	1,620	-
Net income from non-current assets and groups available for sale not admissible as discontinued operations			
Financial assets at amortised cost	2,088	2,745	(1,238)
Financial assets at fair value through OCI	(20,173)	23,188	81,897
Financial liabilities at amortised cost	16,457	(3,734)	(33,106)
Subtotal	(1,628)	22,199	47,553
Net income from exchange, adjustment and hedge accounting of foreign currency			
Net income from foreign currency exchange	260,428	(481,340)	90,133
Net income from readjustment of foreign currency			
Financial assets at amortised cost	1,856	18,954	(3,608)
Others assets	1,353	(159)	96
Financial liabilities at FVTPL	(760)	-	-
Net income from hege accounting of foreign currency risk	(122,262)	587,976	(27,624)
Subtotal	140,615	125,431	58,997
Total income (expense) from financial operations	217,178	119,028	149,797

NOTE 28 - NET INCOME FROM NON-CURRENT ASSETS AND GROUPS AVAILABLE FOR SALE NOT ADMISSIBLE AS DISCONTINUED OPERATIONS

The detail of net income from assets received in lieu of payment and sale of non-currents assets is as follows:

	For the years ended December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Net income from assets received in lieu of payment			
Income from assets received in lieu of payment	4,873	2,786	1,188
Other income from assets received in lieu of payment	-	455	3,135
Provision on assets received in lieu of payment	(743)	(192)	(1,356)
Expenses for maintenance of assets received in lieu of payment	(2,017)	(1,425)	(1,485)
Subtotal	2,113	1,624	1,482
Sale of non-current assets			
Net income from sale of fixed assets	6,405	673	865
Subtotal	6,405	673	865
TOTAL	8,518	2,297	2,347

NOTE 29 - OTHER OPERATING INCOME AND EXPENSES

Other operating income is comprised of the following components:

	For the years ended December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Pension plan interest	963	640	-
Compensation from insurance companies due to damages (1)	141	45	255
Rental income	488	286	253
Income from recovery tax and expenses	548	218	250
Income from business alliance	1,180	440	72
Other	2,219	33	31
Total	5,539	1,662	861

(1) Mainly related to recoveries from fraud claims.

Other operating expenses are detailed as follows:

	For the years ended December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Credit card expenses	779	272	546
Customer services	2,583	2,305	1,559
Operating risk charge-offs and provision	11,089	11,287	10,926
Recovery of operating expenses	(362)	(2,389)	(43)
Life insurance and general product insurance policies (1)	47,214	45,949	32,987
Commercial representation expenses	2,373	8,720	3,501
Expenses associated leasing operations (2)	3,842	3,772	3,628
Expenses associated factoring operations	784	414	536
Commercial alliance expenses	682	878	-
Lawsuits provision	1,210	493	330
Donations	-	119	2,360
Retail association payment	243	274	326
Non-recurrent expenses	-	-	6,622
Bond issuance expenses	1,202	217	-
Other	34,667	29,119	10,012
Total	106,306	101,430	73,290

(1) New Fraud Law became effective on 2020, under which the Bank assumes responsibility against card fraud and electronic transactions.

(2) Includes leasing land taxes, which were modified in 2020 (Tax Modernization Law).

NOTE 30 - PERSONNEL SALARIES AND EXPENSES

For the years ended December 31, 2022, 2021 and 2020, the composition of personnel salaries and expenses is as follows:

	For the years ended December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
Salary compensation	216,124	205,443	214,398
Performance bonus	60,801	65,873	65,519
Legal compensation	49,463	47,028	47,284
Short-term bonuses	33,462	38,879	34,445
Long-term bonus	14,659	4,132	10,710
Stock-based benefits	(1,169)	(315)	(1,589)
Seniority compensation	27,289	25,878	22,380
Pension plans	849	(873)	1,026
Training expenses	2,487	2,659	2,887
Nursery school and kindergarten expenses	2,928	2,812	2,769
Other personnel expenses	7,915	6,159	8,841
Total	414,808	397,675	408,670

NOTE 31 - ADMINISTRATIVE EXPENSES

For the years ended December 31, 2022, 2021 and 2020, the composition of the item is as follows:

	For the years ended December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
General administrative expenses			
Maintenance and repair of property, plant and equipment	23,411	22,157	20,300
Short term leases contracts	5,503	3,844	1,625
Other expenses related to leases contracts	30	20	78
Insurance payments	5,656	5,133	5,064
Office supplies	6,588	4,285	4,774
IT and communication expenses	85,209	80,965	68,436
Heating, and other utilities	5,514	4,213	5,455
Security and valuables transport services	16,459	13,490	12,365
Representation and personnel travel expenses	2,314	2,723	2,375
Judicial and notarial expenses	911	915	860
Fees for technical reports, assessments and auditing	8,760	7,950	8,460
Fines applied by FMC	51	-	-
Other general administrative expenses	20,631	14,337	13,110
Subtotal	181,037	160,032	142,848
Outsourced services			
Data processing	41,714	36,250	38,032
Technological development, certification and testing service	3,197	3,442	2,351
Administration and supply of external human resources	21	105	-
Call center for sale, marketing and control quality of client' services	15	8	-
External collection services	427	241	222
External ATM administration and maintenance services	525	377	331
External cleaning, casino, custody, storage services	4,691	4,395	3,620
Product sale and distribution services	119	368	1,025
External credit evaluation services	5,195	7,243	7,496
Other	26,042	21,887	19,436
Subtotal	81,946	74,316	72,513
Board expenses	1,764	1,539	1,517
Marketing expenses	25,984	26,321	16,791
Taxes, payroll taxes, and contributions			
Real estate taxes	2,107	1,893	2,214
Patents	2,134	2,289	2,135
Other taxes	2	5	5
Contributions to FMC	15,245	13,739	12,427
Subtotal	19,488	17,926	16,781
Total	310,219	280,134	250,450

NOTE 32 - DEPRECIATION, AMORTISATION, AND IMPAIRMENT

Depreciation, amortisation and impairment charges for the years ended December 31, 2022, 2021 and 2020, are detailed below:

	For the years ended December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
Depreciation and amortisation			
Depreciation of property, plant, and equipment	56,297	60,904	56,311
Amortisation of Intangible assets	42,377	32,252	25,384
Depreciation right of use assets	31,319	28,899	27,731
Total depreciation and amortisation	129,993	122,055	109,426
Impairment of property, plant, and equipment	-	-	-
Impairment of right of use assets	-	-	638
Impairment of intangibles	-	-	-
Total impairment	-	-	638
Total	129,993	122,055	110,064

NOTE 33 - EXPECTED CREDIT LOSSES ALLOWANCE

As of December 31, 2022, 2021 and 2020, under the credit risk model established by IFRS 9 the ECL allowance by stage recorded at income statements is as follows:

For the year ended December 31, 2022 *	Stage1		Stage2		Stage3		TOTAL
	Corporate	Other ** commercial	Corporate	Other ** commercial	Corporate	Other ** commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Commercial loans	4,324	8,734	272	515	90,349	93,961	198,155
Mortgage loans	-	(5,010)	-	(4,936)	-	51,327	41,381
Consumer loans	-	16,234	-	72,115	-	113,510	201,859
Contingent loans	453	2,864	-837	(231)	1,511	1,429	5,189
Loans and account receivable at FVOCI	58	-	-	-	-	-	58
Debt at FVOCI	-	(529)	-	-	-	-	(529)
Debt at amortised cost	-	957	-	-	-	-	957
Subtotal	4,837	23,249	-565	67,463	91,860	260,227	447,071
Recovery of loans previously charged-off							(90,577)
TOTAL							356,494

* Includes overlays for an amount of MCh\$91,351 for future macro-economic information and scenarios updates. See Note 37, Risk management.

** Includes Other Commercial, Mortgages and Consumer

For the year ended December 31, 2021	Stage1		Stage2		Stage3		TOTAL
	Corporate	Others ** commercial	Corporate	Others commercial	Corporate	Others** commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Commercial loans	22,469	6,625	37,952	3,445	48,013	58,030	176,534
Mortgage loans	-	7,134	-	7,540	-	29,763	44,437
Consumer loans	-	56,994	-	17,710	-	59,963	134,667
Contingent loans	1,607	7,397	5,167	(1,420)	(279)	(218)	12,254
Loans and account receivable at FVOCI	59	-	-	-	-	-	59
Debt at FVOCI	-	(435)	-	-	-	-	(435)
Debt at amortised cost	-	711	-	-	-	-	711
Total	24,135	78,426	43,119	27,275	47,734	147,538	368,227
Recovery of loans previously charged-off							(76,999)
TOTAL							291,228

** Includes Other Commercial, Mortgages and Consumer

For the year ended December 31, 2020 *	Stage1		Stage2		Stage3		TOTAL
	Corporate	Other ** commercial	Corporate	Other** commercial	Corporate	Other** commercial	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Commercial loans	43,655	23,449	43,861	31,410	105,730	76,357	324,462
Mortgage loans	-	30,203	-	4,034	-	7,636	41,873
Consumer loans	-	42,986	-	(3,914)	-	141,466	180,538
Contingent loans	852	(1,411)	1,624	3,029	(14)	423	4,503
Loans and account receivable at FVOCI	629	-	-	-	-	-	629
Debt at FVOCI	682	-	-	-	-	-	682
Total	45,818	95,227	45,485	34,559	105,716	225,882	552,687
Recovery of loans previously charged-off							(74,926)
							477,761

* Includes overlays for an amount of MCh\$59,000. See Note 37, Risk management.

** Includes Other Commercial, Mortgages and Consumer

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES

In addition to affiliates and associated entities, the Bank's "related parties" include its "key personnel" from the executive staff (members of the Bank's Board 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 considers the companies that are part of the Santander Group worldwide as related parties, since all of them have a common parent, i.e., Banco Santander S.A. (located in Spain).

Transactions between the Bank and its related parties are specified below. To facilitate comprehension, we have divided the information into four categories:

Santander Group Companies

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

Associated companies

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

Key personnel

This category includes members of the Bank's Board 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 34 - TRANSACTIONS WITH RELATED PARTIES, continued**a. Loans to related parties**

Loans and accounts receivable as well as contingent loans that correspond to related entities are as follows:

	As of December 31,											
	2022				2021				2020			
	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$
Loans and accounts receivable												
Commercial loans	680,624	118	3,185	280	592,992	192	2,611	219	352,590	265	3,939	900
Mortgage loans	-	-	30,479	-	-	-	20,716	-	-	-	22,428	-
Consumer loans	-	-	6,540	-	-	-	6,562	-	-	-	6,131	-
Loans and accounts receivable	680,624	118	40,204	280	592,992	192	29,889	219	352,590	265	32,498	900
Allowance for loan losses	(2,213)	(8)	(164)	(10)	(2,586)	(30)	(138)	(6)	(1,138)	(9)	(137)	(14)
Net loans	678,411	100	40,040	270	590,406	162	29,751	213	351,452	256	32,361	886
Guarantees	-	-	-	-	2,039	-	25,545	117	3,323	-	27,203	442
Contingent loans												
Personal guarantees	-	-	-	-	-	-	-	-	-	-	-	-
Letters of credit	19,162	-	-	-	13,848	-	-	-	3,447	-	-	93
Guarantees	30,422	-	-	-	538	-	-	-	811	-	-	-
Contingent loans	49,584	-	-	-	14,386	-	-	-	4,258	-	-	93
Allowance for contingent loans	(41)	-	-	-	(32)	-	-	-	(6)	-	-	-
Net contingent loans	49,543	-	-	-	14,354	-	-	-	4,252	-	-	93

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continued

Loan activity to related parties during 2022, 2021 and 2020 is shown below:

	As of December 31,											
	2022				2021				2020			
	Group entities MCh\$	Associates entities MCh\$	Key Personnel MCh\$	Other MCh\$	Group entities (*) MCh\$	Associates entities MCh\$	Key Personnel MCh\$	Other MCh\$	Group entities (*) MCh\$	Associates entities MCh\$	Key Personnel MCh\$	Other MCh\$
Opening balances as of January 1,	607,378	192	29,889	219	356,848	265	32,498	993	715,671	375	29,240	748
Loans granted	179,540	29	18,115	156	373,006	-	5,738	53	388,896	-	8,080	727
Loans payments	(56,710)	(103)	(7,800)	(95)	(122,476)	(73)	(8,347)	(827)	(747,719)	(110)	(4,822)	(482)
Total	730,208	118	40,204	280	607,378	192	29,889	219	356,848	265	32,498	993

(*) Loans with non-controlled companies (not-consolidated) amount MCh\$27,544, MCh\$1,174 and MCh\$2,286 as of December 31, 2022, 2021 and 2020, respectively.

b. Assets and liabilities with related parties

	As of December 31,											
	2022				2021				2020			
	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$
Assets												
Cash and deposits in banks	280,364	-	-	-	1,069,468	-	-	-	703,069	-	-	-
Financial assets at FVTPL												
Financial derivative contracts	1,190,683	386,494	-	-	1,164,660	298,997	-	-	978,696	186,038	33	7
Other assets	676,850	287,053	-	-	1,042,852	437,227	-	-	445,609	412,277	-	-
Liabilities												
Financial liabilities at FVTPL												
Financial derivative contracts	1,695,284	326,149	-	-	2,083,795	224,247	-	-	1,137,502	354,108	-	-
Financial liabilities at amortised cost												
Deposits and other demand liabilities	73,193	-	4,398	833	16,190	2,486	4,760	1,003	17,118	4,484	5,997	3,242
Time deposits and other time liabilities	10,376	-	9,442	1,102	900,830	1,677	3,066	948	1,409,404	100	4,706	864
Obligations under repurchase agreements	64,547	-	-	18,135	57,771	-	181	5,807	961,718	-	101	-
Interbank borrowing	224,798	-	-	-	640,860	-	-	-	544,291	-	-	-
Issued debt instruments	1,001,310	-	-	-	584,244	592,468	-	-	349,002	-	-	-
Other financial liabilities	267,130	325,070	-	-	16,259	233,630	-	-	1,210	4,484	5,997	3,242

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continued**c. Income (expense) recorded due to transactions with related parties**

	For the years ended December 31,											
	2022				2021				2020			
	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$	Group entities MCh\$	Associates entities MCh\$	Key personnel MCh\$	Other MCh\$
Interest income and inflation-indexation adjustments	(44,196)	(13)	4,198	79	(24,428)	51	1,905	9	(30,586)	21	1,202	10
Fee and commission income and expenses	157,236	86,581	261	15	134,404	25,445	202	11	46,823	22,596	152	24
Net income (expense) from financial operations and net foreign exchange gain (loss) (*)	(690,780)	(47,993)	(217)	27	(751,605)	187,300	-	-	(390,737)	240,565	-	-
Other operating income and expenses	1,311	(619)	-	-	552	(525)	-	-	492	(522)	-	-
Key personnel compensation and expenses	-	-	(32,739)	-	-	-	(36,579)	-	-	-	(31,961)	-
Administrative and other expenses	(78,435)	(82,771)	-	-	(66,895)	(54,953)	-	-	(45,478)	(16,763)	-	-

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

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continued**d. Transactions with related parties**

Single transaction in the period with related parties not legal persons, which are not usual business operations of the Bank with their clients, and that exceed UF2,000 (USD 82,654)

As of December 31, 2022			Description of the transactions			Effect on income statements		Effect on balance sheet	
Business name	Country	Nature of relationship with the Bank	Type of service	Term	Renewal	Income MCh\$	Expenses MCh\$	Account receivable MCh\$	Account payable MCh\$
Banco Santander, S.A.	Spain	Group	Advisory services	Monthly	Contractual	-	15,999	-	1,642
Santander Back-Offices Globales Mayoristas, S.A.	Spain	Group	Back Office services	Monthly	Contractual	-	3,059	-	-
Santander Chile Holding S.A.	Chile	Group	Leases	Monthly	Contractual	234	-	234	-
Santander Factoring S.A.	Chile	Group	Leases, Custody and gateway	Monthly	Contractual	39	423	39	133
Gesban Santander Servicios Profesionales Contables Limitada	Chile	Group	Accounting services	Monthly	Contractual	60	1,019	60	523
Santander Gestión de Recaudación y Cobranzas, Ltda.	Chile	Group	Leases and collection	Monthly	Contractual	408	180	408	14
Santander Global Facilities, S.L.	Spain	Group	Advisory services	Monthly	Contractual	-	341	-	-
Santander Investment Chile Limitada	Chile	Group	Leases	Monthly	Contractual	-	4,381	-	26
Santander Corredores de Bolsa Limitada	Chile	Group	Leases	Monthly	Contractual	65	226	65	29
Santander Global Technology and Operations Chile limitada	Chile	Group	IT Services	Monthly	Contractual	-	258	-	-
Universia Chile, S.A.	Chile	Group	Institucional services	Monthly	Contractual	8	341	8	-
Aquanima Chile S.A.	Chile	Group	Procurement Services	Monthly	Contractual	-	1,710	-	-
Santander Asset Management S.A. Administradora General de Fondos	Chile	Group	Leases and others	Monthly	Contractual	-	626	-	78
Zurich Santander Seguros Generales Chile S.A.	Chile	Group	Commercial agreements	Monthly	Contractual	187	-	187	-
Santander Consumer Finance Limitada	Chile	Group	Advisory services and others	Monthly	Contractual	70	-	70	-
Santander Global Technology and Operations, S.L. Unipersonal	Spain	Group	IT Services	Monthly	Contractual	-	49,744	-	-
Mercury Trade Finance Solutions, S.p.A.	Chile	Group	IT Services	Monthly	Contractual	-	256	-	-
Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A.	Chile	Group	Leases	Monthly	Contractual	415	-	415	-
Santander Corredora de Seguros Limitada	Chile	Group	Insurance broker	Monthly	Contractual	87	-	87	-
Centro de Compensación Automatizado, S.A.	Chile	Group	Derivatives clearing	Monthly	Contractual	-	2,184	-	-
Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Chile	Group	Card operator	Monthly	Contractual	-	632	-	-
PagoNxt Trade Services, S.L.	Spain	Group	Digital payments	Monthly	Contractual	-	284	-	-

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continued

As of December 31, 2021			Description of the transactions			Effect on income statements		Effect on balance sheet	
Business name	Country	Nature of relationship with the Bank	Type of service	Term	Renewal	Income MCh\$	Expenses MCh\$	Account receivable MCh\$	Account payable MCh\$
Banco Santander, S.A.	Spain	Group	Consulting services	Monthly	Contractual	-	12,710	-	10,329
Santander Back-Offices Globales Mayoristas, S.A.	Spain	Group	BackOffice services	Monthly	Contractual	-	2,005	-	-
Santander Chile Holding S.A.	Chile	Group	Leases	Monthly	Contractual	211	-	-	-
Santander Factoring S.A.	Chile	Group	Leases,Custody, Gateway	Monthly	Contractual	35	428	35	42
Gesban Santander Servicios Profesionales Contables Limitada	Chile	Group	Accounting services	Monthly	Contractual	54	917	-	79
Santander Gestión de Recaudación y Cobranzas, Ltda.	Chile	Group	Leasing and collection services	Monthly	Contractual	369	6,221	-	175
Santander Investment Chile Limitada	Chile	Group	Consulting services	Monthly	Contractual	-	3,910	-	60
Santander Global Technology and Operations Chile limitada	Chile	Group	Leases	Monthly	Contractual	-	231	-	-
Universia Chile, S.A.	Chile	Group	Leases	Monthly	Contractual	-	274	-	65
Aquanima Chile S.A.	Chile	Group	IT services	Monthly	Contractual	-	1,940	-	-
Santander Asset Management S.A. Administradora General de Fondos	Chile	Group	Institutional services	Monthly	Contractual	-	495	-	65
Zurich Santander Seguros Generales Chile S.A.	Chile	Associate	Procurement services	Monthly	Contractual	188	-	188	-
Santander Consumer Finance Limitada	Chile	Group	Sales channel services	Monthly	Contractual	911	-	71	-
Santander Global Technology and Operations, S.L. Unipersonal	España	Group	Leases and others	Monthly	Contractual	-	41,683	-	-
Mercury Trade Finance Solutions, S.p.A.	Chile	Group	Sales channel services	Monthly	Contractual	-	343	-	-
Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A.	Chile	Group	Consulting services and others	Monthly	Contractual	443	-	-	-

NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, continued**e. Payments to Board members and key management personnel**

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

	For the years ended December 31,		
	2022 MCh\$	2021 MCh\$	2020 MCh\$
Personnel compensation	20,280	16,067	16,220
Board members' salaries and expenses	1,692	1,539	1,452
Bonuses or gratifications	17,794	18,458	12,583
Stock-based benefits (*)	(1,169)	(315)	(1,589)
Seniority compensation	6	512	1,079
Pension plans	849	(873)	1,026
Training expenses	50	113	87
Health funds	357	271	276
Other personnel expenses	791	807	827
Total	40,650	36,579	31,961

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

f. Composition of key personnel

As of December 31, 2022, 2021 and 2020, the composition of the Bank's key personnel is as follows:

Position	N° of executives		
	As of December 31,		
	2022	2021	2020
Director	11	11	11
Manager	124	100	109
Total key personnel	135	111	120

NOTE 35 - PENSION PLANS

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

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

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

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

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

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

Plan Assets owned by the Bank at the end of 2022 totaled MCh\$6,819 (MCh\$7,200 in 2021).

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

Calculation method:

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

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

Actuarial hypothesis assumptions:

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

	Post-employment plans 2022	Post-employment plans 2021
Mortality chart	RV-2014	RV-2014
Termination of contract rates	5,0%	5,0%
Impairment chart	PDT 1985	PDT 1985

NOTE 35 - PENSION PLANS, continued

Activity for post-employment benefits is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Plan assets	6,819	7,200
Commitments for defined-benefit plans		
For active personnel	(6,277)	(6,677)
Incurred by inactive personnel	-	-
Minus:		
Unrealized actuarial (gain) losses	-	-
Balances at year end	542	523

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

	For the years ended December 31,		
	2022	2021	2020
	MCh\$	MCh\$	MCh\$
a) Fair value of plan assets			
Opening balance	7,127	8,224	7,195
Expected yield of insurance contracts	211	640	385
Employer contributions	337	995	870
Actuarial (gain) losses	-	-	-
Premiums paid	-	-	-
Benefits paid	(856)	(2,659)	(226)
Fair value of plan assets at year end	6,819	7,200	8,224
b) Present value of obligations			
Present value of obligations opening balance	(6,633)	(7,551)	(6,525)
Net incorporation of Group companies	-	-	-
Service cost	356	873	(1,026)
Interest cost	-	-	-
Curtailment/settlement effect	-	-	-
Benefits paid	-	-	-
Past service cost	-	-	-
Actuarial (gain) losses	-	-	-
Other	-	-	-
Present value of obligations at year end	(6,277)	(6,678)	(7,551)
Net balance at year end	542	523	673

NOTE 35 - PENSION PLANS, continued

Plan expected profit:

	As of December 31,		
	2022	2021	2020
Type of expected yield from the plan's assets	UF + 2.50% annually	UF + 2.50% annually	UF + 2.50% annually
Type of yield expected from the reimbursement rights	UF + 2.50% annually	UF + 2.50% annually	UF + 2.50% annually

Plan associated expenses:

	For the years ended December 31,		
	2022	2020	2019
	MCh\$	MCh\$	MCh\$
Current period service expenses	356	(873)	1,026
Interest cost	-	-	-
Expected yield from plan's assets	211	(640)	(385)
Expected yield of insurance contracts linked to the Plan:	-	-	-
Extraordinary allocations	-	-	-
Actuarial (gain)/ losses recorded in the period	-	-	-
Past service cost	-	-	-
Other	-	-	-
Total	567	(1,513)	641

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of December 31, 2022 and 2021:

	As of December 31,			
	2022		2021	
	Book value MCh\$	Fair value MCh\$	Book value MCh\$	Fair value MCh\$
Assets				
Financial assets for trading at FVTPL				
Financial derivative contracts	11,672,960	11,672,960	9,494,471	9,494,471
Debt financial instruments	154,046	154,046	73,347	73,347
Financial assets at FVOCI				
Debt financial instrument	5,880,733	5,880,733	5,803,139	5,803,139
Other financial instruments	142,306	142,306	105,437	99,375
Financial derivative contracts for hedge accounting	477,762	477,762	629,136	629,136
Financial assets at amortised cost				
Debt financial instruments	4,867,591	4,496,503	4,691,730	4,249,697
Interbank loans	32,991	32,918	428	430
Loans and account receivable from customers	38,696,410	39,181,962	35,477,200	35,654,706
Guarantee deposits (margin accounts)	2,442,325	2,442,325	1,988,410	1,988,410
Liabilities				
Financial liabilities for trading at FVTPL				
Financial derivative contracts	11,319,320	11,319,320	9,507,031	9,507,031
Financial derivative contracts for accounting hedges	2,788,794	2,788,794	1,364,210	1,364,210
Financial liabilities at amortised cost				
Deposits and other demand liabilities	14,086,226	14,086,226	17,900,938	17,900,938
Time deposits and other time liabilities	12,978,790	13,117,554	10,131,055	10,177,658
Interbank borrowings	8,864,765	8,223,783	8,826,583	8,867,185
Issued debt instruments	7,165,893	6,871,028	6,935,423	7,058,404
Other financial liabilities	292,995	292,995	182,907	186,150
Regulatory capital financial instruments	1,733,869	2,459,632	1,461,637	1,487,555
Guarantees received (margin accounts)	1,017,968	1,017,968	857,679	857,679

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

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

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

a. Financial assets held for trading and Debt instruments at FVOCI

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 are evaluated at recorded value since they are considered as having a fair value not significantly different from their recorded value. To estimate the fair value of debt investments or representative values in these lines of businesses, we take into consideration additional variables and elements, as long as they apply, including the estimate of prepayment rates and credit risk of issuers.

b. Loans and accounts receivable at amortised cost

Fair value of commercial, mortgage and consumer loans and credit cards are 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 for trading and hedge accounting

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

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

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

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued**Measurement of fair value and hierarchy**

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

- Level 1: the inputs are quoted prices (unadjusted) on active markets for identical assets and liabilities that the Bank can access on the measurement date
- Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs are unobservable inputs for the asset or liability i.e. they are not based on observable market data

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

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

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
- Mutual funds

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 of unobservable inputs
• 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 nemotechnic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on historical spread for the same item or similar ones.
• Time deposits	Present Value of Cash Flows Model	IRRs are provided by RiskAmerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given mnemonic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on issuer curves.
• Constant Maturity Swaps (CMS), FX and Inflation Forward (Fwd), Cross Currency Swaps (CCS), Interest Rate Swap (IRS)	Present Value of Cash Flows Model	IRRs are provided by ICAP, GFI, Tradition, and Bloomberg according to this criterion: With published market prices, a valuation curve is created by the bootstrapping method and is then used to value different derivative instruments.
• FX Options	Black-Scholes	Formula adjusted by the volatility simile (implicit volatility), Prices (volatility) are provided by BGC Partners, according to this criterion: With published market prices, a volatility parameter 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: Average trading swap (CMS), FX and inflation Forward, Cross Currency Swap (CCS), Interest Rate Swap (IRS) y FX options.

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

In limited occasions significant inputs not observable in market data are used (Level 3). Several techniques are used to perform these estimates, 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 of no observable inputs
• Caps/ Floors/ Swaptions	Black Normal Model for Cap/Floors and Swaptions	There is no observable input of implicit volatility.
• UF options	Black – Scholes	There is no observable input of implicit volatility.
• Cross currency swap with window	Hull-White	Hybrid HW model for rates and Brownian motion for FX There is no observable input of implicit volatility.
• CCS (special contracts)	Implicit Forward Rate Agreement (FRA)	Start Fwd unsupported by MUREX (platform) due to the UF forward estimate.
• Cross currency swap, Interest rate swap, Call money swap in Tasa Activa Bancaria (Active Bank Rate) TAB,	Present Value of Cash Flows Model	Validation obtained by using the interest curve and interpolating flow maturities, but TAB is not a directly observable variable and is not correlated to any market input.
• Debt instruments (in our case, low liquidity bonds)	Present Value of Cash Flows Model	Valued by using similar instrument prices plus a charge-off rate by liquidity.
• Loans and account receivable at FVOCI	Present Value of Cash Flows Model	Measured by discounting estimated cash flow using the interest rate of new contracts.

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

The following table presents the assets and liabilities that are measured at fair value on a recurrent basis:

As of December 31,	2022 MCh\$	Fair value measurement Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Financial assets for trading at FVTPL				
Financial derivative contracts	11,672,960	-	11,672,922	38
Debt financial instruments	154,046	154,046	-	-
Financial assets at FVOCI				
Debt financial instrument	5,880,733	5,870,407	9,894	432
Other financial instruments	142,306	-	-	142,306
Financial derivative contracts for hedge accounting	477,762	-	477,762	-
Guarantee deposits (margin accounts)	2,442,327		2,442,327	-
Total	20,770,134	6,024,453	14,602,905	142,776
Liabilities				
Financial liabilities for trading at FVTPL				
Financial derivative contracts	11,319,320	-	11,319,320	-
Financial derivative contracts for accounting hedges	2,788,794	-	2,788,794	-
Guarantees received (margin accounts)	1,017,968	-	1,017,968	-
Total	15,126,082	-	15,126,082	-

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31,	2021 MCh\$	Fair value measurement		
		Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Financial assets for trading at FVTPL				
Financial derivative contracts	9,494,471	-	9,494,471	-
Debt financial instruments	73,347	42,437	30,910	-
Financial assets at FVOCI				
Debt financial instrument	5,803,139	5,789,050	13,534	555
Other financial instruments	99,375	-	-	99,375
Financial derivative contracts for hedge accounting	629,136	-	626,640	2,496
Guarantee deposits (margin accounts)	1,988,410	-	1,988,410	-
Total	18,087,878	5,831,487	12,153,965	102,426
Liabilities				
Financial liabilities for trading at FVTPL				
Financial derivative contracts	9,507,031	-	9,507,031	-
Financial derivative contracts for accounting hedges	1,364,210	-	1,364,210	-
Guarantees received (margin accounts)	857,679	-	857,679	-
Total	11,728,920	-	11,728,920	

The following table presents assets or liabilities which are not measured at fair value in the statements of financial position but for which the fair value is disclosed:

As of December 31,	2022 MCh\$	Fair value measurement		Level 3 MCh\$
		Level 1 MCh\$	Level 2 MCh\$	
Assets				
Financial assets at amortised cost				
Debt financial instruments	4,496,503	4,496,503	-	-
Interbank loans	32,918	-	-	32,918
Loans and account receivable from customers	39,181,962	-	-	39,181,962
Total	43,711,383	4,496,503	-	39,214,880
Liabilities				
Financial liabilities at amortised cost				
Deposits and other demand liabilities	14,086,226	-	-	14,086,226
Time deposits and other time liabilities	13,117,554	-	13,117,554	-
Interbank borrowings	8,223,783	-	8,223,783	-
Issued debt instruments	6,871,028	-	6,871,028	-
Other financial liabilities	292,995	-	292,995	-
Regulatory capital financial instruments	2,459,632	-	2,459,632	-
Total	45,051,218	-	30,964,992	14,086,226

As of December 31,	2021 MCh\$	Fair value measurement		
		Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$
Assets				
Financial assets at amortised cost				
Debt financial instruments	4,249,697	4,249,697	-	-
Interbank loans	430	-	-	430
Loans and account receivable from customers	35,654,706	-	-	35,654,706
Total	39,904,833	4,249,697	-	35,655,136
Liabilities				
Financial liabilities at amortised cost				
Deposits and other demand liabilities	17,983,282	-	-	17,900,938
Time deposits and other time liabilities	10,177,658	-	10,221,663	-
Interbank borrowings	8,867,185	-	8,905,524	-
Issued debt instruments	7,058,404	-	7,058,404	-
Other financial liabilities	186,150	-	186,150	-
Regulatory capital financial instruments	1,487,555	-	1,487,555	-
Total	45,760,234	-	27,859,296	17,900,938

The fair values of other assets and other liabilities approximate their carrying values.

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The methods and assumptions to estimate the fair value are defined below:

- Loans and amounts due from credit institutions and from customers – Fair value are estimated for groups of loans with similar characteristics. The fair value was measured by discounting estimated cash flow using the interest rate of new contracts. That is, the future cash flow of the current loan portfolio is estimated using the contractual rates, and then the new loans spread over the risk-free interest rate are incorporated to the risk-free yield curve in order to calculate the loan portfolio fair value. In terms of behavior assumptions, it is important to underline that a prepayment rate is applied to the loan portfolio, thus a more realistic future cash flow is achieved.
- Deposits and interbank borrowings – The fair value of deposits was calculated by discounting the difference between the cash flows on a contractual basis and current market rates for instruments with similar maturities. For variable-rate deposits, the carrying amount was considered to approximate fair value.
- Issued debt instruments and other financial liabilities – The fair value of long-term loans was estimated by cash flow discounted at the interest rate offered on the market with similar terms and maturities.

The valuation techniques used to estimate each level are defined in Note 1,i)

There were no transfers between levels 1 and 2 for the year ended December 31, 2022 and 2021.

The table below shows the effect, at December 31, 2022 and 2021, on the fair value of the main financial instruments classified as Level 3 of a reasonable change in the assumptions used in the valuation. This effect was determined by a sensitivity analysis under a 1bp scenario, detailed in the following table:

As of December 31, 2022				
Instrument Level 3	Valuation technique	Main unobservable inputs	Impacts (in MCh\$) Sens, -1bp Unfavorable scenario	Impacts (in MCh\$) Sens, +1bp Favorable scenario
Financial derivatives contracts	Present Value method	Curves on TAB (1)	(0.6)	0.6
Debt financial instruments at FVOCI	Internal rate of return method	BR UF (2)	(0.07)	0.07
As of December 31, 2021				
Instrument Level 3	Valuation technique	Main unobservable inputs	Impacts (in MCh\$) Sens, -1bp Unfavorable scenario	Impacts (in MCh\$) Sens, +1bp Favorable scenario
Financial derivatives contracts	Present Value method	Curves on TAB (1)	(0.6)	0.6
Debt financial instruments at FVOCI	Internal rate of return method	BR UF (2)	(0.1)	0.1

(1) TAB: “Tasa Activa Bancaria” (Active Bank Rate). Average interest rates on 30, 90, 180 and 360 day deposits published by the Chilean Association of Banks and Financial Institutions (ABIF) in nominal currency (Chilean peso) and in real terms, adjusted for inflation (in Chilean unit of account (Unidad de Fomento - UF)).

(2) BR: “Bonos de Reconocimiento” (Recognition Bonds). The Recognition Bond is an instrument of money provided by the State of Chile to workers who joined the new pension system, which began operating since 1981.

The following table presents the Bank’s activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant inputs (Level 3) as of December 31, 2022, 2021 and 2020:

	Assets MCh\$	Liabilities MCh\$
As of January 1, 2022	102,426	-
Total realized and unrealized profits (losses)		
Included in statements of income	139,848	-
Included in other comprehensive income	(99,498)	-
Purchases, issuances, and loans (net)	-	-
Level transfer	-	-
As of December 31, 2022	142,776	-
Total profits or losses included in comprehensive income for 2022 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2022	40,350	-

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

	Assets MCh\$	Liabilities MCh\$
As of January 1, 2021	77,458	2,760
Total realized and unrealized profits (losses)		
Included in statements of income	(4,711)	-
Included in other comprehensive income	30,073	-
Purchases, issuances, and loans (net)	-	-
Level transfer	(394)	(2,760)
As of December 31, 2021	102,426	-
Total profits or losses included in comprehensive income for 2021 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2021	24,968	(2,760)
	Assets MCh\$	Liabilities MCh\$
As of January 1, 2020	81,678	2,950
Total realized and unrealized profits (losses)		
Included in statements of income	(196)	1,012
Included in other comprehensive income	3,087	-
Purchases, issuances, and loans (net)	-	-
Level transfer	(7,111)	(1,202)
As of December 31, 2020	77,458	2,760
Total profits or losses included in comprehensive income for 2020 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2020	(4,220)	(190)

The realized and unrealized profits (losses) included in comprehensive income for 2022 and 2021, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Statements of Comprehensive Income.

The potential effect as of December 31, 2022 and 2021 on the valuation of assets and liabilities valued at fair value on a recurrent basis through unobservable significant inputs (level 3), generated by changes in the principal assumptions if other reasonably possible assumptions that are less or more favorable were used, is not considered by the Bank to be significant.

The following tables show the financial instruments subject to compensation in accordance with IAS 32, for 2022 and 2021:

As of December 31, 2022					
Financial instruments	On-balance sheet amounts with netting agreements			Remaining financial instruments not subject to netting agreements	Amount in Statements of Financial Position
	Gross amounts Ch\$ Million	Compensated in balance Ch\$ Million	Net amount presented in balance Ch\$ Million		
Assets					
Financial derivative contracts and hedge accounting (1)	10,280,291	-	10,280,291	1,870,431	12,150,722
Loans and accounts receivable and interbank loans (2)	-	-	-	37,692,840	37,692,840
Total	10,280,291	-	10,280,291	39,563,271	49,843,562
Liabilities					
Financial derivative contracts and hedge accounting	11,365,281	-	11,365,281	2,742,833	14,108,114
Investments under resale agreements	315,355	-	315,355	-	315,355
Deposits and interbank borrowings	-	-	-	35,929,781	35,929,780
Total	11,680,636	-	11,680,636	38,672,614	50,353,249

(1) Derivatives contract have guarantees associated for Ch\$1,695,431 million and Ch\$746,729, respectively.

(2) Loans and accounts receivable and interbank loans at amortised cost

(3) Include Deposits and other demand liabilities, Time deposits and other time liabilities and interbank borrowings

NOTE 36 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2021					
On-balance sheet amounts with netting agreements					
Financial instruments	Gross amounts	Compensated in balance	Net amount presented in balance	Remaining financial instruments not subject to netting agreements	Amount in Statements of Financial Position
Assets	Ch\$ Million	Ch\$ Million	Ch\$ Million	Ch\$ Million	Ch\$ Million
Financial derivative contracts and hedge accounting (1)	8,976,617	-	8,976,617	1,146,990	10,123,607
Loans and accounts receivable and interbank loans (2)	-	-	-	35,477,628	35,477,628
Total	8,976,617	-	8,976,617	36,624,618	45,601,235
Liabilities					
Financial derivative contracts and hedge accounting	8,730,066	-	8,730,066	2,141,175	10,871,241
Investments under resale agreements	86,634	-	86,634	-	86,634
Deposits and interbank borrowings (3)	-	-	-	36,858,576	36,858,576
Total	8,816,700	-	8,816,700	38,999,751	47,816,451

(1) Derivatives contract have guarantees associated for Ch\$882,398 million and Ch\$999,425, respectively.

(2) Loans and accounts receivable and interbank loans at amortised cost

(3) Include Deposits and other demand liabilities, Time deposits and other time liabilities and interbank borrowings

The Bank, in order to reduce its credit exposure in its financial derivative operations, has entered into collateral contracts with its counterparties, in which it establishes the terms and conditions under which they operate. In terms collateral (received/delivered) operates when the net of the fair value of the financial instruments held exceed the thresholds defined in the respective contracts.

	As of December 31, 2022		As of December 31, 2021	
	Assets	Liability	Assets	Liability
Financial derivative contracts	MCh\$	MCh\$	MCh\$	MCh\$
Financial derivative contracts with collateral agreement threshold equal to zero	8,177,074	9,588,768	8,696,994	9,280,079
Financial derivative contracts with non-zero threshold collateral agreement	440,091	536,318	1,124,413	906,479
Financial derivative contracts without collateral agreement	3,533,557	3,983,028	302,200	684,683
Total	12,150,722	14,108,114	10,123,607	10,871,241

NOTE 37 - RISK MANAGEMENT**Introduction and general description**

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

- **Market risk:** rises from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:
 - **Foreign exchange risk:** this arises as a consequence of exchange rate fluctuations among currencies.
 - **Interest rate risk:** this arises as a consequence of fluctuations in market interest rates.
 - **Price risk:** this arises as a consequence of changes in market prices, either due to factors specific to the instrument itself or due to factors that affect all the instruments negotiated in the market.
 - **Inflation risk:** this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UFs.
- **Credit risk:** this is the risk that one of the parties to a financial instrument fails to meet its contractual obligations for reasons of insolvency or inability of the individuals or legal entities in question to continue as a going concern, causing a financial loss to the other party.
- **Liquidity risk:** is the possibility that an entity may be unable to meet its payment commitments, or that in order to meet them, it may have to raise funds with onerous terms or risk damage to its image and reputation.
- **Operational risk:** the risk of loss due to inadequate or failed internal processes, people or systems or external events, and have legal, regulatory and reputational effect.
- **Capital risk:** this is the risk that the Bank may have an insufficient amount and/or quality of capital to meet the minimum regulatory requirement 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.

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

1. A solid risk culture that is followed by all employees covers all risks and promotes socially responsible management, which contributes to the Bank's long-term sustainability.
2. All employees are responsible for risk management and must know and understand the risks generated by their daily activities, avoiding taking risks whose impact is unknown or exceeds the limits of the Bank's risk appetite.
3. Involvement of senior management, by ensuring the coherent management and control of risks through their conduct, actions and communications. In addition, it will promote a risk culture, evaluating implementation degree and checking that the profile remains within the levels defined in the Bank's risk appetite.
4. Independence of risk management and control functions.
5. Anticipatory and comprehensive approach to risk management and control in all businesses and types of risk.
6. Correct and complete information management that allows identified, evaluated, managed and communicated risks appropriately at the corresponding levels.

These principles, along with interrelated strategy tools and processes, such as risk appetite, risk profile assessment, scenario analysis and risk reporting framework, as well as annual budgeting processes, make up a holistic control structure for the entire Bank.

Risk governance

The Bank has a robust risk governance structure that seeks effective control of the risk profile, in accordance with the appetite defined by the Board of Directors and which is based on the distribution of roles among the three lines of defense and a solid structure of committees, which is reinforced by the Risk Pro culture that addresses the entire organization.

The Bank's three lines of defense model seeks to guarantee the effectiveness of risk management and control:

NOTE 37 - RISK MANAGEMENT, continued**First line**

Business and all other functions that create risk are the first line of defense. These functions must ensure that the risks they generate are aligned with the approved risk appetite and the corresponding limits. Any unit that originates risk has primary responsibility for managing that risk.

Second line

The Risk and Compliance and Conduct functions. Their role is to independently monitor and challenge the risk management activities carried out by the first line of defence. These functions ensure risk management in accordance with the appetite defined by the Board of Directors and promote a solid risk culture throughout the organization

Third line

The Internal Audit function periodically evaluates that policies, methodologies and procedures are adequate and are effectively implemented in the management and control of all risks.

Risk committee structure

The Board is responsible for establishing and monitoring the Bank's risk management structure, for which it has a corporate governance system aligned to Chilean regulations and international best practices.

For proper functioning, the Bank has several key high-level committees, composed of directors and executive members of Santander's management:

A. Integral Risk Committee

The Integral Risk Committee is responsible for advising the Board of Directors in defining the risk appetite that business areas may assume, as well as supervising the correct identification, measurement and control of all risks that may affect to the bank. The committee is a governance structure through which the Board of Directors supervises the reasonableness of the risk measurement and control systems. The Board of Directors has delegated the responsibility for credit risk management to the Integral Risk Committee (CIR) and to the Bank's Risk Division.

B. Audit Committee

The main responsibility of this Committee is to support the Board of Directors in the continuous improvement of internal control, which includes the review of the external auditors' work, the Internal Audit Department and the supervision of the financial statements elaboration. The Committee is also responsible for analyzing the observations made by the Chilean financial system regulatory entities and for recommending measures to be taken by the administration. The external auditors are proposed by this Committee to the Board of Directors and approved by the shareholders at the annual meeting.

C. Asset and Liability Committee

The main functions of the ALCO are to monitor and control the structural risks of the balance, such as limits of exposure to inflation, interest rate risk, capital and liquidity funding levels. Also, review the behavior of relevant local and international markets and local monetary policies.

D. Market Committee

The Market Committee is responsible for establishing the Bank's policies, procedures and limits with respect to its trading portfolio, making local and international estimates for decision making. Review results of the Bank's customer treasury business.

E. Risk Department

The Board of Directors delegates the risk identification, measurement and control faced by the Bank to the Risk Division, which is led by the Chief Risk Officer (CRO), reporting directly to the general manager (in conjunction with CIR). The CRO is responsible for supervising all risks, as well as questioning and advising the business and its management. The areas of credit risk, market (including liquidity and structural), operational, strategic, models, compliance and reputational risk depend on this division.

Market risk

Market risk arises as a consequence of the market activity, through financial instruments whose value can be affected by changes in market conditions and reflected in financial assets/liabilities and financial risk factors. The risk can be diminished by means of hedging through other products (assets/liabilities or derivative instruments) or terminating the open transaction/position. The objective of market risk management is to manage and control market risk exposure within acceptable parameters.

NOTE 37 - RISK MANAGEMENT, continued

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

Market risk management

The Market Risk Department is responsible for measurement and control of market risks that are overseen by the Risk Division. Market Committee and the Assets and Liabilities Committee are responsible for the approval of limits. The main market risks are also reviewed in the CIR.

The Finance Division, through the Financial Management Department, is responsible for managing the Bank's balance sheet, supervised and controlled by the Assets and Liabilities Committee and the Risk Division. Among its functions is the elaboration of detailed policies and their application, as well as the following:

- i. Optimization of the liabilities' cost, searching the most efficient financing strategies, including bonds' issuance and bank credit lines.
- ii. Management of short and long-term liquidity regulatory limits.
- iii. Inflation risk management.
- iv. Rate risk management in local and foreign currency.

The Bank's internal management to measure market risk is mainly based on analyzing the three following portfolios:

- trading portfolio
- local financial management portfolio
- foreign financial management portfolio

The Treasury Department is responsible for managing the Bank's trading portfolios and keeping them within the loss limits, calculated and estimated by the Market Risk Management. The trading portfolio (measured at fair value through profit and loss) is comprised of investments valued at fair market value and free of any restriction on their immediate sale, which are often bought and sold by the Bank with the intention of selling them in the short term to benefit from short-term price fluctuations. The trading portfolio also includes the Bank's exposure to foreign currency. The financial management portfolios include all the financial investments not considered to be part of trading portfolio.

The main functions in connection with trading portfolio include the following:

- i. applies the "Value at Risk" (VaR) techniques to measure interest rate risk,
- ii. adjust the trading portfolios to market and measure the daily income and loss from commercial activities,
- iii. compare the real VaR with the established limits,
- iv. establish procedures to prevent losses in excess of predetermined limits, and
- v. furnishes information on the trading activities to the ALCO, other members of the Bank's management, and the Global Risk Department of Banco Santander Spain.

The main functions in connection with financial management portfolios include the following:

- i. performs sensitivity simulations (as explained below) to measure interest rate risk for activities denominated in local currency and the potential losses forecasted by these simulations.
- ii. provide daily reports thereon to the ALCO, other members of the Bank's management, and the Global Risk Department of Banco Santander Spain.

Market risk – management of trading portfolio

The Bank applies VaR methodologies to measure the market risk of its trading portfolio. The Bank has a consolidated commercial position comprised of fixed-income investments and foreign currency trading. This portfolio is comprised mostly of Central Bank of Chile bonds, mortgage bonds, locally issued, low-risk corporate bonds and foreign currencies, mainly U.S. dollars. At the end of each year, the trading portfolio included no stock portfolio investments.

NOTE 37 - RISK MANAGEMENT, continued

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of observing the behavior of the profits and losses that would have occurred in the current portfolio if the market conditions for a given historical period had been in force, in order to infer the maximum loss on the basis of that information, with a given degree of confidence. The methodology has the advantage of precisely reflecting the historical distribution of the market variables and not requiring any assumptions regarding the distribution of specific probabilities. All the VaR measures are intended to determine the distribution function for a change in the value of a given portfolio, and once that distribution is known, to calculate the percentile related to the necessary degree of confidence, which will be equal to the value at risk by virtue of those parameters. As calculated by the Bank, the VaR is an estimate of the maximum expected loss of market value for a given portfolio over a 1-day horizon, with a 99.00% confidence level. It is the maximum 1-day loss that the Bank could expect to experience in a given portfolio, with a 99.00% confidence level. In other words, it is the loss that the Bank would expect to experience only 1.0% of the time. The VaR provides a single estimate of market risk which is not comparable from one market risk to another. Returns are calculated through the use of a 2-year time window or at least 520 data points obtained since the last reference date for calculation of the VaR going backward in time.

We do not calculate three separate VaRs. We calculate a single VaR for the entire trading portfolio, which in addition is segregated by risk type. The VaR software performs a historical simulation and calculates a Profit and Loss Statement (P&L) for 520 data points (days) for each risk factor (fixed income, foreign currency and variable income.) The P&L of each risk factor is added together and a consolidated VaR is calculated with 520 points or days of data. At the same time a VaR is calculated for each risk factor based on the individual P&L calculated for each individual risk factor. Furthermore, a weighted VaR is calculated in the manner described above, but which gives a greater weighting to the 30 most recent data points. The larger of the two VaRs is the one that is reported. In 2022, 2021 and 2020, we used the same VaR model and there has been no change in methodology or assumptions for subsequent periods.

The Bank uses the VaR estimates to provide a warning when the statistically estimated incurred losses in its trading portfolio would exceed prudent levels, and hence, there are certain predetermined limits.

Limitations of the VaR model

When applying a calculation methodology, no assumptions are made regarding the probability distribution of the changes in the risk factors; the historically observed changes are used for the risk factors on which each position in the portfolio will be valued.

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

In addition, the VaR methodology should be interpreted taking into consideration the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables and may not have a normal distribution. In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;
- The historical data used by the Bank may not provide the best estimate of the joint distribution of changes in the risk factors in the future, and any modification of the data may be inadequate. In particular, the use of historical data may fail to capture the risk of potential extreme and adverse market fluctuations, regardless of the time period used;
- A 1-day time horizon may not fully capture the market risk positions which cannot be liquidated or covered in a single day, It would not be possible to liquidate or cover all the positions in a single day;
- The VaR is calculated at the close of business, but trading positions may change substantially in the course of the trading day;
- The use of a 99% level of confidence does not take account of, or make any statement about, the losses that could occur outside of that degree of confidence; and
- A model such as the VaR does not capture all the complex effects of the risk factors over the value of the positions or portfolios, and accordingly, it could underestimate potential losses,

We perform back-testing daily and generally find that trading losses exceed our VaR estimate approximately one out of every 100 trading days. At the same time, we set a limit to the maximum VaR that we are willing to accept over our trading portfolio. In both 2021 and 2020, the Bank has remained within the maximum limit established for the VaR, even in those circumstances in which actual VaR exceed the estimated VaR.

NOTE 37 - RISK MANAGEMENT, continued

High, low and average levels for each component for 2022 and 2021 were as follows:

VaR	2022 USDMM	2021 USDMM
Consolidated		
High	6.23	3.43
Low	2.73	1.11
Average	4.41	1.96
Fixed-income investments		
High	5.78	2.86
Low	2.75	1.12
Average	4.20	1.86
Variable-income investments		
High	-	0.29
Low	-	-
Average	-	0.19
Foreign currency investments		
High	4.82	2.33
Low	0.17	0.09
Average	1.14	0.77

Market risk - local and foreign financial management

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

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currencies (not included in the trading portfolio). The Bank performs a simulation of scenarios, which will be calculated as the difference between the present value of the flows in the chosen scenario (a curve with a parallel movement of 100 bps in all its segments) and their value in the base scenario (current market). All the inflation-indexed local currency (UF) positions are adjusted by a sensitivity factor of 0.57, which represents a 57-basis point change in the rate curve for the real rates and a 100 basis point change for the nominal rates. The same scenario is performed for the net foreign currency positions and the interest rates in U.S. dollars. The Bank has also established limits in regard to the maximum loss which these interest rate movements could impose on the capital and net financial income budgeted for the year.

For the consolidated limit, we add the foreign currency limit to the domestic currency limit and multiple by 2 the sum of the multiplication of them together both for net financial loss limit as well as for the capital and reserves loss limit, using the following formula:

Consolidated limit = square root of $a^2 + b^2 + 2ab$

a: domestic currency limit

b: foreign currency limit

Since we assume the correlation is 0; $2ab = 0$, $2ab = 0$

Limitations of the sensitivity models

The most important assumption is using an exchange rate of 100 bp based on yield curve (57 bp for real rates). The Bank uses a 100 bp exchange since sudden changes of this magnitude are considered realistic. Santander Spain Global Risk Department has also established comparable limits by country, to be able to compare, monitor and consolidate market risk by country in a realistic and orderly way. In addition, the sensitivity simulation methodology should be interpreted taking into consideration the following limitations:

- The simulation of scenarios assumes that the volumes remain consistent in the Bank's Consolidated Statements of Financial Position and are always renewed at maturity, thereby omitting the fact that certain credit risk and prepayment considerations may affect the maturity of certain positions.
- This model assumes an identical change along the entire length of the yield curve and does not take into account the different movements for different maturities.
- The model does not take into account the sensitivity of volumes which results from interest rate changes.
- The limits to losses of budgeted financial income are calculated based on the financial income foreseen for the year, which may not be actually earned, meaning that the real percentage of financial income at risk may be higher than the expected one.

NOTE 37 - RISK MANAGEMENT, continued

Market risk – Financial management portfolio – December 31, 2022 and 2021

	2022		2021	
	Effect on financial income	Effect on capital	Effect on financial income	Effect on capital
Financial management portfolio – local currency (MCh\$)				
Loss limit	33,550	95,710	32,865	84,864
High	23,982	57,176	31,233	80,097
Low	15,459	39,957	13,694	41,653
Average	21,366	49,580	24,018	62,916
Financial management portfolio – foreign currency (Th\$US)				
Loss limit	38,231	43,329	36,619	34,991
High	9,713	33,388	8,545	32,205
Low	255	20,371	698	1,055
Average	3,173	26,310	3,733	17,615
Financial management portfolio – consolidated (in MCh\$)				
Loss limit	33,550	95,710	32,865	84,864
High	28,699	76,738	25,709	78,259
Low	16,515	66,098	12,854	56,857
Average	23,438	71,003	21,041	69,577

Inflation risk

The Bank has readjustable assets and liabilities according to the variation of the Unidad de Fomento (UF). In general, the Bank has more assets than liabilities in UF and, therefore, moderate increases in inflation have a positive effect on income from readjustments, while a fall in the value of the UF negatively affects the Bank's margin. The Assets and Liabilities Committee establishes a set of limits on the difference between UF-denominated assets and liabilities that cannot exceed 30% of the Bank's interest-bearing assets. This mismatch is managed on a daily basis by Financial Management and the limits are calculated and monitored by the Market Risk Division.

Market Risk Position and measurement

Market Risk Exposure is measured and controlled through the difference between the balances of assets and liabilities in foreign currency (net position) and the cash flows payable (liabilities) and cash receivable (asset) in the Trading and Banking Books, for a specific term or time band.

Foreign currency positions and term mismatches are exposed to adjustment factors, sensitivity and rate changes.

The Exposure to Market Risks on a Standardized Base Policy was presented and approved by the Bank's Board of Directors.

Market Risk Exposure is determined based on the following risks:

- Interest rate risk
- Currency Risk
- Indexation Risk
- Currency Options Risk

NOTE 37 - RISK MANAGEMENT, continued

The following table illustrates the exposure to market risk. The maximum exposure to long-term interest rate risk is 35% of the regulatory capital and is approved by the Board of Directors. The maximum exposure to short-term interest rate risk is 30% of net interest income and readjustments plus interest rate sensitive commissions:

	As of december 31,	
	2022 MCh\$	2021 MCh\$
Market risk – trading portfolio		
Exposure to rate risk	441,688	377,006
Exposure to currency risk	1,535	8,089
Interest rate option risk	-	-
Currency option risk	1,145	1,429
Total exposure of trading portfolio	444,368	386,524
10% of RWA	555,460	3,577,035
Subtotal	999,828	3,963,559
Limit = Regulatory capital	6,759,047	5,114,609
Available margin	5,759,219	1,151,050
Market risk – short-term financial management portfolio		
Short Term Exposure to Interest Rate Risk	193,895	217,045
Exposure to Inflation Risk	112,523	178,033
Short-term exposure of financial management portfolio	306,418	395,078
Limit = 35% net (net income from interest and readjustments + interest rates sensitive commissions)	530,199	529,542
Available margin	223,781	134,464
Market risk – long-term financial management portfolio		
Long Term Exposure to Interest Rate Risk	1,194,181	1,221,762
Limit = 35% Regulatory capital	2,365,666	1,790,113
Available margin	1,171,485	568,351

IBOR – reform

In 2013, The IOSCO Principles for Financial Benchmarks were published with the aim of creating an overarching framework for the development of reference index. Subsequently, the FSB established an Official Sector Steering Group (OSSG) which is working to monitor and support progress on implementing interest rate benchmark reforms and facilitate the transition away from LIBOR (and other IBORs where appropriate). Since then, central banks and regulators from different jurisdictions have organized working groups to recommend alternative index for EONIA (Euro Overnight Index Average) and LIBOR (London Interbank Offered Rates). In September 13, 2018 the European Central Bank recommended the euro short-term rate (ESTER) as alternative euro risk-free rate and replacement for EONIA. On October 2, 2019 ECB published the first €STR, since then, the current EONIA methodology has been modified to become €STR plus a fixed spread of 8.5 basis points, in order to maintain EONIA for a transitional period until its discontinuation in January 3, 2022.

In March 5, 2021, the Financial Conduct Authority (FCA) announced the cessation or loss of representativeness of the LIBOR benchmarks, published by ICE Benchmark Administration (IBA), as follows:

- Publication of euro LIBOR, Swiss franc LIBOR, Japanese yen LIBOR, sterling LIBOR, and US dollar LIBOR (1-week and 2-month) will cease immediately after 31 December 2021.
- Publication of the overnight and 12-month US dollar LIBOR will cease immediately after 30 June 2023.
- Changing methodology calculation to obtain synthetic LIBOR for sterling LIBOR and Japanese yen LIBOR for a further period after end-2021.

In October 2020, the ISDA launched the IBOR Fallbacks Supplement and IBOR Fallbacks Protocol. The fallbacks for a particular currency apply following a permanent cessation of the IBOR/LIBOR in that currency. In each case, the fallbacks will be adjusted versions of the risk-free rates identified in each currency. The fallbacks coming into effect on January 25, 2021. Additionally, on August 19, 2021, the ISDA has published ISDA 2021 EONIA Collateral Agreement Fallbacks offering an efficient way to amend the terms of certain ISDA collateral agreements incorporating a fallback upon the cessation of EONIA.

In 2019, the Bank launched a global programme to manage risks and challenges of the IBOR transition. This programme facilitated the process of risk identification and the selection of the most appropriate response to mitigate those risks. The structure of the programme focuses on the following areas: Technology and Operations, Legal, Customer Relations, Risk Management and Models, Conduct and Communication, and Accounting and Finance. Therefore, the Bank has been working since 2019 in a “transition programme” to manage the identified risks and address the challenges that may arise in the transition period.

NOTE 37 - RISK MANAGEMENT, continued

Following the road map established, the Bank identified impacted clients and areas, risks to which the Bank is exposed, determined working teams and involved senior management in a strong governance plan and implemented actions plans for each impacted risk and impacted areas, which we expect will allow us to face the challenges related to RFR elimination.

The main risks to which Banco Santander is exposed are: (i) legal risks derived from potential changes in required documentation for new or existing operations; (ii) financial and accounting risks from market risk models (valuation, hedge, offset and recognition); (iii) business risk, revenue from products linked to the LIBOR decline; (iv) derivatives price risk, how changes could impact the mechanisms of price determination for certain instruments; (v) operational risk, to adapt computer systems, reporting systems or operational processes; (vi) reputational risk derived from relationship with clients during transition period and; (vii) litigation risk from product and services offered by the Bank, which could have negative impact on our profitability.

In this process, CIR (Integral Risk Committee) has been closely monitoring, because is the primarily responsible for monitoring compliance with the Bank's risk management policies and procedures and reviewing the adequacy of the risk management framework.

In this context, at the end of 2021 and at the beginning of 2022, the Bank focused on offering products referenced to RFR rates. Moreover, on 2022 and continuing in 2023, the efforts will focus on renegotiation and migration to RFR rates (SOFR).

As of December 31, 2022 and 2021, the exposures of financial assets and liabilities impacted by the IBOR reform are presented below:

As of December 31, 2022				
Loans and advances MCh\$	Deposits MCh\$	Debt instruments MCh\$	Financial derivative contracts (Assets) MCh\$	Financial derivative contracts (Liabilities) MCh\$
515,277	-	36,730	1,818,517	1,712,642
As of December 31, 2021				
Loans and advances MCh\$	Deposits MCh\$	Debt instruments MCh\$	Financial derivative contracts (Assets) MCh\$	Financial derivative contracts (Liabilities) MCh\$
609,243	-	38,819	1,672,422	1,623,725

Credit risk

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

Credit Risk Management

The Bank has established a combined credit approval committees, which includes member from Board of Directors, Risk Division and commercial areas, who overallly verify quantitative and qualitative parameters of each client.

The Board of Directors has delegated the responsibility for credit risk management to the Integral Risk Committee, as well as to the Bank's risk departments, whose roles are summarised below:

- Formulate credit policies by consulting with the business units, meeting requirements of guarantees, credit evaluation, risk rating and submitting reports, documentation and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.
- Establish the structure to approve and renew credit requests. The Bank structures credit risks by assigning limits to the concentration of credit risk in terms of individual debtor, debtor group, industry segment and country.

NOTE 37 - RISK MANAGEMENT, continued

- Limit concentrations of exposure to customers or counterparties in geographic areas or industries (for accounts receivable or loans), and by issuer, credit rating and liquidity.
- Approval levels are assigned to the corresponding officials of the business unit (commercial, consumer, SMEs) to be exercised by that level of management. In addition, those limits are continually revised. Risk evaluation team at the branch level interact on a regular basis with customers; however, for larger credit requests, the risk team from the head office and the Executive Risk Committee works directly with customers to assess credit risks and prepare risk requests.
- Develop and maintain the Bank's credit risk classifications for the purpose of classifying risks according to the degree of exposure to financial loss that is exhibited by the respective financial instruments, with the aim of focusing risk management specifically on the associated risks.
- Revise and evaluate credit risk. Management's risk divisions are largely independent of the Bank's commercial division and evaluate all credit risks in excess of the specified limits prior to loan approvals for customers or prior to the acquisition of specific investments. Credit renewal and reviews are subject to similar processes.

The following diagram illustrates the governance of our credit risk division including the committees with approval power:



Credit Approval: Loans approved on an individual basis

In preparing a credit proposal for a corporate client whose loans are approved on an individual basis, Santander-Chile's personnel verifies such parameters as debt servicing capacity (typically including projected cash flows), the company's financial history and projections for the economic sector in which it operates. The Risk Division is closely involved in this process and prepares the credit application for the client. All proposals contain an analysis of the client, a rating and a recommendation. Credit limits are determined not on the basis of outstanding balances of individual clients, but on the direct and indirect credit risk of entire financial groups. For example, a corporation will be evaluated together with its subsidiaries and affiliates.

Credit Approval: Loans approved on a group basis

The majority of loans to individuals and small and mid-sized companies are approved by the Standardized Risk Area through an automated credit scoring system. This system is decentralized, automated and based on multiple parameters, including demographic and information regarding credit behavior from external sources and the FMC.

NOTE 37 - RISK MANAGEMENT, continued*Credit approval: Investment on debt instruments*

The Bank considers the probability of default of issuers or counterparties using internal and external information such as independent risk evaluators of the Bank. In addition, the Bank applied a strong governance and conservative policy which ensures that the issuers of investments and counterparties in derivative instrument transactions are of the highest quality.

Credit approval: Contingent loans

The Bank operates with contingent loans that entail exposure to credit risk such as: personal guarantees, letters of credit, performance guarantees, credit lines and credit commitments.

Personal guarantees represent an irrevocable payment obligation. When a guaranteed client does not fulfill its obligations to third parties, the Bank will pay, then these operations represent the same exposure to credit risk as a common loan.

Letters of credit are commitments documented by the Bank on behalf of the client that are guaranteed by the shipped goods to which they relate and, therefore, have less risk than direct indebtedness. The Bank guarantee corresponds to contingent commitments that become effective only if the client does not comply with the performance of engaged works.

Loans commitments to grant loans, the Bank is exposed to losses that arise from unused balances. The Bank monitors the maturity of credit lines because generally long-term commitments have a higher credit risk than short-term commitments.

Impairment assessment***a. Definition of default and cure***

The Bank considers a financial instrument defaulted and therefore Stage 3 for ECL calculations when the past-due amounts of an exposure exceed materiality thresholds for 90 or more consecutive days.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. Such events include:

- Internal rating of the borrower indicating default or near default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decreases in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decreases in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties

b. Internal rating and PD estimation

The Bank's Credit Risk Department operates its internal rating models. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower utilize supplemental external information that could affect the borrower's behavior. The internal credit grades are assigned based on the internal scoring policy, PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure

NOTE 37 - RISK MANAGEMENT, continued

The following table shows quality assets and its related provision, based on our internal scoring policy as of December 31, 2022 and 2021:

December 31, 2022										
Corporate loans										
Commercial Portfolio	Stage 1 MCh\$	Stage 2 MCh\$	Stage 3 MCh\$	Total Individual MCh\$	Percentage %	Stage 1 MCh\$	Stage 2 MCh\$	Stage 3 MCh\$	Total ECL Allowance MCh\$	Percentage %
A1	40,121	-	-	40,121	0.10%	1	-	-	1	0.00%
A2	835,187	-	-	835,187	2.16%	472	-	-	472	0.04%
A3	2,362,324	36	-	2,362,360	6.10%	3,476	8	-	3,484	0.30%
A4	2,780,646	8	-	2,780,654	7.18%	5,761	-	-	5,761	0.50%
A5	2,811,300	13,132	792	2,825,224	7.29%	10,243	360	60	10,663	0.92%
A6	2,089,194	51,671	819	2,141,684	5.53%	18,766	2,226	98	21,090	1.83%
B1	-	736,674	2,627	739,301	1.91%	-	28,346	473	28,819	2.50%
B2	-	190,204	1,389	191,593	0.50%	-	12,895	195	13,090	1.14%
B3	-	71,873	3,129	75,002	0.20%	-	5,674	980	6,654	0.58%
B4	-	73,231	31,587	104,818	0.27%	-	6,210	8,420	14,630	1.27%
C1	-	34,141	164,778	198,919	0.51%	-	3,258	56,354	59,612	5.17%
C2	-	9,426	104,526	113,952	0.30%	-	502	26,992	27,494	2.38%
C3	-	1,518	93,311	94,829	0.24%	-	162	27,563	27,725	2.40%
C4	-	5,490	114,090	119,580	0.31%	-	693	49,572	50,265	4.36%
C5	-	3,414	81,321	84,735	0.22%	-	463	49,095	49,558	4.30%
C6	-	1,777	84,999	86,776	0.22%	-	297	65,960	66,257	5.74%
Subtotal	10,918,772	1,192,595	683,368	12,794,735	33.04%	38,719	61,094	285,762	385,575	33.43%
Other commercial										
Commercial	Stage 1 MCh\$	Stage 2 MCh\$	Stage 3 MCh\$	Total Group MCh\$	Percentage %	Stage 1 MCh\$	Stage 2 MCh\$	Stage 3 MCh\$	Total ECL Allowance MCh\$	Percentage %
Commercial	4,258,677	229,571	434,597	4,922,845	12.71%	44,535	30,262	201,195	275,992	23.93%
Mortgage	14,672,080	367,467	689,462	15,729,009	40.61%	19,388	10,462	132,906	162,756	14.11%
Consumer	4,826,096	217,866	238,850	5,282,812	13.64%	94,203	73,973	160,768	328,944	28.52%
Subtotal	23,756,853	814,904	1,362,909	25,934,666	66.96%	158,126	114,697	494,869	767,692	66.57%
Total	34,675,625	2,007,499	2,046,277	38,729,401	100.00%	196,845	175,791	780,631	1,153,267	100.00%

NOTE 37 - RISK MANAGEMENT, continued

December 31, 2021										
Corporate loans										
Commercial	Stage 1	Stage 2	Stage 3	Total Individual	Percentage	Stage 1	Stage 2	Stage 3	Total ECL Allowance	Percentage
Portfolio	MCh\$	MCh\$	MCh\$	MCh\$	%	MCh\$	MCh\$	MCh\$	MCh\$	%
A1	41,025	-	-	41,025	0.11%	-	-	-	-	0.00%
A2	751,943	9	-	751,952	2.06%	1,351	-	-	1,333	0.13%
A3	2,510,562	6,168	68	2,605,894	7.13%	4,478	80	23	4,733	0.45%
A4	2,728,117	9,009	-	2,753,735	7.54%	7,374	144	-	7,477	0.71%
A5	2,599,685	41,052	-	2,535,032	6.94%	12,310	2,335	-	14,214	1.35%
A6	1,746,362	169,482	841	1,916,685	5.25%	24,539	13,580	332	38,789	3.69%
B1	-	754,993	112	755,105	2.07%	-	45,287	37	45,324	4.31%
B2	-	238,705	-	238,705	0.65%	-	21,300	-	21,300	2.03%
B3	-	80,130	3	80,133	0.22%	-	8,117	1	8,118	0.77%
B4	-	55,213	33,316	88,529	0.24%	-	4,967	9,293	14,260	1.36%
C1	-	30,929	146,315	177,244	0.49%	-	3,539	43,150	46,689	4.44%
C2	-	9,033	93,013	102,046	0.28%	-	737	24,306	25,043	2.38%
C3	-	9,603	40,879	50,482	0.14%	-	702	12,411	13,113	1.25%
C4	-	1,243	64,771	66,014	0.18%	-	133	27,009	27,142	2.58%
C5	-	3,411	98,979	102,390	0.28%	-	230	57,446	57,676	5.49%
C6	-	2,388	72,940	75,328	0.21%	-	183	48,508	48,691	4.63%
Subtotal	10,377,694	1,411,368	551,237	12,340,299	33.78%	50,052	101,334	222,516	373,902	35.56%

Other commercial										
	Stage 1	Stage 2	Stage 3	Total Group	Percentage	Stage 1	Stage 2	Stage 3	Total ECL Allowance	Percentage
	MCh\$	MCh\$	MCh\$	MCh\$	%	MCh\$	MCh\$	MCh\$	MCh\$	%
Commercial	4,716,168	233,158	364,016	5,313,342	14.55%	38,597	14,655	176,211	229,463	21.82%
Mortgage	12,966,599	367,838	541,737	13,876,174	37.99%	25,385	12,728	105,545	143,658	13.66%
Consumer	4,603,595	178,513	217,139	4,999,247	13.69%	125,939	38,197	140,275	304,411	28.95%
Subtotal	22,286,362	779,509	1,122,892	24,188,763	66.22%	189,921	65,580	422,031	677,532	64.44%
Total	32,664,056	2,190,877	1,674,129	36,529,062	100.00%	239,973	166,914	644,547	1,051,434	100.00%

In relation to the credit quality of the investment portfolio, local regulations establish that banks are able to hold only local and foreign fixed-income securities except in certain cases. Additionally, Banco Santander-Chile has internal policies to ensure that only securities approved by the Market Risk department, which are stated in the documents "APS" – Products and underlying Approval, are acquired. The Credit Risk Department sets the exposure limits to those approved APS's. The APS is updated on daily basis.

As of December 31, 2022, 99% our total investment portfolio corresponds to securities issued by the Chilean Central Bank and US treasury notes.

NOTE 37 - RISK MANAGEMENT, continued**c. Exposure at default**

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 the exposure at default is considered for events over the lifetime of the instruments.

d. Loss given default

The credit risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (i.e., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

e. Significant increase in credit risk (SICR)

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list (Special vigilance). The Bank may also consider that events explained in letter a) above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on groups of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Quantitative criteria for SICR Stage 2:

The quantitative criteria are used to identify where an exposure has increased in credit risk and it is applied based on whether an increase in the lifetime PD since the recognition date exceeds the threshold set in absolute terms. The following formula is used to determine such threshold:

Threshold = Lifetime PD (at reporting date) – Lifetime PD (at origination)

Other commercial				Corporate loans		
Mortgages	Other loans	Revolving (Credit cards)	SME	SME	Middle market	Corporate and Investment Banking
28.41%	36.05%	11.28%	36.05%	19.60%	13.26%	Santander Group criteria

There is also a relative threshold of 100% of all portfolios with the exception of the Corporate and Investment Banking Portfolio.

As of March 2022, the threshold of significant increase in credit risk (SICR) was updated, according to the Bank's new definition of default, generating an impact of MCh\$1,222 in increase of ECL allowance and an increase of MCh\$64,475 of EAD in Stage 2.

NOTE 37 - RISK MANAGEMENT, continued

Qualitative criteria for SICR Stage 2:

The qualitative criteria are based on the existence of evidence that leads to an automatic classification of financial instruments in stage 2, mainly 30 days overdue and restructured. Thresholds of SICR are calibrated based on the average ECL of exposures that exceed materiality threshold for 30 days or more consecutive days or with a level of credit risk considered to be “significant”.

Other commercial				Corporate loans			
Mortgages	Other loans	Revolving (Credit cards)	SME	SME	Middle market	Corporate and Investment Banking	
Irregular portfolio > 30 days	Irregular portfolio > 30 days	Irregular portfolio > 30 days	Irregular portfolio > 30 days	Irregular portfolio > 30 days	Irregular portfolio > 30 days	Irregular portfolio > 30 days	
Restructured marked for monitoring	Restructured marked for monitoring	Restructured marked for monitoring	Restructured marked for monitoring	Restructured marked for monitoring	Restructured marked for monitoring	Restructured marked for monitoring	Restructured marked for monitoring
				Clients considered to be substandard or in incompliance (pre- legal action)	Clients considered to be substandard or in incompliance (pre- legal action)	Clients considered to be substandard or in incompliance (pre-legal action)	

These thresholds are defined by the Model Committee and the Integral Risk Committee and are evaluated annually with updates made depending on impacts and definitions of the risk models associated to each portfolio.

f. Measurement of expected credit losses

The Bank calculates the ECL allowance mainly through IFRS 9 models and using cash flow discounted methodology.

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

For financial assets, a credit loss is the present value of the difference between: the contractual cash flows that are due under the contract; and the cash flows that the Bank expects to receive. For undrawn loan commitments, a credit loss is the present value of the difference between: the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and the cash flows that the Bank expects to receive if the loan is drawn down.

For financial assets that are credit-impaired at the reporting date, and in accordance with our internal procedures, the Bank calculates allowance for expected credit losses under the “Discounted Cash Flow Methodology” when the financial asset is classified in stage 3, with a PD equal to 100% and is individually significant. In this instance, the Bank measures the expected credit losses as the difference between the asset’s gross carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss. The following table shows the allowance and exposure at default (EAD) of the loans that meet the three conditions:

	2022	2021
	MCh\$	MCh\$
Loans and account receivable	308,586	373,506
Allowance for ECL – discounted cash flow methodology	105,837	87,418

NOTE 37 - RISK MANAGEMENT, continued

As of December 31, 2022, the expected credit losses related to corporate commercial loans includes MCh\$105,837 measured from cash flow discounted methodology (MCh\$87,418 in 2021).

ECL allowance calculated on a collective basis

Commercial loans (except for those described within the “ECL allowance calculated on an Individual basis” description aforementioned), mortgage loans and consumer loans are grouped and assessed on a collective basis by using a credit loss allowance model. The estimation of the collective basis expected credit loss allowance considers qualitative and quantitative information that may affect the changes in credit risk and the development of assumptions related to the probabilities of default and loss given default, including forward looking information, multi-factor analysis such as type of portfolio or transaction and macroeconomic factors.

	2022	2021
	MCh\$	MCh\$
Loans and account receivable (commercial, mortgage and consumer loans)	38,420,815	36,155,556
Allowance for ECL – collective basis	1,074,430	964,016

As of December 31, 2022, the Bank maintains MCh\$91,351 in residual overlays, to face future macro-economic information and scenarios updates.

As of December 31, 2021, the Bank has released the post-model adjustment (overlay) recorded at the end of 2020 (MCh\$59,000) due to improvement on the macro economical forward-looking information and scenarios. However, the improvement in macro economical forward-looking information and scenarios generated an increase to provision of MCh\$43,000.

g. Corporate and other commercial loans

In order to meet the objective of recognising lifetime expected credit losses for significant increases in credit risk since initial recognition, it is necessary to group or sub-group financial instruments, even if evidence of such significant increases in credit risk at the individual instrument level is not yet available.

Considering to the aforementioned, the Bank evaluates on corporate basis, commercial loans for which prepares individual credit proposals, where it verifies debt servicing capacity (projected cash flow), client's financial history, evidence of impairment and projections for economic sector. All proposals include an analysis of the client, a rating and a recommendation. For corporations, the evaluation includes subsidiaries and affiliates. Other commercial loans are grouped into other homogeneous portfolios (smaller commercial, mortgages and consumer loans), based on a combination of instrument type, credit risk ratings, collateral type, date of initial recognition, remaining term to maturity, industry and others.

h. Modified loans

When a loan measured at amortised cost has been renegotiated or modified but not derecognised, the Bank assesses whether the transaction should be treated as a modified asset or derecognition. If the transaction does not result in derecognition the Bank must recognise the resulting gains or losses as the difference between the carrying amount of the original loans and modified contractual cash flows discounted using the EIR before modification.

If the modification results in derecognition, then the modified asset is a new asset.

	As of December 31, 2022				As of December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Gross carrying amount	34,675,625	2,007,499	2,046,277	38,729,401	32,664,056	2,190,877	1,674,129	36,529,062
Modified loans	-	679,496	799,559	1,479,055	-	811,318	889,571	1,700,889
%	-	33.85%	39.07%	3.82%	-	37.03%	53.14%	4.66%
ECL allowance	196,845	175,791	780,631	1,153,267	239,973	166,914	644,547	1,051,434
Modified loans	-	60,584	325,650	386,234	-	58,651	357,183	415,744
%	-	34.46%	41.72%	33.49%	-	35.08%	55.42%	39.54%

NOTE 37 - RISK MANAGEMENT, continued**i. COVID-19 support measures**

For 2022, there were not support measures, not new Fogape loans or payment holidays were granted.

For 2021, the Bank granted loans under government guarantees programme. In February 2021, the government approved the FOGAPE 2.0 – or FOGAPE Reactiva - programme. The maximum rate was set at a monthly rate of TPM (overnight rate) plus 0.6%, implying an annual rate of 7.2%. The focus was to provide loans for SMEs to encourage investment and not only for working capital. These loans were granted until December 31, 2021.

The summary of the support relief measures were as follows:

	As of December 31, 2021
	MCh\$
COVID-19 measures	
Fogape loans	1,331,940
Fogape Reactiva	876,698
Payment holiday	7,877,036
	Payment holiday – current 104
	Payment holiday - expired 7,876,932

From the expired payment holidays as of December 31, 2021, 97% were paid, evidencing a good payment behavior of our clients.

j. Macro economical forward-looking information and scenarios

The annual growth forecasts for the most relevant macroeconomic variables for each of our scenarios are as follows:

	Average estimates 2022 - 2023				
	Unfavorable scenario 2	Unfavorable scenario 1	Base scenario	Favorable scenario 1	Favorable scenario 2
Official interest rate	0.25%	1.3%	3.5%	5.7%	7.3%
Unemployment rate	11.4%	10.2%	8.7%	7.1%	6.0%
Housing Price growth	(0.3%)	1.5%	4.0%	6.5%	8.3%
GDP growth	(2.2%)	(0.2%)	2.4%	4.9%	6.9%
Consumer Price Index	13.5%	16.2%	19.7%	23.3%	25.9%

The highest probability of occurrence is associated to the base scenario, while the extreme scenarios have a lower probability than the more moderate scenarios.

The methodology used for the generation of the local scenarios is based on the Methodology Framework of the Corporate Research Service and is applied to the loan portfolio with the exception of loans from the Corporate and Investment Banking segment which uses global scenarios as defined by the Santander Group. The probabilities for the scenarios must total 100% and be symmetrical.

Local scenario		Global scenario	
	Probability weighting		Probability weighting
Favorable scenario 2	10%	Favorable scenario 1	10%
Favorable scenario 1	15%	Base scenario	20%
Base scenario	50%	Unfavorable scenario 1	70%
Unfavorable scenario 1	15%		
Unfavorable scenario 2	10%		

NOTE 37 - RISK MANAGEMENT, continued

As of September 2022, the Bank has updated the macro-economic information and scenarios, resulting in an increase of ECL allowance of MCh\$73,000, which were covered with post-model adjustment (overlay) previously recorded. As of December 31, 2022, the Bank maintains MCh\$91,351 in residual overlays, to face future macro-economic information and scenarios updates.

In the course of 2021, the Bank updated the macro-economical scenarios, and the post-model adjustment (overlays) established at the end of 2020 were released in the second half of 2021.

The ECL allowance sensibility to future macro-economic conditions is as follows:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Reported ECL allowance	1,153,593	1,051,702
Gross carrying amount	38,872,033	36,628,705
Reported ECL Coverage	2.97%	2.87%
<i>ECL amount by scenarios</i>		
Favorable scenarios 2	1,034,417	926,695
Favorable scenarios 1	1,061,899	994,883
Base scenarios	1,138,881	1,061,809
Unfavorable scenarios 2	1,227,979	1,144,741
Unfavorable scenarios 2	1,268,948	1,204,015
<i>Coverage ratio by scenarios</i>		
Favorable scenarios 2	2.68%	2.55%
Favorable scenarios 1	2.75%	2.71%
Base scenarios	2.95%	3.05%
Unfavorable scenarios 2	3.19%	2.86%
Unfavorable scenarios 2	3.29%	3.15%

NOTE 37 - RISK MANAGEMENT, continued**k. Analysis of risk concentration**

The following table shows the risk concentration by industry, and by stage before ECL allowance of loans and account receivable from customers and Interbak loans at amortised cost:

	As of December 31,							
	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial loans								
Agriculture and livestock	487,463	103,160	64,524	655,147	490,225	159,158	54,863	704,247
Fruit cultivation	430,046	148,116	52,404	630,566	483,684	156,621	32,564	672,869
Forest	134,192	20,162	16,402	170,756	142,705	23,292	12,288	178,285
Fishing	261,651	13,479	9,268	284,398	244,555	22,209	4,519	271,283
Mining	241,704	11,590	7,160	260,454	202,599	6,683	6,067	215,348
Oil and natural gas	88,588	1	145	88,734	89,635	-	16	89,651
Manufacturing Industry:								
Food, beverages and tobacco	316,574	45,972	14,896	377,442	326,347	22,769	14,990	364,107
Textile, leather and footwear	65,269	12,102	6,029	83,400	84,338	10,629	6,641	101,608
Wood and furniture	75,962	4,676	5,327	85,965	83,337	4,957	6,036	94,330
Cellulose, paper and printing	50,984	9,977	4,864	65,825	57,520	10,195	5,459	73,173
Chemicals and petroleum derivatives	147,113	5,631	1,185	153,929	142,581	5,804	790	149,175
Metallic, non-metallic, machinery, or other	323,717	15,678	23,511	362,906	471,646	15,420	15,055	502,121
Other manufacturing industries	201,044	15,245	20,210	236,499	221,399	21,643	15,491	258,533
Electricity, gas, and water	881,647	14,178	5,952	901,777	650,654	37,948	6,868	695,470
Home building	181,933	33,493	24,103	239,529	242,787	22,373	16,746	281,906
Non-residential construction	537,110	34,437	57,723	629,270	587,446	55,120	45,890	688,456
Wholesale trade	1,368,044	161,570	147,330	1,676,944	1,538,052	182,403	120,680	1,841,135
Retail trade, restaurants and hotels	1,366,605	86,124	89,924	1,542,653	1,182,087	124,861	87,689	1,394,637
Transport and storage	625,506	90,913	59,141	775,560	626,278	123,778	32,195	782,251
Telecommunications	334,065	16,522	7,446	358,033	294,247	21,488	6,392	322,127
Financial services	374,770	4,166	2,864	381,800	891,411	3,478	3,576	898,465
Real estate services	2,221,740	210,683	197,360	2,629,783	2,245,893	201,914	148,774	2,596,581
Social services and other community services	4,461,722	364,291	300,197	5,126,210	3,794,435	411,783	271,665	4,477,883
Subtotal	15,177,449	1,422,166	1,117,965	17,717,580	15,093,862	1,644,526	915,253	17,653,641
Mortgage loans	14,672,080	367,467	689,462	15,729,009	12,966,599	367,838	541,737	13,876,174
Consumer loans	4,826,096	217,866	238,850	5,282,812	4,603,595	178,513	217,139	4,999,247
Total	34,675,625	2,007,499	2,046,277	38,729,401	32,664,056	2,190,877	1,674,129	36,529,062

NOTE 37 - RISK MANAGEMENT, continued**I. Collateral and other credit enhancement**

Banco Santander controls the credit risk using collateral in its operations. Each business unit is responsible for credit risk management and formalizes the use of collateral in its lending policies. Guidelines are in place covering the acceptability and valuation of each type of collateral.

Banco Santander uses guarantees in order to increase their resilience in the subject to credit risk operation. The guarantees can be used fiduciary, real, legal structures with power mitigation and compensation agreements. The Bank periodically reviews its policy guarantees by technical parameters, normative and also its historical basis, to determine whether the guarantee is legally valid and enforceable.

Credit limits are continually monitored and changed in customer behavior function. Thus, the potential loss values represent a fraction of the amount available.

Collateral refers to the assets pledged by the customer or a third party to secure the performance of an obligation. The main type of collateral obtained are the following:

- For securities lending and reverse repurchase transactions, cash or securities
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The following table show the maximum exposure to credit risk by class of financial asset, associated collateral and the net exposure to credit risk:

	As of December 31,							
	2022				2021			
	Maximum exposure to credit risk	Collateral	Net exposure	Associated ECL	Maximum exposure to credit risk	Collateral	Net exposure	Associated ECL
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Interbank loans	32,991	-	32,991	1	428	-	428	-
Commercial loans	17,684,589	9,945,505	7,739,084	661,566	17,724,326	10,171,168	7,553,158	603,633
Mortgage loans	15,729,009	15,358,111	370,898	162,756	13,876,174	13,331,941	544,233	143,658
Consumer Loans	5,282,812	593,660	4,689,152	328,944	4,999,247	619,624	4,379,623	304,411
Contingent loans exposure	3,048,383	476,327	2,572,056	44,997	2,580,613	427,271	2,153,342	52,205
Total	41,777,784	26,373,603	15,404,181	1,198,264	39,180,788	24,550,004	14,630,784	1,103,907

(*) Includes Loans and account receivable at FVOCI

One very important example of financial collateral is the collateral agreement. Collateral agreements comprise a set of highly liquid instruments with a certain economic value that are deposited or transferred by a counterparty in favor of another party in order to guarantee or reduce any counterparty credit risk that might arise from the portfolios of derivative transactions between the parties in which there is exposure to risk.

Collateral agreements vary in nature but, whichever the specific form of collateralization may be, the ultimate aim, as with the netting technique, is to reduce counterparty risk.

Transactions subject to a collateral agreement are assessed periodically (normally on a daily basis). The agreed-upon parameters defined in the agreement are applied to the net balance arising from these assessments, from which the collateral amount (normally cash or securities) payable to or receivable from the counterparty is obtained.

For real estate collateral periodic re-appraisal processes are in place, based on the actual market values for the different types of real estate, which meet all the requirements established by the regulator.

Specifically, mortgage loans are secured by a real property mortgage, and threshold mitigate counterparty credit risk of derivative instruments.

Personal guarantees and credit derivatives

Personal guarantees are guarantees that make a third party liable for another party's obligations to the Bank. They include, for example, security deposits and standby letters of credit. Only guarantees provided by third parties that meet the minimum requirements established by the supervisor can be recognised for capital calculation purposes.

NOTE 37 - RISK MANAGEMENT, continued

Credit derivatives are financial instruments whose main purpose is to hedge credit risk by buying protection from a third party, whereby the Bank transfers the risk of the issuer of the underlying instrument. Credit derivatives are OTC instruments, i.e. they are not traded in organized markets.

Credit derivative hedges, mainly credit default swaps, are entered into with leading financial institutions. According to the Bank's policy when an asset (real state) is repossessed are transferred to assets held for sale at their fair value less cost to sell as non-financial assets at the repossession date (assets received in lieu of payments).

Assets Received in Lieu of Payment

Assets received or awarded in lieu of payment of loans and accounts receivable from clients are recognised at their fair value (as determined by an independent appraisal). The excess of the outstanding loan balance over the fair value is charged to net income for the period, under "Provision for loan losses". Any excess of the fair value over the outstanding loan balance, less costs to sell of the collateral, is returned to the client. These assets are subsequently adjusted to their net realizable value less cost to sale (assuming a forced sale).

At December 31, 2022, assets received or awarded in lieu of payment amounted to Ch\$35,622 million (gross amount: Ch\$36,804 million; allowance: Ch\$1,182 million). At December 31, 2021, assets received or awarded in lieu of payment amounted to Ch\$27,414 million (gross amount: Ch\$27,820 million; allowance: Ch\$406 million).

m. Maximum exposure to credit risk*Financial assets and off-balance sheet commitments*

For financial assets recognised in the Consolidated Statements of Financial Position, maximum credit risk exposure equals their carrying value. Below is the distribution by financial asset and off-balance sheet commitments of the Bank's maximum exposure to credit risk as of December 31, 2022 and 2021, without deduction of collateral, security interests or credit improvements received:

		As of December 31,	
		2022	2021
	Note	Amount of exposure MCh\$	Amount of exposure MCh\$
Deposits in banks	4	1,982,942	1,998,235
Cash items in process of collection	4	843,816	390,271
Financial assets for trading at FVTPL	5		
Financial derivative contracts		11,672,960	9,494,471
Financial assets held for trading		154,046	73,347
Financial assets at FVOCI	6		
Debt financial instruments		5,800,733	5,803,139
Other financial instruments		142,306	99,375
Financial derivative contracts for hedge accounting	7	477,762	629,136
Financial assets at amortised cost	8		
Debt financial instruments		4,867,591	4,691,730
Interbank loans		32,990	428
Loans and account receivable at amortised cost /		37,543,144	35,577,003
Off-balance commitments:			
Letters of credit issued		255,522	323,531
Foreign letters of credit confirmed		1,476,599	53,777
Performance guarantees		8,974,077	1,390,410
Available credit lines		924,173	8,986,535
Personal guarantees		1,617	579,051
Other irrevocable credit commitments		313,345	265,517
Total		75,463,623	70,355,956

NOTE 37 - RISK MANAGEMENT, continued*Foreign derivative contracts*

As of December 31, 2022, the Bank's foreign exposure -including counterparty risk in the derivative instruments' portfolio- was USD 9,037 million or 11.22% of its assets. In the table below, exposure to derivative instruments is calculated by using the equivalent credit risk; which equals the replacement carrying amount plus the maximum potential value, considering the cash collateral that minimizes exposure.

Below, there are additional details regarding our exposure for those countries classified above 1 and represents our majority of exposure to categories other than 1. As of December 31, 2022, considering fair value of derivative instruments.

Country	Classification	Derivative Instruments (adjusted to market)	Deposits	Loans US\$ millions	Financial investments	Total Exposure
Hong Kong	2	-	9	12.00	-	21.00
Italy	2	-	1	-	-	1.00
Mexico	3	3	-	-	-	3.00
China	2	-	-	11.00	-	11.00
Total		3	10	23.00	-	36.00

Our exposure to the group is as follows:

Counterpart	Country	Classification	Derivative instruments (market adjusted)	Deposits MUSD	Loans MUSD	Financial Investments MUSD	Exposure MUSD
				US\$ millions			
Banco Santander Hong Kong	Hong Kong	2	-	9	-	-	9
Banco Santander Mexico	Mexico	3	3	-	-	-	3
Banco Santander EEUU	EEUU	1	88	250	-	-	338
Santander UK	UK	1	-	2	-	-	2
Banco Santander España	Spain	1	225	36	-	-	261

The total amount of this exposure to derivative instruments must be compensated daily with collateral and, therefore, there is no credit exposure.

As of December 31, 2022, we had no applicable sovereign exposure, no unfunded exposure, no credit default protection and no current developments.

Security interests and credit improvements

The maximum exposure to credit risk is reduced in some cases by security interests, credit improvements, and other actions which mitigate the Bank's exposure. Based on the foregoing, the creation of security interests are a necessary but not a sufficient condition for granting a loan; accordingly, the Bank's acceptance of risks requires the verification of other variables and parameters, such as the ability to pay or generate funds in order to mitigate the risk being taken on.

The procedures used for the valuation of security interests utilize the prevailing market practices, which provide for the use of appraisals for mortgage securities, market prices for stock securities, fair value of the participating interest for investment funds, etc. All security interests received must be instrumented properly and registered on the relevant register, as well as have the approval of legal divisions of the Bank.

The risk management model includes assessing the existence of adequate and sufficient guarantees that allow recovering the credit when the debtor's circumstances prevent them from fulfilling their obligations.

The Bank has classification tools that allow it to group the credit quality of transactions or customers. Additionally, the Bank has historical databases that keep this internally generated information to study how this probability varies. Classification tools vary according to the analyzed customer (commercial, consumer, SMEs, etc.).

NOTE 37 - RISK MANAGEMENT, continued

Below is the detail of security interests, collateral, or credit improvements provided to the Bank as of December 31, 2022 and 2021:

	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Non-impaired financial assets		
Properties/mortgages	28,012,572	27,013,636
Investments and others	4,441,058	1,813,714
Impaired financial assets		
Properties/ mortgages	2,009,968	1,715,628
Investments and others	274,296	69,083
Total	34,737,894	30,612,061

Credit risk mitigation techniques

The Bank applies various methods of reducing credit risk, depending on the type of customer and product. As we shall see, some of these methods are specific to a particular type of transaction (i.e., real estate guarantees) while others apply to groups of transactions (i.e., netting and collateral arrangements).

Liquidity risk

Liquidity risk is the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner.

Liquidity risk management

The Bank's approach to liquidity management is to ensure-- whenever possible--to have enough liquidity on hand to fulfill its obligations at maturity, in both normal and stressed conditions, without entering into unacceptable debts or risking the Bank's reputation. The Board establishes limits on the minimal part of available funds close to maturity to fulfill payments as well as over a minimum level of interbank operations and other loan facilities that should be available to cover transfers at unexpected demand levels. This is constantly reviewed by the Assets and liabilities Committee. Additionally, the Bank must comply with the regulation limits established by the FMC for maturity mismatches.

The limits establishment is conceived as a dynamic process that responds to risk appetite considered acceptable by the Bank and its entities. The limit system allows knowing at all times the level of exposure in which each entity incurs against liquidity risks. In addition, the Bank includes alert indicators by concentration of: counterparties, type of products and terms, with the objective of diversifying the sources of financing and its maturity structure.

The Bank monitors liquidity position on a daily basis, determining the future inflows and outflows. Also, at the month-end, stress tests are performed, considering different scenarios in normal market conditions and fluctuation conditions (stress).

The Bank have internal liquidity limits that must be met at all times by Financial Management and Treasury. The Market Risk Management calculates and control of internal limits usage as well as verifies their compliance and communicates the status to senior management and the Board of Directors.

At the beginning of the year, the limits are proposed by the Market Risk Management, approved in the ALCO Committee and ratified at the highest level.

The liquidity limits and early warning indicators and management measures defined internally can be grouped as follows:

- Limits associated with concentration and mismatches of cash flows and liquidity of the Bank's operations.
- Liquidity Management Tools, which is a Structural liquidity or Financing Chart, whose objective is to determine the Bank's structural liquidity position and allow active management, is an essential mechanism to ensure permanently the assets's financing in optimal conditions.
- Early warning indicators associated with risks concentration and used as detection and anticipation tool of potential liquidity stress situations and, if necessary, the activation of the Liquidity Contingency Plan.

NOTE 37 - RISK MANAGEMENT, continued

The Market Risk Management establishes and updates the Liquidity Management Policy (PAL). The review and update is performed once a year. However, at any time it could be updated upon request, if any of the areas involved by the PAL have identified a required modification. The PAL is approved by the Board of Directors.

The Market Risk Management provides all necessary tools for the statistical analysis required by local liquidity regulations. The validity of the models are reviewed once a year. The conclusions must be approved by the Board of Directors.

In normal liquidity periods, the Financial Management Department applies the policies and perform the actions required to comply with internal and regulatory limits. If a situation is identified, even at low level, the Liquidity Crisis Committee applies the necessary actions to face potential liquidity deficits or restrictions, and contingency plans to control emergency situations, along with reporting situations to senior management and the respective committees.

Measurement and control of liquidity risk**1. Term mismatches subject to regulatory limits**

The Regulatory Liquidity Ratio measures the mismatches of the inflows and outflows in relation to regulatory capital. In accordance with current regulations, the 30-day mismatch cannot exceed once the regulatory capital of the Bank, both for national and foreign currency, and the 90-day mismatch cannot exceed it twice. As of December 31, 2022 and 2021, the mismatches are:

	As of December 31,	
	2022	2021
	%	%
30-day	-	1
30-day foreign currency	-	2
90-day	-	2

2. Monitoring indicators and liquidity ratio subject to regulatory limits

An important component for liquidity risk management is High Quality Liquid Assets (ALAC). These are balance sheet assets, mainly financial investments that are not pledged as collateral, with low credit risk, and with a deep secondary market.

These assets are divided into three levels in accordance with Basel III standards, with Level 1 assets being the most liquid and Level 3 assets being the least liquid. Level 1 assets are bonds from Chilean Government entities, Central Bank bonds and United States Treasury bonds.

ALAC	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Level 1: cash and cash equivalent	1,453,265	1,106,152
Level 2: fixed income	5,424,452	1,223,824
Level 2: fixed income	8,066	9,792
Total	6,885,783	2,339,768

3. Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) is a measurement of liquid assets over 30-day net outflows. It is used by banks globally, as part of the Basel III standards. The requirements were gradually implemented, reaching 100% in 2022.

NOTE 37 - RISK MANAGEMENT, continued

The objective of the LCR is to promote the short-term resistance of Banks' liquidity risk profile. The LCR ensures that organizations have an adequate pool of unencumbered, High-Quality Liquid Assets, which can be readily and immediately converted to cash in private markets, in order to meet short-term liquidity needs.

Liquidity Coverage Ratio	As of December 31,	
	2022	2021
	%	%
<u>LCR</u>	175	149

Banco Santander Chile's RCL indicator was above the minimum required for 2021 and already above the 100% required for 2022. This reflects the conservative liquidity policies imposed by the Board of Directors, through the Assets and Liabilities Committee.

4. Net Stable Funding Ratio (NSFR)

This indicator is required by Basel III and provides a sustainable maturity structure for assets and liabilities, so that banks maintain a stable funding profile in relation to their activities.

The Central Bank and the CMF defined a minimum NSFR level of 60% for 2022, reaching 100% by 2026.

Net Stable Funding Ratio	As of December 31,	
	2022	2021
	%	%
<u>NSFR</u>	116	111

5. Information on the liquidity situation according to the requirements of the BCCH*i. Term mismatches*

On March 8, 2022, the BCCh published Rules on the Management and measurement of the liquidity position of banking companies that modernize the liquidity regulation, aligning regulatory requirements of the CMF under Basel III implementation process.

In accordance with the provision of the BCCh, the liquidity position is measured and controlled through the difference between the cash outflows, related to liabilities and expense accounts, and cash inflows, which are related to asset and income accounts, for a certain term or time band, which is referred as term mismatch.

The liquidity policy on an Adjusted Base was presented and approved by the Board of Banco Santander Chile. Term mismatches are calculated severally for local currency and foreign currency.

Term mismatches will be made on the following time bands:

- First time band: up to 7 days, inclusive
- Second time band: from 8 days to 15 days, inclusive
- Third time band: from 16 days to 30 days, inclusive
- Fourth time band: from 31 days to 90 days, inclusive

NOTE 37 - RISK MANAGEMENT, continued

	As of December 31, 2022					
	Individual			Consolidated		
	Up to 7 days	Up to 15 days	Up to 30 days	Up to 7 days	Up to 15 days	Up to 30 days
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Cash flow receivable (assets) and income	9,123,887	1,805,516	3,552,792	9,269,188	1,804,580	3,514,336
Cash flow payable (liabilities) and expenses	9,295,580	1,855,664	2,702,150	9,320,125	1,855,664	2,707,135
Mismatch	(171,693)	(50,148)	850,642	(50,937)	(51,084)	807,201
Mismatch affected by limits			628,801			705,180
Limits:						
1 time capital			4,128,808			4,238,372
Margin available			4,757,609			4,943,552
% used			15%			17%

	As of December 31, 2021					
	Individual			Consolidated		
	Up to 7 days	Up to 15 days	Up to 30 days	Up to 7 days	Up to 15 days	Up to 30 days
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Cash flow receivable (assets) and income	8,075,378	2,192,356	2,098,212	8,239,806	2,156,255	2,052,735
Cash flow payable (liabilities) and expenses	10,499,423	1,558,043	1,717,827	10,655,776	1,557,680	1,714,384
Mismatch	(2,424,045)	634,313	380,385	(2,415,970)	598,575	338,351
Mismatch affected by limits			(1,409,346)			(1,479,044)
Limits:						
1 time capital			3,359,436			3,359,436
Margin available			1,950,090			1,880,392
% used			42%			44%

ii. Composition of financing sources

The main sources of financing with third parties are the following:

Main sources of financing	As of December 31,	
	2022	2021
	MCh\$	MCh\$
Deposits and other demand obligations	14,086,226	17,900,938
Time deposits	12,978,790	10,131,055
Bank obligations	8,864,765	8,826,583
Debt instruments issued and regulatory capital	9,490,009	8,989,528
Total	45,419,790	45,848,104

The BCCh has authority to require banks to maintain reserves of up to 40% on average for demand deposits and up to 20% for time deposits to implement monetary measures. Also, if the aggregate amount of demand deposits exceeds 2.5 times the amount of a bank's regulatory capital, it must maintain a 100% "technical reserve" in Central Bank bonds and notes.

As of December 31, 2022 and 2021, the Central Bank has required the Bank to maintain a technical reserve of \$0 million and \$4,278,104 million, which represents 0% and 15.3% of deposits, respectively.

The volume and composition of liquid assets are presented above. The liquidity coverage ratio is presented above.

NOTE 37 - RISK MANAGEMENT, continued**6. Maturity of financial assets and liabilities**

The maturity of financial assets and liabilities, and other commercial commitments is disclosed in Note 23.

Operational risk

The Bank defines operational risk as the risk of losses arising from defects or failures in its internal processes, people, systems or external events, thus covering risk categories such as operational incidents, cloud computing, cybersecurity, business continuity, outsourcing of strategic and non-strategic services.

Operational risk is inherent to all products, activities, processes and systems and is generated in all business and support areas. For this reason, all employees are responsible for managing and controlling the operational risks generated in their sphere of action. The Bank's goal in terms of operational risk management and control is focused on identifying, evaluating and mitigating sources of risk, regardless of whether they have materialized or not. The analysis of operational risk exposure contributes to the establishment of risk management priorities.

Operational risk management

The operational risk model regulates the necessary elements for adequate management and control of operational risk, aligned with advanced regulatory standards and best management practices, and includes the following phases:

- strategy and planning.
- identification, assessment and monitoring of risks and internal controls.
- implementation and monitoring of mitigation measures.
- availability of information, adequate reports and escalation of relevant issues.

The main operational risk tools used are:

- Internal events database. Record of operational risk events with financial impact (all losses are recorded, regardless of their amount) or non-financial (such as regulatory impact on customers and/or services). This information:
 - » allows root cause analysis.
 - » increases awareness of risks.
 - » allows escalation of relevant operational risk events to the senior management of the Risk division with maximum immediacy
 - » facilitates regulatory reporting.
- Self-assessment of operational risks and controls. Qualitative process that evaluates the main operational risks associated with each function, the situation of the control environment and its assignment to the different functions within the Bank, through the criteria and experience of a group of experts from each function.

The objective is to identify and assess material operational risks that could prevent business or support units from achieving their objectives. Once the risks and the internal controls that mitigate them have been evaluated, mitigation measures are identified in the event that the risk levels are above the tolerable level.

NOTE 37 - RISK MANAGEMENT, continued

This process integrates specific operational risk reviews that allow a cross-sectional identification of risks, especially technological risks, fraud, supplier risk and factors that could lead to other operational risks, as well as specific regulatory non-compliance.

- External events database. Quantitative and qualitative information on external operational risk events. The database allows a detailed and structured analysis of the relevant events that have occurred in the sector, the comparison of the loss profile, and the adequate preparation of the self-assessment exercises and scenario analysis.
- Analysis of operational risk scenarios. Its objective is to identify events with a very low probability of occurrence that could generate significant losses for the Bank, as well as to establish adequate mitigation measures, through the evaluation and expert opinion of the business lines and risk managers.
- A statement establishing that the Bank has the commitment to control and limit non-financial risk events that lead or may lead to financial losses; fraud events, operational and technological incidents; legal and regulatory violations; conduct problems or damage to reputation. Although a certain volume of losses is expected, unexpected high severity losses as a result of control failure are not acceptable.
- Recommendations from internal audit, external audit and regulators. They provide relevant independent information on inherent and residual risk and identify areas for improvement in controls and processes.
- Capital model: a model that includes the Bank's risk profile, based mainly on information collected in the internal loss database, external data and scenarios. The main application of the model is to determine the economic capital for operational risk and the estimate of expected and stressed losses, which are used in the operational risk appetite.
- Other specific instruments that make it possible additionally analyze and manage operational risk, including the evaluation of new products and services, the management of business continuity plans, the review and update of the perimeter and review processes of the quality of the operational risk programme.
- The Bank's operational risk management and reporting system supports operational risk management programmes and tools with a focus on governance, risk, and compliance. It provides information for management and reporting, and contributes to improving decision-making in operational risk management, consolidating information, simplifying the process and avoiding duplication.

Operational continuity plan

The digital transformation is revolutionizing the way banks operate, presenting new business opportunities, but at the same time a wide range of emerging risks, such as technological risks, cyber risks and an increasing dependence on suppliers, which increases exposure to events that may affect the provision of services to our customers.

The Bank is highly committed to guaranteeing a robust control environment in accordance with the best industry standards, which allows us to reinforce our operational resistance against potential disruption events and thus ensure the adequate provision of services to our clients and stability of the system.

A main pillars is a business continuity management system aimed to guaranteeing the continuity of business processes in the event of a disaster or serious incident. This process identifies potential impacts that threaten the entity and its supplies, and provides the correct protocols and governance that ensure effective response capability. Its main objectives are:

- Protect the integrity of people in a contingency situation.
- Guarantee that the main functions are performed and minimize the impact over clients' services in case of contingency.
- Satisfy the Bank's obligations with its employees, clients, shareholders and other interest groups.
- Comply with regulatory obligations and requirements.
- Minimize the potential economic losses for the entity and its impact on the business.
- Protect the brand image, credibility and trust in the entity.
- Reduce the operational effects by providing effective procedures, priorities and strategy for the recovery and restoration of business operations after a contingency.
- Contribute to stabilizing the financial system.

The pandemic challenged the frameworks and strategies of the business continuity plans and, although some of the protocols had to be adapted, this crisis has shown that the Bank has a robust business continuity management system.

NOTE 37 - RISK MANAGEMENT, continued

Relevant mitigation measures

The Bank, through internal operational risk management tools and other external sources of information, implements and monitors mitigation measures related to the main sources of risk.

The transformation and digitalization of the business entail new risks and threats, such as the increase in payment fraud and origination fraud (credits). To mitigate these risks, we have improved control mechanisms and designed new products.

The use of reinforced authentication processes in the customer registration process and reinforcement of anti-fraud alerts in origination are increasingly widespread resources to mitigate the risk of fraud.

In the case of cards, the use of chip cards and numeric code in shops and ATMs has become widespread, two-step authentication with one-time passwords (dynamic verification passwords), security reinforcement in ATMs by incorporating physical protection and anti-skimming elements, as well as improvements in the logical security of the devices.

In the case of office banking (online services), verification of online banking transactions with a second security factor of one-time passwords, application of specific protection measures for mobile banking, such as the identification and registration of customer devices, monitoring of the security of the e-banking platform to avoid attacks on the systems, among others.

Cybersecurity

It is expected that cybersecurity threats will increase and the financial sector will be one of the main targets. This, together with the greater dependence on digital systems, makes cybersecurity one of the main non-financial risks of the business. For this reason, our objective is to make the Bank a cyber-resilient organization that can resist, detect and respond quickly to cyber-attacks, with constant evolution and improvement of its defenses.

Outsourcing of services

Continuing with our digitization strategy, the Bank's objective is offer the best solutions and products on the market to our clients. This means an increase in the services provided by third parties and the intensive use of new technologies such as cloud services. Due to the increase in cyber risks and regulatory requirements, we have updated and strengthened the supplier management framework, the internal control framework and the risk culture to ensure that the risks associated with contracting third parties are adequately assessed and managed.

The Bank has identified those suppliers that could present a higher level of exposure for our operations and for the services provided to our clients and has reinforced monitoring of these suppliers to ensure that:

- They present an adequate control environment, depending on the level of risk of the service they provide.
- There are business continuity plans that guarantee service delivery in case of disruption events.
- They have controls aimed to guaranteeing the protection of sensitive information processed during the provision of the service.
- Contracts and agreements with third parties include the necessary clauses to protect the interests of the Bank and our customers, while providing coverage for current legal obligations.
- There are exit strategies, which include service reversion or migration plans, in the case of services with a strong impact on business continuity and high substitution complexity.

Insurance

In order to respond to the operational risk and other risks generated in the Bank's own operations, material damage insurance, general civil liability, fraud, expenses derived from cybersecurity breaches, third-party claims against executives, among others, have been contracted.

NOTE 37 - RISK MANAGEMENT, continued*Exposure to net loss, gross loss and recovery of gross loss due to operational risk event*

	As of December 31,	
	2022 MCh\$	2021 MCh\$
Expenses for the gross loss period due to operational risk events		
Internal fraud	91	51
External fraud	8,513	5,469
Labor Practices and Business Safety	8,095	4,089
Clients, products and business practices	789	256
Damage to physical assets	221	236
Business interruption and system failures	981	177
Process execution, delivery and management	3,624	11,185
Subtotal	22,314	21,463
Recoveries of expenses in the period due to operational risk events		
Internal fraud	-	568
External fraud	2,194	3,975
Labor Practices and Business Safety	1,391	874
Clients, products and business practices	673	243
Damage to physical assets	-	8
Business interruption and system failures	2	33
Process execution, delivery and management	809	2,934
Subtotal	5,069	8,635
Net loss from operational risk events	17,245	12,828

Capital risk

The Bank defines capital risk as the risk that the Bank 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 Bank 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 segment. The Bank continuously evaluates its risk-return ratios through its basic capital, effective net equity, economic capital and return on equity. The Bank is conducting its internal process based on the FMC standards which are based on Basel Capital Accord (Basel III). Economic capital is the capital required to support all the risk of the business activity with an appropriate solvency level.

Capital is managed in accordance with the risk environment, Chile's economic performance and the economic cycle.

The respective Committee may amend our current capital policies to address changes in the aforementioned risk environment.

NOTE 37 - RISK MANAGEMENT, continued**Capital risk management**

The Bank has an Executive Capital Committee which is in charge of supervising, authorising and assessing all aspects related to capital and solvency. The Board of Directors has delegated to ALCO the knowledge and evaluation of the level of capital and profitability in accordance with the Bank's strategy. The CIR monitors and is responsible for the limits of primary and secondary metrics based on risk appetite.

Capital management is based on a Capital Framework whose objective is to ensure that the level of capital, structure and composition are adequate at any time considering the Bank's risk profile and under different scenarios, guaranteeing compliance with both the minimum requirements regulations such as risk appetite and the Recovery Plan, and that are in line with the interests of all stakeholders and support the growth strategy defined by the Bank.

The capital model defines the functional and governance aspects regarding the activities of capital planning, budget execution and monitoring, capital adequacy analysis, capital measurement and Reporting and disclosure of information related to capital.

This model covers the main capital management activities:

1. Establish the Bank's solvency and capital contribution objectives aligned with the minimum regulatory requirements and with internal policies, to guarantee a solid level of capital, consistent with the Bank's risk profile, and an efficient use of capital in order to maximize shareholder value.
2. Develop a capital plan to achieve the objectives consistent with the strategic plan.
3. Capital adequacy assessment to ensure that the capital plan is consistent with the Bank's risk profile and its risk appetite (also stress scenarios).
4. Develop a capital budget as part of the Bank's budget process.
5. Monitoring and controlling budget execution and preparation of action plans to correct any deviation from the budget.
6. Calculation of capital metrics.
7. Preparation of internal capital reports, as well as reports for the supervisory authorities and for the market.

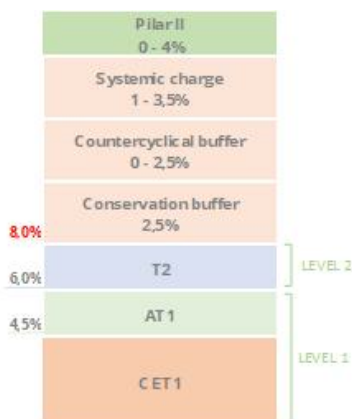
In addition, the Bank has developed the necessary policies to contribute to management and compliance with capital management strategies and objectives, including: Capital adequacy policy, Capital Planning Policy, Policy for managing impairment situations Capital, Capital Monitoring Policy and Dividend Policy.

NOTE 37 - RISK MANAGEMENT, continued

BASEL III implementation

In January 2019, a new version of the General Banking Law (LGB) was published. The most relevant change is the adoption of the capital levels established in the Basel III standards. During 2020, the final versions of the regulations for new capital models for Chilean banks were published.

According to the new General Banking Law (updated through Law 21,130), the minimum capital requirements have increased in terms of quantity and quality. Total regulatory capital remains at 8% of risk-weighted assets, but includes credit, market and operational risk. The minimum Tier 1 capital increased from 4.5% to 6% of risk-weighted assets, of which up to 1.5% may be Additional Tier 1 (AT1), either in the form of preferred stocks or perpetual bonds, which may be convertible into shares. Tier 2 capital is now set at 2% of risk-weighted assets.



Additional capital requirements are incorporated through a conservation buffer of 2.5% of risk-weighted assets. In addition, the Chilean Central Bank, prior agreement with the FMC, can establish an additional countercyclical buffer of up to 2.5% of risk-weighted assets. Both buffers must be composed of core capital.

In addition, the FMC was empowered, with the favorable agreement of the Council of the Chilean Central Bank, to define, through regulations, the new methodologies for calculating assets weighted by credit, market and operational risk; the issuance conditions of AT1 hybrid instruments, the determination and capital charges for local systemically important banks, prudential discounts to regulatory capital and require additional measures, including greater capital, to banks that present deficiencies in the supervisory capital evaluation process (Pillar II).

Pillar II aims to ensure that banks maintain a level of capital in accordance with their risk profile, and encourage the development and use of adequate processes for monitoring and managing the risks faced. The banks are responsible for developing a internal evaluation process of their capital adequacy, and supervisors must examine banks' internal strategies and evaluations and early intervene when they are not satisfied with the result of the process. Supervisors may require additional capital to the minimum required, in order to guarantee a sufficient level to face risks, especially in adverse credit cycles.

The result will be a simplified report with the conclusions of the self-assessment process, which in its first version of 2021 will only include credit risk, and 2022's report the Pillar I risks. From 2023 the full report will be required.

Pillar III promotes market discipline and financial transparency through the disclosure of significant and timely information, allowing users of the information to know the risk profile of local banking institutions together with their capital structure, thus reducing information asymmetries. Banks must publish the first Pillar 3 document with information corresponding to the January-March 2023 period.

The new regulations for calculating risk-weighted assets began to apply in December 2021, for which the Bank worked on the implementation of the regulations through a multidisciplinary group, which carried out the required developments, including the implementation of the files designed by the regulator for this purpose.

NOTE 37 - RISK MANAGEMENT, continued***Capital metrics******Minimum required capital***

According to the General Banking Law, a bank must have a minimum of UF800,000 (approximately \$26,469 million or US\$28 million as of December 31, 2022) of paid-in capital and reserves, calculated in accordance with the FMC Regulations.

Capital requirement

Under the General Banking Law, banks must maintain regulatory capital of at least 8% of risk-weighted assets, net of required credit losses, as well as a paid-in capital and reserve requirement (“tire capital”) of at least 3% of total assets, also net of credit losses. Regulatory capital and basic capital are calculated on the basis of the Consolidated Financial Statements. As we are the result of a merger between two predecessors with significant market shares in the Chilean market, we are currently required to maintain a minimum regulatory capital to risk-weighted assets ratio of 11%.

Regulatory capital is defined as the aggregate of:

- the paid-in capital and reserves of a bank, excluding capital attributable to foreign subsidiaries and branches or core capital;
- subordinated bonds, valued at their placement price (but decreasing by 20.0% for each year during the period beginning six years before maturity), for an amount of up to 50.0% of its basic capital;
- voluntary provisions for credit losses in the amount of up to 1.25% of risk-weighted assets.

As of December 1, 2021, the definition of regulatory capital changed and is defined as follows:

- Paid-in capital of the bank for common shares subscribed and paid;
- Premium paid for the instruments included in this capital component;
- Reserves, both non-revenue and from profits, for depreciation of bonds with no fixed maturity period and for expiration of bonds with no fixed maturity period;
- “Other accumulated comprehensive income” items;
- Retained earnings from prior years, profit (loss) for the year, net of provisions for minimum dividends, revaluation of bonds with no fixed maturity period and payment of interest and/or dividends from financial instruments issued with regulatory capital;
- The non-controlling interest as indicated in the Compendium of Accounting Standards (CNC).

NOTE 37 - RISK MANAGEMENT, continued

Total assets, risk-weighted assets, and components of effective equity

Total assets, risk-weighted assets and components of effective equity according to Basel III		Consolidated global 31-12-2022 MCh\$	Consolidated global 31-12-2021 MCh\$
1	Total assets according to the statement of financial position	68,164,604	63,971,270
2	Investment in subsidiaries that are not consolidated	-	-
3	Assets discounted from regulatory capital, other than item 2	12,270,810	10,014,280
4	Credit equivalents	2,890,350	2,795,989
5	Contingent credits	2,776,542	4,605,506
6	Assets generated by the intermediation of financial instruments	243,345	25,731
7	= (1-2-3+4+5-6) Total assets for regulatory purposes	61,317,340	61,332,754
8.a	Assets weighted for credit risk, estimated according to the standard methodology (RAW)	28,401,718	29,019,933
8.b	Assets weighted for credit risk, estimated according to internal methodologies (AWCR)	-	-
8	Market Risk Weighted Assets (MRWA)	5,554,604	5,599,484
10	Operational Risk Weighted Assets (OPWA)	4,070,594	3,316,895
11.a	= (8.a/8.b+9+10) Risk Weighted Assets (RWA)	38,026,916	37,936,312
11.b	= (8.a/8.b+9+10) Risk-weighted assets, after applying the output floor (RWA)	38,026,916	37,936,312
12	Shareholders equity	4,128,808	3,400,220
13	Non-controlling interest	109,563	94,360
14	Goodwill	-	-
15	Excess minority investment	-	-
16	= (12+13-14-15) Common Equity Equivalent Tier 1 Capital (CET1)	4,238,371	3,494,580
17	Additional deductions to common equity tier 1, other than item 2	25,455	-
18	= (16-17-2) Common Equity Tier 1 (CET1)	4,212,916	3,494,580
19	Voluntary (additional) provisions charged as additional capital tier 1 (AT1)	-	-
20	Subordinated bonds imputed as additional capital level 1 (AT1)	190,135	364,262
21	Preferred shares attributed to additional capital tier 1 (AT1)	-	-
22	Perpetual bonds attributed to additional capital level 1 (AT1)	590,247	592,468
23	Discounts applied to AT1	-	-
24	= (19+20+21+22-23) Additional Tier 1 Capital (AT1)	780,382	956,730
25	= (18+24) Equity Tier 1	4,993,298	4,451,310
26	Voluntary (additional) provisions allocated as Tier 2 (T2) capital	293,000	258,000
27	Subordinated bonds imputed as Tier 2 capital (T2)	1,472,749	1,067,521
28	= (26+27) Capital nivel 2 equivalente (T2)	1,765,749	1,325,521
29	Discounts applied to T2	-	-
30	= (28-29) Tier 2 Capital (T2)	1,765,749	1,325,521
31	= (25+30) Effective equity	6,759,047	5,776,831
32	Additional basic capital required for the constitution of the conservation buffer	444,662	294,249
33	Additional basic capital required to set up the countercyclical buffer	-	-
34	Additional core capital required for banks rated as systemic	142,601	-
35	Additional capital required for the evaluation of the adequacy of effective capital (Pillar 2)	-	-

NOTE 37 - RISK MANAGEMENT, continued**Solvency indicators and regulatory compliance indicators according to Basel III**

Solvency indicators and regulatory compliance indicators according to Basel III		Consolidated global 31-12-2022 %	Consolidated global 31-12-2021 %
1	Leverage indicator (T1_I18/T1_I7)		
1,a	Leverage indicator that the bank must meet, considering the minimum requirements	6.87%	5.70%
2	Basic capital indicator (T1_I18/T1_I11,b)		
2,a	Basic capital indicator that the bank must meet, considering the minimum requirements	11.08%	9.21%
2,b	Capital buffer shortfall	-	-
3	Tier 1 capital indicator (T1_I25/T1_I11,b)		
3,a	Tier 1 capital indicator that the bank must meet, considering the minimum requirements	13.13%	11.73%
4	Effective equity indicators (T1_I31/T1_I11,b)		
4,a	Effective equity indicator that the bank must meet, considering the minimum requirements	8.00%	8.00%
4,b	Effective equity indicator that the bank must meet, considering the charge for article 35 bis, if applicable	9.50%	9.50%
4,c	Effective equity indicator that the bank must meet, considering the minimum requirements, conservation buffer and anti-cyclical buffer	10.50%	10.90%
5	Credit rating		
	Regulatory compliance indicators for solvency		
6	Voluntary (additional) provisions allocated to Tier 2 capital (T2) in relation to APRCs (T1_I26/ (T1_I8,a or I8,b)	1.03%	0.89%
7	Subordinated bonds allocated to Tier 2 (T2) capital in relation to Tier 2 capital	34.96%	30.55%
8	Additional Tier 1 capital (AT1) in relation to basic capital (T1_I24/T1_I18)	18.52%	27.38%
9	Voluntary provisions (additional) and subordinated bonds that are charged to additional capital level 1 (AT1) in relation to the RWAs (T1_I19+T1_I20 / T1_I11,b)	0.50%	0.96%

NOTE 38 - NON CURRENT ASSETS HELD FOR SALE

Banco Santander decided to implement its own acquiring network, and therefore the Bank decided to sell the participation in the companies that provided those services. At that time, the Bank classified investment in Redbanc and Transbank as held-for-sale and senior management was engaged in an active programme to locate buyers.

In accordance with facts and circumstances arising from the social unrest in Chile and the global pandemic due to COVID-19 (situations beyond the Bank's control), and the absence of suitable buyers, the process of selling its share participation has failed. According to the above, our management has re-evaluated the situation and decided to reclassify the investment as Investment in associates. See Note 12

As of December 31, 2020, the Bank has sold its participation in Nexus.

NOTE 39 - SUBSEQUENT EVENTS

On January 23, 2023, the Ministry of Finance together with the Association of Banks and Financial Institutions (ABIF) announced measures to support individuals and SMEs, as well as to strengthen the banking system. The measures include credits rescheduling according to the each bank's commercial policies and a commitment to be participants in the support programmes promoted by the State, such as Fogape and the housing construction programme. Additionally, it was announced that Transbank shareholder banks will begin the sale of their share participation to cooperate with the development of the four-part model for the payment system.

On February 22, 2023, these Consolidated Financial Statements were approved by the Board of Directors.

There are no other subsequent events that need to be disclosed occurred between January 1, 2023 and the date of issuance of these Consolidated Financial Statements (February 22, 2023).

JONATHAN COVARRUBIAS HERNANDEZ
Chief Accounting Officer

ROMAN BLANCO REINOSA
Chief Executive Officer



DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our by-laws, which are incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit is a part. We encourage you to read the by-laws for additional information.

Issued Share Capital

The Bank has a single series of capital stock, which amounts to Ch\$891,302,881,691, divided into 188,446,126,794 registered shares with no par value. The capital stock is fully subscribed for, deposited, and paid up. Each share represents one vote and there are no special classes of shares with different rights. Our by-laws do not include any condition that is more significant than required by law to change the right of shareholders.

Shareholder rights in a Chilean bank that is also an open stock (public) corporation are governed by (1) the corporation's *estatutos*, which effectively serve the purpose of both the articles or certificate of incorporation and the by-laws of a company incorporated in the United States, (2) the General Banking Law and (3) to the extent not inconsistent with the General Banking Law, by the provisions of Chilean Companies Law applicable to open stock corporations, except for certain provisions that are expressly excluded. Article 137 of the Chilean Companies Law provides that all provisions of the Chilean Companies Law take precedence over any contrary provision in a corporation's *estatutos*. Both the Chilean Companies Law and our *estatutos* provide that legal actions by shareholders against us (or our officers or directors) to enforce their rights as shareholders or by one shareholder against another in their capacity as such are to be brought in Chile in arbitration proceedings.

Meetings and Voting Rights

The shareholders shall meet in Ordinary or Extraordinary Shareholders' Meetings held in Santiago. The resolutions adopted at a validly summoned and convened Shareholders' Meeting, in conformity with the by-laws, shall be binding on all of the shareholders.

The Ordinary Shareholders' Meetings shall be held annually on the dates determined by the Board within the first four months following the date of the annual balance sheet. There shall be an Extraordinary Shareholders' Meeting whenever the company's needs so require. The meetings shall be summoned by the Board at its own initiative or at the request of shareholders representing at least 10% of the issued shares having a legal right to vote. If in this circumstance, the Board, and through it the Chairman, refuses to issue a summons, the Financial Markets Commission ("FMC") may be requested to do so.

The summons to a Shareholders' Meeting shall be given through a prominent notice to be published three times on different days in the Santiago newspaper which has been chosen at the Ordinary Shareholders' Meeting, and in the absence of agreement or in the event of a suspension or disappearance of the designated newspaper's circulation, in the Official Journal, at the time, in the form, and under the conditions stipulated by the Regulations of the Chilean Companies Law. Summonses to Extraordinary Shareholders' Meetings shall state the topics which will be submitted to them. The summons to a meeting shall likewise be announced through a letter sent to the shareholders a minimum of fifteen days in advance of the date set for the meeting, which must contain a reference to the topics to be addressed at it. Failure to send said letter shall not invalidate the summons, without prejudice to legal liabilities. On a date no later than that of the first notice of a summons for an Ordinary Shareholders' Meeting, each shareholder must be sent a copy of the Bank's Annual Report and Balance Sheet, including the auditors' opinion and its respective notes.

Quorum for Shareholders' Meetings shall be established by the presence of as many shareholders as represent, directly or by proxy, at least an absolute majority of the issued voting shares. If said quorum is not satisfied, a new summons shall be given, for a meeting which must be scheduled to be held in the manner prescribed in Article 37 of our by-laws, indicating that it is a second summons and scheduling the new meeting to be held within the forty five days subsequent to the date scheduled for the meeting that was not held due to a lack of quorum. A meeting called by a second summons shall lawfully convene with the number of issued voting shares present or represented thereat.

In the absence of a special rule, a Shareholders' Meeting resolution shall be adopted by an absolute majority of the voting shares present or represented.

The Ordinary Shareholders' Meetings have the following responsibilities: (a) deliberate and resolve on the Annual Report and Balance Sheet which must be submitted by the Board; (b) annually designate an external auditing firm in conformity with the provisions of law to report on the balance sheet and comply with the legal requirements; (c) elect the members of the Board when appropriate pursuant to our by-laws; (d) resolve the distribution of the liquid profits or earnings for each fiscal year, and at the Board's request, order the distribution of a dividend to the shareholders as of the end of each fiscal year, as prescribed in the by-laws; and (e) in general, deliberate and pass resolutions on any other topic of corporate interest which is not reserved to an Extraordinary Shareholders' Meeting. The revocation of all the Board members elected by the shareholders and the designation of their replacements may be resolved at an Ordinary or Extraordinary Shareholders' Meeting, but any individual or collective revocation of one or more Board members would accordingly be invalid.

The Extraordinary Shareholders' Meetings are reserved for certain topics indicated by law or by our by-laws. Resolutions on the topics indicated in the notice of meeting may be adopted at Extraordinary Shareholders' Meetings.

The shareholders may have themselves represented at Meetings by another person, whether a shareholder or not, as is stipulated in the Chilean Companies Law.

A record of the deliberations and resolutions at any Shareholders' Meeting shall be made in a special minute book to be kept by the Secretary, if any, or in his or her absence by the Bank's General Manager. The minutes shall be signed by the Chairman or the person who performs his or her functions, by the Secretary and three shareholders elected by the Meeting, or by all the persons present if they number fewer than three. In the event of death, refusal, or impediment to signing the minutes on the part of any of the persons who must do so, a record of the impediment shall be made at the foot thereof. An extract of the minutes shall be made to record what happened at the meeting, and an official copy of the following data shall necessarily be made: the names of the shareholders present and the number of shares owned or represented by each of them (a brief summary of any objections may be omitted if it is attached to the same page or roll of attendance), a list of the proposals submitted for discussion and the results of the votes taken, and the list of the shareholders who voted for or against. Solely by the unanimous consent of the persons present may a record of any event occurring at the meeting that is related to the company's interests be deleted from the minutes.

The persons present at any Shareholders' Meetings shall sign a roll of attendance on which they shall indicate the number of shares the signatory holds, the number of shares he represents, and the name of the shareholder he represents.

In general, Chilean law does not require a Chilean open stock corporation to provide the level and type of information that U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the bank within the 15-day period before the ordinary annual meeting. In addition to these requirements, we regularly provide, and management currently intends to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend.

Election of Directors

The Board of Directors consists of nine directors and two alternates, elected by shareholder vote at Ordinary Shareholders' Meetings. The directors may be either shareholders or non-shareholders of the Company. There is no age limit for directors.

The directors shall hold office for three years and may be indefinitely re-elected, and their terms of office shall be renewed in their entirety at the conclusion of each term of office. If the Ordinary Shareholders' Meeting at which periodic elections of directors occur is not held at the stipulated time for any reason, the incumbency of those who have completed their terms shall be understood to be extended until their replacements are appointed, and the Board shall be obligated to summon a Shareholders' Meeting to make said appointments within thirty days.

In the elections of directors, each shareholder shall have one vote per share held or represented, and may cast all such votes in favor a single candidate or distribute them as deemed convenient; those who receive the largest number of votes in an election shall be proclaimed as elected, until the number of persons to be elected is reached. Elections of principal and alternate directors must be held separately. To proceed to a vote, the Chairman and the Secretary, jointly with the persons who have previously been designated at the Ordinary Shareholders' Meeting to sign the minutes thereof, must make a documentary record of the votes which are cast through voice vote by the shareholders present, according to the list of attendance. However, any shareholder shall be entitled to vote on a ballot signed by him, stating whether he signs on his own behalf or as a proxy. In any event, to facilitate the casting or speed of a vote, the Chairman of the Bank or the FMC, if applicable, may order an alternative procedure or permit either a voice vote or a ballot vote, or any other procedure stipulated as adequate for the purpose. In counting the results, the Chairman shall read out the votes cast aloud so that all the persons present can count the votes themselves and the truthfulness of the result can be verified. The Secretary shall add up the votes and the Chairman shall announce the candidates that receive the largest majorities and proclaim them thereby elected, until the number of persons to be elected is reached. The Secretary shall place the document reflecting the vote count, signed by the persons responsible for taking note of the votes cast, as well as the ballots delivered by the shareholders who did not vote by voice, in an envelope which shall be closed and sealed with the corporate seal, and shall be kept on file at the Bank for at least two years.

Every election to the Board, or every change to the composition of the Board, must be recorded in a public deed executed before a Notary, published in a Santiago newspaper, and reported to the FMC by sending an authorized copy of the respective public deed. The appointments of the General Manager and Assistant Deputy Manager must likewise be reported and converted into a public deed.

Vacancies that arise when a director ceases to be able to perform his or her duties, either because he becomes subject to any conflict of interest, limitation, or legal disqualification or because he is subject to a pending insolvency procedure for liquidation, or due to impossibility of serving, unjustified absence, death, resignation, or for another legal cause, shall be filled in the following manner: (a) vacancies of principal directors by alternate directors; and (b) in case of vacancies of alternate directors because of the application or circumstances not provided for in letter (a) above, or vacancies of principal directors which could not be filled as provided for in this letter because the alternate directors have become principal directors, the appropriate replacements shall be appointed at the first board of directors meeting to be held. The directors so designated shall remain in office until the next Ordinary Shareholders' Meeting, at which the definitive appointments shall be made for the time remaining to complete the replaced directors' terms.

Amendments

Our bylaws may only be amended at an Extraordinary Shareholders meeting held before a notary public.

Annual Report, Balance Sheet, and Distribution of Profits

A Balance Sheet shall be drawn up as of the thirty-first day of December of each year, to be submitted to the Ordinary Shareholders' Meeting for its consideration, jointly with the Annual Report. The Balance Sheet and Statement of Income shall be published in conformity with the currently applicable legal and regulatory provisions. The approval or rejection of such financial statements is entirely within our shareholders' discretion. If our shareholders reject our financial statements, our Board of Directors must submit new financial statements no later than 60 days from the date of such rejection. If our shareholders reject our new financial statements, our entire Board of Directors is deemed removed from office and a new Board of Directors is elected at the same meeting. Directors who individually approved such rejected financial statements are disqualified for re-election for the ensuing period.

The profits attributable to shareholders reflected in the Balance Sheet shall be applied preferentially to absorb prior-year losses. The balance which is earned shall be allocated as may be resolved by the Shareholders' Meeting, at the Board's recommendation, to: (a) an increase of the effective capital, the formation of a fund for future capitalizations or dividends, or other special reserve funds; these uses shall receive the amounts the Meeting deems convenient, in conformity with the limits and obligations prescribed by law; and (b) the distribution of dividends to the shareholders in proportion to their shareholdings.

Under the Chilean Corporations Law, Chilean companies are generally required to distribute at least 30.0% of their earnings as dividends. No dividends of a bank above the legal minimum can be distributed if doing so would result in the bank exceeding its ratio of regulatory capital to risk-weighted assets and shareholders' equity to total assets

Dividends that are declared but not paid by the date set for payment at the time of declaration are adjusted from the date set for payment to the date such dividends are actually paid, and they accrue interest. A dividend entitlement lapses after 5 years and the funds go to the Chilean Treasury.

We may declare a dividend in cash or in shares. When a share dividend is declared above the legal minimum (which minimum must be paid in cash), our shareholders must be given the option to elect to receive cash. For more information, please see “—Preemptive Rights and Increases of Share Capital.”

Liquidation and Appraisal Rights

The Bank may be dissolved and liquidated if it is so resolved at an Extraordinary Shareholders' Meeting, with the favorable vote of at least two thirds of the issued voting shares, and approved by the FMC.

Once the voluntary dissolution to which the preceding article refers has been resolved, the Shareholders' Meeting at which it is resolved shall appoint a committee of three shareholders to proceed to the company's liquidation. The liquidating committee so created shall act with the powers and obligations, which the by-laws confer on the Board, and it shall keep the shareholders informed of the liquidation's progress, shall summon Ordinary Shareholders' Meetings on the dates scheduled for them, being authorized to likewise summon Extraordinary Shareholders' Meetings. In all other respects the provisions of the Commercial Code, the applicable provisions of the Chilean Companies Law, and the corporate regulations which govern the company shall be followed. In accordance with the General Banking Law, our shareholders do not have appraisal rights.

Arbitration

Any difficulty which may arise between the Bank and any of the shareholders or directors, or between such persons, in connection with the application of the by-laws or the recognition of the existence, nonexistence, validity, nullity, construction, performance or breach, dissolution, liquidation, or any other cause shall be submitted to resolution by two arbitrators at law and in equity, who shall rule without subsequent appeal, one of whom shall be appointed by each party. If they cannot reach agreement, the parties shall appoint a third arbitrator to resolve the discord. If there is no agreement for the third arbitrator's appointment, the two previously appointed arbitrators shall make the designation. If either party refuses to participate in the appointment of arbitrators or, after they have been appointed, there is no agreement on the ruling and neither the parties nor the arbitrators have designated the third arbitrator to resolve the discord, the designation of said arbitrator, if any, or of the third participant in discord, shall be made by the Ordinary Court of Justice, and the person so designated must necessarily be one who has held or currently holds the position of attorney and member of the Honorable Supreme Court.

Capitalization

Under Chilean law, the shareholders of a company, acting at an extraordinary shareholders' meeting, have the power to authorize an increase in such company's capital. When an investor subscribes for issued shares, the shares are registered in such investor's name, even if not paid for, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and the return of capital, provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends or distributions of capital. The investor becomes eligible to receive dividends and returns of capital once it has paid for the shares (if it has paid for only a portion of such shares, it is entitled to reserve a corresponding pro-rata portion of the dividends declared and/or returns of capital with respect to such shares unless the company's by-laws provide otherwise). If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the company is entitled under Chilean law to auction the shares on the stock exchange and collect the difference, if any, between the subscription price and the auction proceeds. However, until such shares are sold at auction, the subscriber continues to exercise all the rights of a shareholder (except the right to receive dividends and return of capital).

Article 22 of the Chilean Corporations Law states that the purchaser of shares of a company implicitly accepts its by-laws and any agreements adopted at shareholders' meetings.

Ownership Restrictions

Under Article 12 of the Chilean Securities Market Law and the regulations of the FMC, shareholders of open stock corporations are required to report the following to the FMC and the Chilean stock exchanges:

- any direct or indirect acquisition or sale of shares that results in the holder's acquiring or disposing, directly or indirectly, 10.0% or more of an open stock corporation's share capital; and
- any direct or indirect acquisition or sale of shares or options to buy or sell shares, in any amount, if made by a holder of 10.0% or more of an open stock corporation's capital or if made by a director, liquidator, main officer, general manager or manager of such corporation.

In addition, majority shareholders must include in their report whether their purpose is to acquire control of the company or if they are making a financial investment.

Under Article 54 of the Chilean Securities Market Law and the regulations of the FMC, persons or entities intending to acquire control, directly or indirectly, of an open stock corporation, regardless of the acquisition vehicle or procedure, and including acquisitions made through direct subscriptions or private transactions, are also required to inform the public of such acquisition at least 10 business days before the date on which the transaction is to be completed, but in any case, as soon as negotiations regarding the change of control begin (*i.e.*, when information and documents concerning the target are delivered to the potential acquirer) through a filing with the FMC, the stock exchanges and the companies controlled by and that control the target and through a notice published in two Chilean newspapers, which notice must disclose, among other information, the person or entity purchasing or selling and the price and conditions of any negotiations.

Prior to such publication, a written communication to such effect must be sent to the target corporation, to the controlling corporation, to the corporations controlled by the target corporation, to the FMC, and to the Chilean stock exchanges on which the securities are listed.

In addition to the foregoing, Article 54A of the Chilean Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Chilean Securities Market Law on tender offers and the regulations of the the FMC provide that the following transactions must be carried out through a tender offer:

- an offer which allows a person to take control of a publicly traded company, unless (i) the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange and (ii) those shares are acquired (a) through a capital increase, (b) as a consequence of a merger, (c) by inheritance or (d) through a forced sale; and
- an offer for a controlling percentage of the shares of a listed company if such person intends to take control of the parent company (whether listed or not) of such listed company, to the extent that the listed company represents 75.0% or more of the consolidated net worth of the parent company.

In addition, Article 199 of the Chilean Securities Market Law requires that whenever a controlling shareholder acquires two thirds of the voting shares of a listed company, such controlling shareholder must offer to purchase the remaining shares from the non-controlling shareholders in a tender offer.

Article 200 of the Chilean Securities Market Law prohibits any shareholder that has taken control of a publicly traded company to acquire, for a period of 12 months from the date of the transaction in which it gained control of the publicly traded company, a number of shares equal to or greater than 3.0% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of taking control. Should the acquisition from the other shareholders of the company be made on a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Chilean Securities Market Law sets forth the basis to determine what constitutes a controlling power, a direct holding and a related party. The Chilean Securities Market Law defines control as the power of a person or group of persons acting (either directly or through other entities or persons) pursuant to a joint action agreement, to direct the majority of the votes at the shareholders' meetings of the corporation, to elect the majority of members of its Board of Directors, or to influence the management of the corporation significantly. Significant influence is deemed to exist in respect of the person or group of persons with an agreement to act jointly that holds, directly or indirectly, at least 25.0% of the voting share capital, unless:

- another person or group of persons acting pursuant to joint action agreement, directly or indirectly, controls a stake equal to or greater than the percentage controlled by such person or group of persons;
- the person or group does not control, directly or indirectly, more than 40.0% of the voting share capital and the percentage controlled is lower than the sum of the shares held by other shareholders holding more than 5.0% of the share capital (either directly or pursuant to a joint action agreement); or
- in cases where the FMC has ruled otherwise, based on the distribution or atomization of the overall shareholding.

According to the Chilean Securities Market Law, a joint action agreement is an agreement among two or more parties which, directly or indirectly, own shares in a corporation at the same time and whereby they agree to participate with the same interest in the management of the corporation or in taking control of the same. The law presumes that such an agreement exists between:

- a principal and its agents;
- spouses and relatives within certain degrees of kinship;
- entities within the same business group; and
- an entity and its controller or any of the members of the controller.

Likewise, the FMC may determine that a joint action agreement exists between two or more entities considering, among other things, the number of companies in which they participate and the frequency with which they vote identically in the election of directors, appointment of managers and other resolutions passed at extraordinary shareholders' meetings.

According to Article 96 of the Chilean Securities Market Law, a business group is a group of entities with such ties in their ownership, management or credit liabilities that it may be assumed that the economic and financial action of such members is directed by, or subordinated to, the joint interests of the group, or that there are common credit risks in the credits granted to, or in the acquisition of securities issued by, them. According to the Chilean Securities Market Law, the following entities are part of the same business group:

- a company and its controller;
- all the companies with a common controller together with that controller;
- all the entities that the FMC declares to be part of the business group due to one or more of the following reasons:

- a substantial part of the assets of the company is involved in the business group, whether as investments in securities, equity rights, loans or guaranties;
- the company has a significant level of indebtedness and the business group has a material participation as a lender or guarantor;
- any member of a group of controlling entities of a company mentioned in the first two bullets above and there are grounds to include it in the business group; or
- the company is controlled by a member of a group of controlling entities and there are grounds to include it in the business group.

Article 36 of the General Banking Law states that as a matter of public policy, no person or company may acquire, directly or indirectly, more than 10.0% of the shares of a bank without the prior authorization of the FMC, which may not be unreasonably withheld. In the absence of such authorization, any person or group of persons acting in concert would not be permitted to exercise voting rights with respect to the shares acquired. In determining whether or not to issue such an authorization, the FMC considers a number of factors enumerated in Article 28 of the General Banking Law, including, among others (i) the financial stability of the purchasing party and (ii) the legitimacy of the purchasing party.

According to Article 35*bis* of the General Banking Law, the prior authorization of the FMC is required for:

- the merger of two or more banks;
- the acquisition of all or a substantial portion of a banks' assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the existing control of a bank by a controlling shareholder of that bank.

The FMC may deny its authorization with an accompanying resolution recording the specific reasons for denying the authorization and with the agreement of a majority of the Board of Directors of the Central Bank, provided there is notice of such agreement within 10 banking business days (which may be extended under Law 18,840).

Finally, according to the regulations of the FMC, Chilean banks that issue ADSs are required to inform the FMC if any person, directly or indirectly, acquires ADSs representing 5.0% or more of the total amount of shares of capital stock issued by such bank.

Article 16*bis* of the General Banking Law provides that the individuals or legal entities that, individually or with other people, directly control a bank and who individually own more than 10.0% of its shares must send to the FMC reliable information on their financial situation with the content and in the opportunity set forth in a general rule issued by the FMC, which will not exceed the information required for open-stock corporations (*sociedad anónima abierta*).

There are no limitations for non-resident or foreign shareholders to hold or exercise voting rights on the securities.

Preemptive Rights and Increases of Share Capital

The Chilean Corporations Law provides that whenever a Chilean company issues new shares for cash, it must offer its existing shareholders the right to purchase a number of shares sufficient to maintain their existing ownership percentages in the company. According to our by-laws, options for subscription of capital increases must be offered on a preemptive basis to the shareholders, in proportion to the number of shares each shareholder owns, and the released shares which are issued shall be distributed in the same proportion. Pursuant to this requirement, preemptive rights in connection with any future issue of shares will be offered by us to the shareholders.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a period that cannot be less than 30 days following the grant of such rights. During such period, and for an additional 30-day period thereafter, a Chilean corporation is not permitted to offer any unsubscribed shares for sale to third parties on terms which are more favorable than those offered to its shareholders. At the end of such additional 30-day period, a Chilean open stock corporation is authorized to sell unsubscribed shares to third parties on any terms, provided they are sold on a Chilean stock exchange. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

The following description of our American depositary shares (the “**ADSs**”) is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Amended and Restated Deposit Agreement (the “**Deposit Agreement**”) among Banco Santander Chile (the “**Bank**”), The Bank of New York Mellon (the “**Depository**”) the holders from time to time of American depositary receipts (the “**ADRs**”) issued thereunder evidencing ADSs, which is incorporated by reference as an exhibit to the Form 20-F of which this Exhibit is a part. We encourage you to read the Deposit Agreement for additional information.

American Depositary Shares

The Depository executes and delivers ADRs. Each ADR is a certificate evidencing a specific number of ADSs. Each ADS represents 400 shares of the Bank’s capital stock. Each ADS also represents any other securities, cash or other property that may be held by the Depository. The Depository’s office is located at 240 Greenwich Street, New York, N.Y. 10286. Our ADSs are currently traded on the NYSE under the symbol “BSAC.”

ADS holders are not treated as shareholders and do not have shareholder rights. Chilean law governs shareholder rights. The Depository is the holder of the shares underlying the ADSs. ADS holders have ADS holder rights. The Deposit Agreement sets out ADS holder rights as well as the rights and obligations of the Depository. New York law governs the Deposit Agreement and the ADSs.

Deposit of Shares

Subject to the terms and conditions of the Deposit Agreement, shares or evidence of rights to receive shares may be deposited under the Deposit Agreement by delivery thereof to any custodian, accompanied by any appropriate instruments or instructions for transfer, or endorsement, in form satisfactory to the custodian. As conditions of accepting shares for deposit, the Depository may require also evidence satisfactory to the Depository that the deposit has been authorized by the Central Bank of Chile (unless and until the Company provides the Depository with evidence satisfactory to it that such authorization is no longer necessary), and that the conditions for such authorization, as set forth in to the foreign exchange contract entered by and between the Depository, the Bank and the Central Bank of Chile (the “**Foreign Exchange Contract**”), have been satisfied.

Upon receiving a notice of a deposit from a custodian, or upon the receipt of shares or evidence of the right to receive shares by the Depository, the Depository, subject to the terms and conditions of the Deposit Agreement, shall deliver, to or upon the order of the person or persons entitled thereto, the number of ADSs issuable in respect of that deposit, but only upon payment to the Depository of the fees and expenses of the Depository for the delivery of those ADSs and of all taxes and governmental charges and fees payable in connection with that deposit and the transfer of the deposited shares. The Depository shall deliver only whole numbers of ADSs.

Surrender of ADSs and Withdrawal of Deposited Securities

Upon surrender of ADSs for the purpose of withdrawal of the deposited securities and

payment of the fee of the Depository for the surrender of ADSs and payment of all taxes and governmental charges payable in connection with that surrender and withdrawal of the deposited securities, and subject to the terms and conditions of this Deposit Agreement, the ADS holder of those ADSs shall be entitled to delivery of the amount of deposited securities at the time represented by those ADSs, but not any money or other property as to which a record date for distribution to ADS holders has passed. That delivery shall be made without unreasonable delay. Simultaneously with the delivery of deposited securities to the ADS holder or its designee, the custodian, pursuant to the Foreign Exchange Contract, will issue or cause to be issued to the ADS holder or such designee a certificate which states that the deposited securities have been transferred to the ADS holder or its designee by the Depository and that the Depository waives in favor of the ADS holder or its designee the right of access to the formal foreign exchange market relating to such withdrawn deposited securities.

Dividends and Other Distributions on the Shares

The Depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. ADS holders will receive these distributions in proportion to the number of shares their ADSs represent.

Cash

Whenever the Depositary receives any cash dividend or other cash distribution on deposited securities, the Depositary will, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted on a reasonable basis into dollars transferable to the United States, and subject to the Deposit Agreement, convert that dividend or other cash distribution into U.S. dollars and distribute the amount thus received (net of the fees and expenses of the Depositary). The Depositary will not pay any ADS holder a fraction of one cent, but will round each ADS holder's entitlement to the nearest whole cent.

If the custodian or the Depositary is required to withhold and does withhold from that cash dividend or other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the ADS holders shall be reduced accordingly. Each ADS holder agrees to indemnify the Bank, the Depositary, the custodian and their respective directors, officers, employees, agents and affiliates for, and hold each of them harmless against, any claim by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced withholding at source or other tax benefit received by it.

Shares

Whenever the Depositary receives any distribution on deposited securities consisting of a dividend in, or free distribution of, shares, the Depositary may deliver to the ADS holders entitled thereto, in proportion to the number of ADSs representing those deposited securities held by them respectively, an aggregate number of ADSs representing the amount of shares received as that dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of shares and issuance of ADSs.

In lieu of delivering fractional ADSs, the Depositary may sell the amount of shares represented by the aggregate of those fractions (or ADSs representing those shares) and distribute the net proceeds, all in the manner and subject to the conditions described in the Deposit Agreement.

If the Bank declares a distribution in which holders of deposited securities have a right to elect whether to receive cash, shares or other securities or a combination of those things, or a right to elect to have a distribution sold on their behalf, the Depositary shall consult with the Bank to the extent practicable as to the action to be taken, if any, and may make that right of election available for exercise by ADS holders in any manner the Depositary reasonably considers to be lawful and practical.

Rights to purchase additional shares

If rights are granted to the Depositary in respect of deposited shares to purchase additional shares or other securities, the Bank and the Depositary shall endeavor to consult as to the actions, if any, the Depositary should take in connection with that grant of rights. The Depositary shall, to the extent reasonably deemed by it to be lawful and practical: (i) if requested by writing by the Bank, grant to all or certain ADS holders rights to instruct the Depositary to purchase the securities to which the rights relate and deliver those securities or ADSs representing those securities, (ii) if requested by writing by the Bank, deliver the rights to or to the order of certain ADS holders, or (iii) sell the rights to the extent practicable and distribute the net proceeds of that sale to the ADS holders entitled to those proceeds. To the extent rights are not exercised, delivered or disposed of under (i), (ii) or (iii) above, the Depositary shall permit the rights to lapse unexercised. If the Depositary acts under items (i) or (ii) above, the Bank and the Depositary will enter into a separate agreement setting forth the conditions and procedures of the offering. If the Depositary will act under item (iii), the Depositary will use reasonable efforts to sell the rights and pay the net proceeds to the ADS holders.

Payment or deduction of the fees of the Depositary shall be a condition of any delivery of securities or cash proceeds. The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make rights available to or exercise rights on behalf of ADS holders or to sell rights.

Other Distributions

Whenever the Depositary receives any distribution other than the ones listed above, the Depositary shall, as promptly as practicable, cause the securities or property received by it to be distributed to the ADS holders entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary and any taxes or other governmental charges, in proportion to the number of ADSs representing the deposited securities held by them respectively, in any manner that the Depositary deems equitable and practicable for accomplishing that distribution.

However, if in the opinion of the Depositary such distribution cannot be made proportionately among the ADS holders entitled thereto, or if for any other reason the Depositary deems such distribution not to be lawful and feasible, the Depositary may adopt such other method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and distribution of the net proceeds of any such sale (net of the fees and expenses of the Depositary) to the ADS holders entitled thereto.

Voting Rights

Upon receipt of notice of any meeting of holders of shares at which holders of shares will be entitled to vote, if requested in writing by the Bank, the Depositary shall, as soon as practicable thereafter, notify ADS holders of a shareholders' meeting and send or make voting materials available to them. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the Depositary how to vote. For instructions to be valid, they must reach the Depositary by a date set by the Depositary. The Depositary will try, as far as practical, subject to the laws of the State of New York and the provisions of the *estatutos* of the Bank, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If a notice has been sent, the ADS holders have been provided at least 30 days' prior notice and no instructions have been received by the Depositary, the Depositary shall deem ADS holders to have instructed the Depositary to give a discretionary proxy to a person designated by the Bank, except that no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which the Bank informs the Depositary (and the Bank agrees to provide such information as promptly as practicable in writing, if applicable) that (i) the Bank does not wish such proxy given, (ii) substantial opposition from holders of shares exists to the manner in which such deposited securities would be voted with respect to such matter or (iii) such matter materially and adversely affects the rights of holders of shares.

Except by instructing the Depositary as described above, ADS holders won't be able to exercise voting rights unless they surrender their ADSs and withdraw the shares. However, ADS holders may not know about the meeting enough in advance to withdraw the shares.

Record Dates

The Depositary may fix a record date for the determination of the ADS holders who will be entitled to receive any distribution on or in respect of the deposited securities, to give instructions for the exercise of any voting rights, to receive any notice or to act in respect of other matters and only such ADS holders at such record date will be so entitled or obligated.

Charges

The Depositary may charge each person to whom ADSs are issued and each person surrendering ADSs for withdrawal of deposited securities in any manner permitted by the Deposit Agreement or whose ADSs are cancelled or reduced for any other reason. The Depositary may also charge certain other additional fees to ADS holders. See "Item 12. Description of Securities Other than Equity Securities—D. American Depositary Shares" of the Form 20-F for more information.

Payment of Taxes

If any tax or other governmental charge shall become payable by the custodian or the Depositary with respect to or in connection with any ADSs or any deposited securities represented by any ADSs, that tax or any other governmental charge shall be payable by the ADS holder of those ADSs to the Depositary. The Depositary may refuse to register any transfer of those ADSs or any withdrawal of deposited securities represented by those ADSs until that payment is made, and may withhold any dividends or other distributions or the proceeds thereof, or may sell for the account of the ADS holder any part or all of the deposited securities represented by those ADSs and apply those dividends or other distributions or the net proceeds of any sale of that kind in payment of that tax or other governmental charge but, even after a sale of that kind, the ADS holder of those ADSs shall remain liable for any deficiency.

Compliance with Chilean Law

ADS holders are deemed to be owners of the deposited securities for certain purposes under the Chilean law. Accordingly, the ADS holders shall be obligated to comply with the requirements of Articles 12 and 54 and Title XV of Law 18,045 of Chile relating to reports to the FMC and the stock exchanges in Chile concerning the acquisition (i) of 10% or more of the total share capital of the Bank, (ii) of shares or ADSs by directors, liquidators or officers of the Bank or (iii) of a control stake in the Bank.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The Depositary shall not tender any deposited securities in response to any voluntary cash tender offer, exchange offer or similar offer made to holders of deposited securities, except when instructed in writing to do so by an ADS holder surrendering ADSs and subject to any conditions or procedures the Depositary may require.

If the Depositary receives a written notice that deposited securities have been redeemed for cash or otherwise purchased for cash, the Depositary shall (i) if required, surrender deposited securities that have been redeemed, (ii) notify ADS holders of the redemption, call for surrender of a corresponding number of ADSs and notify them that the called ADSs have been converted into a right only to receive the money received by the Depositary upon that redemption and (iii) distribute the money received upon that redemption to the ADS holders entitled to it upon surrender by them of called ADSs.

If the Depositary is notified of or there occurs any change in nominal value or any subdivision, combination or any other reclassification of the deposited securities or any recapitalization, reorganization, sale of assets substantially as an entirety, merger or consolidation affecting the issuer of the deposited securities or to which it is a party that is mandatory and binding on the Depositary, then the Depositary shall, if required, surrender the old deposited securities and hold the new securities or other property delivered to it. However, the Depositary may elect to sell those new deposited securities if in the opinion of the Depositary it is not lawful or not practical for it to hold those new deposited securities under this Deposit Agreement because those new deposited securities may not be distributed to ADS holders without registration under the Securities Act of 1933 or for any other reason, at public or private sale, at such places and on such terms as it deems proper and proceed as if those new deposited securities had been redeemed.

In case of a replacement where the newly deposited securities will continue to be held under the Deposit Agreement, the Depositary may call for the surrender of outstanding receipts to be exchanged for new receipts specifically describing the new Deposited Securities and the number of those newly deposited securities represented by each ADSs.

If there are no deposited securities with respect to ADSs, including if the deposited securities are cancelled or have become apparently worthless, the Depositary may call for surrender of those ADSs or may cancel those ADSs, upon notice to ADS holders.

Amendment

Any provisions of the Deposit Agreement may at any time be amended by agreement between the Bank and the Depositary without the consent of ADS holders in any respect that they may deem necessary or desirable. Any amendment that would impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that would otherwise prejudice any substantial existing right of ADS holders, shall, however, not become effective as to outstanding ADSs until the expiration of 30 days after notice of that amendment has been disseminated to the ADS holders of outstanding ADSs. Every ADS holder at the time any amendment so becomes effective, shall be deemed, by continuing to hold ADSs, to consent and agree to that amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the ADS holder to surrender ADSs and receive delivery of the deposited securities represented thereby, except in order to comply with mandatory provisions of applicable law.

Termination

The Bank may initiate termination of the Deposit Agreement by notice to the Depositary. The Depositary may initiate termination of the Deposit Agreement if (i) at any time 90 days shall have expired after the Depositary delivered to the Bank a written resignation notice and a successor depositary has not been appointed and accepted its appointment, (ii) the Bank appears to be insolvent or enters insolvency proceedings, (iii) all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities, or (iv) all of the deposited securities underlying the ADSs have been redeemed. If termination of the Deposit Agreement is initiated, the Depositary shall disseminate a notice of termination to the ADS holders of all ADSs then outstanding setting a date for termination (the “**Termination Date**”), which shall be at least 120 days after the date of that notice, and the Deposit Agreement shall terminate on that Termination Date.

At any time after the Termination Date, the Depositary may sell the deposited securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders of ADSs that remain outstanding, and those ADS holders will become general creditors of the Depositary with respect to those net proceeds.

After the Termination Date, the Depositary shall not accept deposits of shares

or deliver A and the Depositary (i) may refuse to accept surrenders of ADSs for the purpose of withdrawal of deposited securities (that have not been sold) if in its judgment the requested withdrawal would interfere with its efforts to sell the deposited securities, (ii) will not be required to deliver cash proceeds of the sale of deposited securities until all deposited securities have been sold and (iii) may discontinue the registration of transfers of ADSs and suspend the distribution of dividends and other distributions on deposited securities to the ADS holders and need not give any further notices or perform any further acts under this Deposit Agreement.

Limitations on Obligations and Liability

The Deposit Agreement expressly limits the Bank’s obligations and the obligations of the Depositary. It also limits the Bank’s liability and the liability of the Depositary. The Bank and the Depositary:

- are only obligated to take the actions specifically set forth in the Deposit Agreement without negligence or bad faith, and the Depositary will not be a fiduciary or have any fiduciary duty to ADS holders;
- are not liable if they are prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the Deposit Agreement;
- are not liable if they exercise discretion permitted under the Deposit Agreement;
- are not liable for the inability of any ADS holder to benefit from any distribution on deposited securities that is not made available to ADS holders under the terms of the Deposit Agreement, or for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the Deposit Agreement on ADS holders’ behalf or on behalf of any other person;
- may rely upon any documents they believe in good faith to be genuine and to have been signed or presented by the proper person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- the Depositary has no duty to make any determination or provide any information as to the Bank’s tax status, or any liability for any tax consequences that may be incurred by ADS holders as a result of owning or holding ADSs.

In the Deposit Agreement, the Bank and the Depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the Depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the Depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the Deposit Agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Right to Receive the Shares Underlying your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because the Bank or the Depositary has closed its transfer books;
- when an ADS holder owes money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the Deposit Agreement.

Disclosure of Interests

When required in order to comply with applicable laws and regulations or the articles of incorporation or similar document of the Bank, the Bank may from time to time request each ADS holder to provide to the Depositary information relating to: (i) the capacity in which it holds ADSs, (ii) the identity of any ADS holder or other persons or entities then or previously interested in those ADSs and the nature of those interests and (iii) any other matter where disclosure of such matter is required for that compliance.

Subsidiaries

The following table sets forth our significant subsidiaries as of December 31, 2022, including the ownership interest and, if different, percentage of voting power held by us. All of our significant subsidiaries are incorporated in Chile.

Name of the Subsidiary	Main Activity	Percent ownership share As of December 31, 2022		
		Direct %	Indirect %	Total %
Santander Corredora de Seguros Limitada	Insurance brokerage	99.75	0.01	99.76
Santander Corredores de Bolsa Limitada	Financial instruments brokerage	50.59	0.41	51.00
Santander Asesorías Financieras Limitada	Financial advisory	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	Purchase of credits and issuance of debt instruments	99.64	-	99.64
Klare Corredora de Seguros S.A.	Insurance brokerage	50.10	-	50.10
Santander Consumer Chile S.A.	Financing	51.00	-	51.00
Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A.	Card operator	99.99	0.01	100.00

CHIEF EXECUTIVE OFFICER SECTION 302 CERTIFICATION

I, Román Blanco, certify that:

1. I have reviewed this annual report on Form 20-F of Banco Santander-Chile;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 22, 2023

/s/ Román Blanco

Name: Román Blanco

Title: Chief Executive Officer

CHIEF FINANCIAL OFFICER SECTION 302 CERTIFICATION

I, Emiliano Muratore, certify that:

1. I have reviewed this annual report on Form 20-F of Banco Santander-Chile;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 22, 2023

/s/ Emiliano Muratore

Name: Emiliano Muratore

Title: Chief Financial Officer

FINANCIAL AND COSTS CONTROLLER SECTION 302 CERTIFICATION

I, Guillermo Sabater, certify that:

1. I have reviewed this annual report on Form 20-F of Banco Santander-Chile;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: February 22, 2023

/s/ Guillermo Sabater

Name: Guillermo Sabater

Title: Financial and Costs Controller

Section 906 Certification

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F for the year ended December 31, 2022 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Román Blanco, the Chief Executive Officer, Emiliano Muratore, the Chief Financial Officer, and Guillermo Sabater, the Financial and Costs Controller, of Banco Santander-Chile, each certifies that, to the best of his knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Banco Santander-Chile.

Date: February 22, 2023

/s/ Román Blanco

Name: Román Blanco

Title: Chief Executive Officer

/s/ Emiliano Muratore

Name: Emiliano Muratore

Title: Chief Financial Officer

/s/ Guillermo Sabater

Name: Guillermo Sabater

Title: Financial and Costs Controller