Annual Report 2017

FINANCIAL / SUSTAINABILITY

#contribute to the progress of people and businesses

Annual Report 2017

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Santander®

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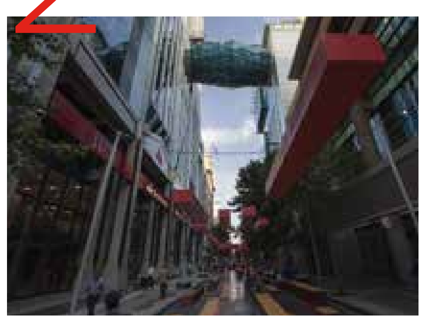

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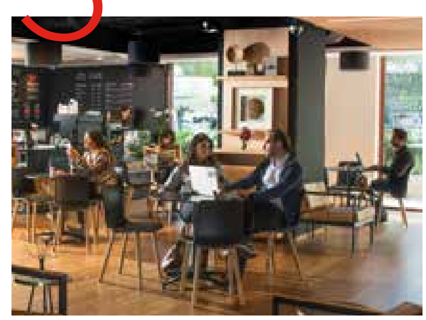

This annual report is also available online at www.santander.cl

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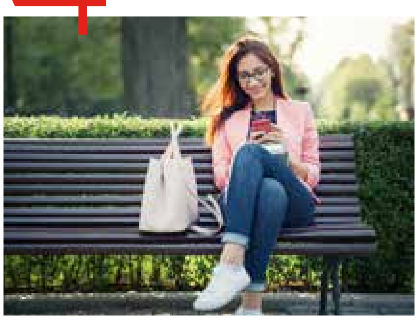

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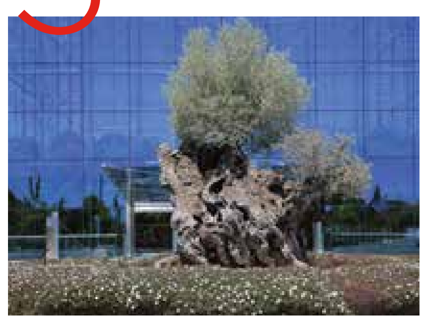

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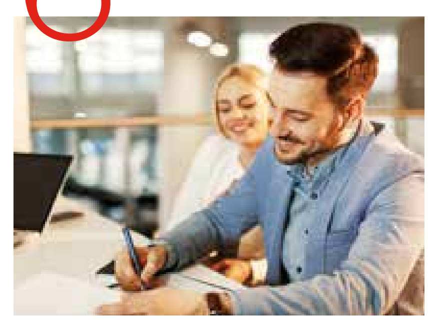


Santander Chile Today

11%
core capital ratio

19.2%
ROE

11,068
employees

58,198
US$ million in assets

926
ATMs

3.5
million clients

Banco Santander has maintained a leading position adjusting its strategy to a changing and demanding environment.
The commercial transformation started by the institution has allowed it to achieve positive results and outstanding advances on the client side. Each one of the initiatives and efforts undertaken are coherent with the Bank's mission to contribute to the progress of people and businesses.

Environmental sustainability

	2015	2016	2017
Paper consumption (tons.)	2,191	2,124	1,662
Energy consumption (KwH)	33,404,726	30,865,037	29,604,845
Water consumption (m3)	210,439	154,068	107,074
Total CO2 emissions	18.477	19.044	18.557
Land travel (mills. kms.)	3.3	2.5	2.5
Air travel (mills. kms.)	9,2	13,2	14,9
Electronic waste recycling (tons.)	22,4	47,8	132

Social sustainability

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

Balance sheet and results (MM$)	2017	2016	Change 17/16
Balance sheet			
Commercial loans	13,908,642	13,867,465	0.3%
Residential mortgage loans	9,096,895	8,619,356	5.5%
Consumer loans	4,557,692	4,446,803	2.5%
Loans and accounts receivable from customers	27,563,229	26,933,624	2.3%
Provisions	(815,687)	(820,139)	(0.5%)
Total loans, net[1]	26,747,542	26,113,485	2.4%
Financial investments[2]	3,785,893	3,785,893	0.0%
Total assets	35,804,279	37,006,645	(3.2%)
Total deposits	19,682,111	20,691,024	(4.9%)
Issued debt instruments	7,093,653	7,326,372	(3.2%)
Equity	3,108,063	2,898,047	7.2%
Results			
Net interest income	1,326,691	1,281,366	3.5%
Net fee and commission income	279,063	254,424	9.7%
Total financial transactions, net	129,752	140,358	(7.6%)
Net operating profit before provisions for loan losses	1,822,669	1,694,447	7.6%
Provisions for loan losses	(299,205)	(343,286)	(12.8%)
Total operating expenses	(806,551)	(772,337)	4.4%
Operating income	716,913	578,824	23.9%
Net income	577,263	474,716	21.6%
Net income attributable to equity holders	564,815	472,351	19.6%

Profitability and efficiency			
Net interest margin	4.42%	4.45%	-3 pb
Return on average equity	19.2%	17.0%	+ 228 pb
Return on average assets	1.58%	1.33%	+ 25 pb
Efficiency (cost / income)	41.0%	42.7%	- 173 pb
Recurrence (commissions / costs)	39.6%	37.0%	+ 255 pb
Portfolio quality			
Cost of credit (provision expense / total loans)	1.08%	1.26%	- 18 pb
Non-performing loans / total loans	2.28%	2.07%	+ 21 pb
Provisions / total loans (expected loss)	2.94%	3.02%	- 7 pb
Provisions / non-performing loans (coverage)	128.8%	145.4%	- 1,663 pb
Capitalization and balance sheet structure			
Regulatory capital	13.9%	13.4%	+ 48 pb
Core capital / risk weighted assets	11.0%	10.5%	+ 45 pb
Core capital / total assets	7.9%	7.2%	+ 70 pb
Loans / deposits[3]	100.7%	92.1%	+ 857 pb
Loans / total assets	74.7%	70.6%	+ 414 pb

Structure			
Branches	385	434	(11.3%)
Automatic teller machines (ATMs)	926	1.295	(28.5%)
Employees	11,068	11,354	(2.5%)
Customers[4]	3,512,502	3,516,113	(0.1%)

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

Awards 2017

Banco Santander was awarded for a management of excellency in several areas by different organizations and specialized media in Chile and abroad.

1

BEST BANK IN THE WORLD, ACCORDING TO THE BANKER

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


2

2

NUMBER 1 IN CHILE, BY EUROMONEY

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

3

BEST BANK IN CHILE BY LATINFINANCE

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

1

3

4

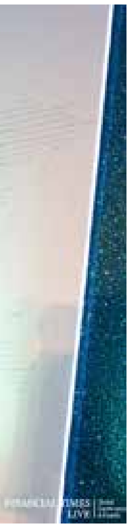
EXCELLENNCY IN DIVERSITY MANAGEMENT

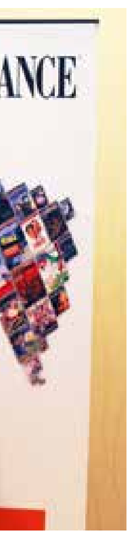
Universidad de La Frontera together with El Mercurio newspaper presented Santander Chile with the Excelencia Sin Frontera award, in attention to diversity management. This for the launching of programs oriented towards talented youth and international mobility initiatives for our employees.

5

BANCO SANTANDER IN THE DOW JONES SUSTAINABILITY INDEX 2017

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





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

6

SANTANDER CHILE IN THE DOW JONES SUSTAINABILITY INDEX MILA 2017

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

7

TRANSPARENCY RECOGNITION

For the fifth consecutive year, Banco Santander was chosen among the most transparent companies in Chile. The ranking prepared by KPMG, Chile Transparente, Universidad del Desarrollo and Inteligencia de Negocios placed the Bank in third place among 43 institutions that reached the global corporate transparency standard.

8

8

GREAT PLACE TO WORK

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

9

TOP TEN IN BUSINESS SUSTAINABILITY

Banco Santander was the only bank to qualify in the Business Sustainability Ranking PROhumana 2017, which recognizes institutions that stand out for their commitment and economic, social and environmental behavior. Santander obtained ninth place being distinguished with the Bronze Seal.

6

10

KORN FERRY EMPLOYEE ENGAGEMENT AWARDS 2017

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

11

CARLOS VIAL ESPANTOSO AWARD

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

12

SANTANDER ANNUAL REPORT DISTINGUISHED

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

13

BEST INVESTOR RELATIONS

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

14

AN INNOVATIVE BANK

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

15

LEADER IN DIGITAL BANKING

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

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

16

BEST OF THE BEST

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

17

SANTANDER PRIVATE BANKING AWARDED

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

18

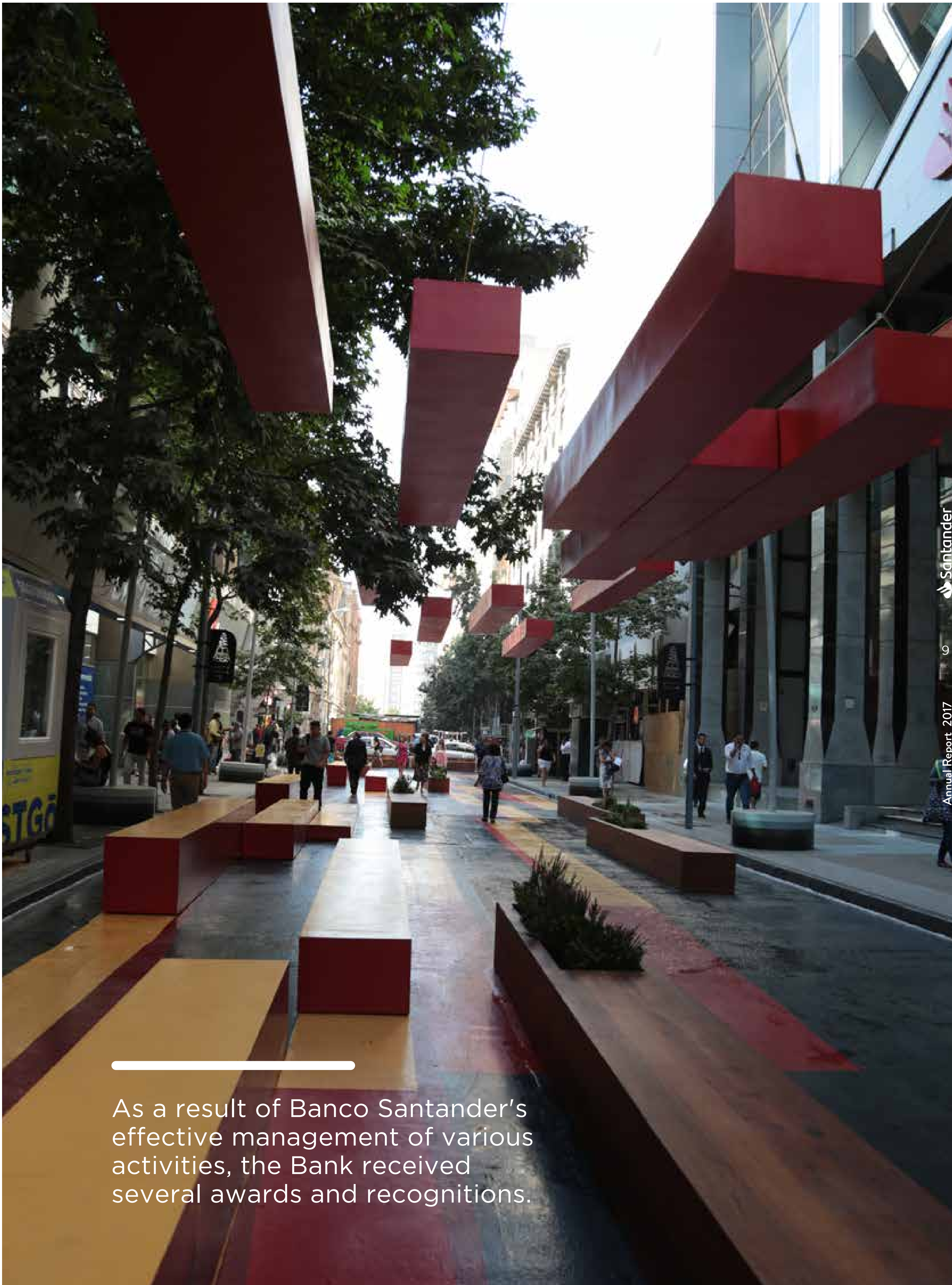
AMONG THE MOST SECURE BANKS IN THE WORLD

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

19

BEST BANK IN CHILE FOR TRADE FINANCE

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



As a result of Banco Santander's effective management of various activities, the Bank received several awards and recognitions.

Letter from the Chairman of the Board

Vittorio Corbo Lioi

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

Dear shareholders,

I have the honor to present you with the Annual Report and Financial Statements of Banco Santander Chile for 2017. Net income attributable to shareholders reached $564,815 million, which translated into a profit of $3.0 per share and US$1.95 per ADR. At the end of the year, Santander was the largest bank in the country in terms of total assets, with its stock trading in the Santiago Stock Exchange and the New York Stock Exchange. As of December 2017, the Bank had a market cap of US$14,732 million, total assets of US$58,198 million, equity of US$5,052 million, and core capital (Tier I) at 11%. The Bank's solid structural liquidity in excess of US$2,300 million along with the other indicators makes Santander stand out within the Chilean banking system and abroad.

During 2017, the Chilean economy expanded 1.5%, expanding its capacity gap and reaching a growth well below its potential for the fourth consecutive year, which averaged 1.7% between 2014 and 2017. Nevertheless, activity picked up throughout the year, fostered by a better external scenario – with the world economy growing 3.7% thanks to the expansion in the developed world and China's dynamism – which raised copper prices and helped mining activity to increase. This scenario

coupled with sustained favorable financing conditions locally and internationally, helped activity go from a decline of 0.4% in the first quarter to a positive growth of 3.3% in the fourth quarter, reversing the trend seen last year.

The increased expansion was a consequence of the resilience in household consumption, which tended to accelerate in the last months of the year due to the increase in purchases of durable goods, boosting private consumption 2.4%. However, fixed capital formation continued contracting for the fourth consecutive year, declining 1.1%. Despite a better global environment due to the recovery of world trade and better exchange terms for Chile, the external sector did not have a strong dynamism, stumped by one-off events such as the strike in the La Escondida mine. Thus, exports fell 0.9%, while imports increased 4.7%.

Throughout the year, the peso appreciated 7% against the United States dollar, from $/US$ 670 at the beginning of the year to $/US$ 615 at the end of the period. This translated into an appreciation of the real exchange rate and put downward pressure on the inflation rate, which reached the bottom of the Central Bank of Chile's (BCCh) tolerance range. Thus, the BCCh reduced the monetary policy rate from 3.5% in January to 2.5% in May in order to increase the stimulus in the economy.

The labor market showed signs of dynamism during the year, with employment growing 2.0% despite the unemployment rate reaching 6.7%, slightly above the unemployment rate reached in 2016 of 6.5%. The important growth in the workforce was driven by job creation in the public sector and self-employment, with the former being the driving force for wage-earning jobs growth.

Regarding growth expectations for 2018, the external scenario shows a positive outlook. Growth projections for developed countries continue to be revised upwards and 2018 foresees an expansion larger than the previous year. Of the largest countries in Latin America, Brazil and Argentina were able to emerge from recession and should show positive advances for 2017. In Chile, the presidential elections held at the end of last year generated a positive change in expectations for the next few years. This scenario coupled with a promising external scenario, favorable exchange terms, restrained inflation and a sustained monetary stimulus until the end of the year, should lead to a return of greater growth of activity. However, the new government will have to face important challenges. Firstly, the government will have to undertake important efforts to reduce the fiscal deficit –limiting public consumption growth- while creating the necessary conditions to resume investment growth and recover the sovereign rating to its previous level. All in all, internal demand should grow close to 4.0% (compared to 3.1% in 2017) while GDP should reach around 3.5% supported by solid macro fundamentals.

With respect to the regulatory changes that will have an impact in the industry, in June 2017 a bill was sent to Congress that will make changes to the current General Banking Law (GBL), the first substantial reform of this law since 1997. The main goal of this initiative is to adjust the capital requirements of the national banks to the Basel III standards (Chile is currently under Basel I). In addition, the reform seeks to modify the institutional supervision as well as the administration of critical situations. Once the reform has been passed, there will be an implementation period of six years for the banks to comply.

In February 2017, Congress also approved a bill to create the Financial Market Commission (FMC). In August of the same year, the five commissioners were appointed, and the implementation period started mid-December and ended with the integration of the Superintendence of Securities and Insurance (SVS) into the FMC on January 15, 2018, with the latter assuming all the functions of the former. The FMC represents an important step towards a consolidated supervision of financial risks, constituting itself as a collegial body with an institutional design that protects its autonomy and independence. Its regulatory attributions include: a systemic overview of the financial market; proposal of solutions to prevent financial stability risks; the pursuit of regulatory efficiency; coordination and collaboration of the financial system; and interaction with other organizations with regulatory attributions (e.g. the Central Bank of Chile).

Once the bill to update the General Banking Law is approved, the FMC will absorb the Superintendence of Banks (SBIF), which will simplify the global supervision and regulation of the financial industry. This is in line with the global trend of having a consolidated financial supervisor, as financial markets deepen and entities become more complex and interconnected. The collegiate structure of the FMC –with a Chairman and four commissioners to oversee all processes– together with a more extensive management of critical situations –due to tools that enable the supervisor to act in a more timely manner– will translate into more objective and flexible normative decisions. The proposed reform is necessary for Chile to have regulation that meets international standards, and fundamental to maintain a robust banking system that stimulates growth.

After three years of deliberation, in October 2017 the reform of the Consumer Protection Agency (SERNAC) was passed. The bill reduces the response time and existing barriers to complains, increases fines, empowers consumer associations, and reinforces the competence of local police courts, enabling situations of diffuse or collective interests or those derived from standard contracts to appeal to higher courts. The latter should translate into more consistent rulings, since the civil justice system is more technically competent. Santander is adapting to the new regulation detecting client's most common complaints and developing mechanisms that offer timely solutions to avoid potential law suits.

Finally, in March 2017 the government submitted to Congress for approval a new personal data protection bill. The proposal seeks to balance the respect for and the protection of privacy with the free flow of information, guaranteeing that the regulation does not hinder the legitimate usage of data by people, organizations and companies. One of the main innovations is the automatized treatment of large volumes of data (Big Data), protecting the owner's control over their own information while recognizing the legitimacy of the access and usage of third party information, particularly from companies. Companies that process and manage personal data will have to comply with the new communication, custody, security and elimination obligations, along with a strict audit. These companies will also have to certify their prevention models with the Data Protection Agency every three years. If the bill is passed, the usage of Big Data for commercial purposes might be limited, even preventing the development of personal services. All in all, the integration of the debtor information in the financial system remains pending. The obtainability of consolidated debtor information would enhance risk measurements and contribute to improve the access to, and reduce the cost of, credit.

During 2017, the Board implemented several initiatives to strengthen the Bank's Corporate Governance, taking into account the best national and international practices. For one, bylaws for the Board were created to strengthen and streamline its functioning. A new board member induction program was also incorporated in order to streamline this process. Furthermore, the Board's support committees underwent substantial changes, chiefly increasing the number of independent members in the majority of the committees. The Human Resources Committee doubled its frequency of annual meetings from two to four, and it was resolved that appointing and compensation functions should not be made under the same committee, which should imply additional changes in the future. Finally, in 2017 Amrop MV Consulting advised the Board on a self-assessment process –an international corporate governance practice and included within the Chilean banking norms– which has been done during the last six years with positive results.

In other matters, Law number 20,945 –published August 2016 and that modified the Law Decree 211 that regulates free competition in Chile– came into force during the first half of 2017. One of the most important changes is the regulation of anti-competitive behaviour of interlocking of board members and senior officers, this is the simultaneous participation of one person in a senior executive position or as a Board member in two or more companies that compete against each other. As a sign of transparency, Banco Santander resolved that no Board member or senior executive may participate in another company, with the exception of Santander Group companies. It is important to note that Board members adhere to the General Code of Conduct and the Code of Conduct in Securities Markets, including the procedures to avoid potential conflicts of interest.

With respect to the Bank's stakeholders, during 2017 the Investor Relations Department along with the Shareholder's

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

Department deployed an active agenda to duly inform shareholders, analysts, retail and institutional investors about the developments of the Bank and the country. This task included over 800 communications over ten countries including meetings, webcasts, and conference calls, among others. All of these efforts were recognized by the market. In a survey conducted by El Mercurio Inversiones among 32 research managers, portfolio managers, local equity analysts and family office managers, Banco Santander was established to have the best Investor Relations Department within local companies above US$1,500 million in market capitalization. According to Informe Reporte, Santander's Annual Report 2016 was also awarded second place in the ranking prepared by DEVA, which highlights leading companies within the IPSA. For the third consecutive year, Banco Santander was included among the 27 companies that make up the Dow Jones Sustainability Index (DJSI) of the Santiago Stock Exchange. Thanks to the high total sustainability score (TSS) from RobecoSAM, the Bank was one of the 42 companies, among 150 invited to participate, selected to integrate the DJSI MILA (Integrated Latin American Markets), the first index of the Pacific Alliance. In addition, for the fifth consecutive year, Santander was recognized among the most transparent companies in Chile according to the ranking prepared by KPMG, Chile Transparente, Universidad del Desarrollo and Inteligencia de Negocios. Also, Banco Santander was the only bank that qualified in the Business Sustainability Ranking PROhumana 2017, being awarded ninth place and distinguished with the Bronze Seal. Finally, Global Finance Magazine once more included Santander Chile among the most secure banks in the world. It is important to note that Santander is the only Chilean bank among the top 50 most secure banks in the planet and the first among privately owned banks in Latin America. Undoubtedly, these recognitions give us pride and motivate us to continue deploying our best efforts to keep up with the challenges.

Banco Santander Chile holds a leading position in the industry, thanks to its management of excellency and adherence to the highest corporate governance standards. We have a clear vision reflected in a demanding Strategic Plan that responds to current demands and allows us to adequately face the continuing changes in the environment and new challenges ahead. It is fundamental to count with the performance of a first class team led by the Bank's senior management, a professional Board made up of a majority of external members with a recognized track record, and the support of Santander Group thanks to its 160 years of experience in the business.

Cordially,

Vittorio Corbo Lioi
CHAIRMAN OF THE BOARD

Letter from the CEO and Country Head

Claudio Melandri Hinojosa

It is with great pride and satisfaction that I present you with the developments of the strategy and main results of Banco Santander Chile for 2017, a year in which we consolidated our objectives and enjoyed the fruits of efforts made in previous years.

Guided by our purpose to help people and businesses prosper, with clients at the center, last year the financial results showed significant growth with attributable income to shareholders reaching a historic high for the Bank despite the challenging environment for the growth of loans and deposits and without compromising the quality of client service.

Also we continued to lead innovation in customer service with the launch of a new model aimed at the mass segment that changes the relationship paradigm. 2017 was also a year of recognitions for our Bank, both for its financial results and solvency as well as for its commitment to sustainability and good labor relations.

Therefore I daresay that in 2017 Banco Santander Chile continued contributing sustainably to the country and consolidating its financial results in an economic environment which continued to decelerate with lower inflation and greater uncertainty. As always these objectives have been achieved by maintaining

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an adequate risk and return dynamic (reflected in the solid capital base and high return on equity) and with results that put Santander in a top position within the banking industry and among the most profitable and efficient internationally.

Before reviewing the significant financial achievements, I would like to highlight some key milestones in the consolidation of the four objectives of our strategic plan: to substantially improve client experience; to develop new ways of relating with clients through the continuous transformation of Retail banking; to deepen the relationship model in Middle-market and Corporate banking; and to drive and manage the cultural change, incorporating the new Simple, Personal and Fair (SPF) style.

Regarding the first objective to substantially improve client experience, the coordinated work between different areas and teams achieved milestones of great relevance in the year while facing a challenging financial scenario. In 2017 Santander Chile consolidated its relative position in customer satisfaction compared to its main competitors. Complaints to SERNAC (the Chilean customer protection agency) reduced by 17.7%, falling from 11.5 to 9.5 complaints per 10,000 debtors according to the latest available figures, and significantly increasing customer satisfaction of claims and complaints. For service channels, the branch network and VOX maintained their levels of satisfaction of around 95% and the Web channel surpassed 98%. One of the most important initiatives was the Conecta program, which brings employees from Central Services closer to the requirements and expectations of our clients. The principal managers participate in the program by phoning clients to learn about their opinion regarding the services offered. This experience is part of the recurring activities of the managers.

In relation to the second objective of the Strategic Plan involving the continuous transformation of Retail banking, during 2017 the Bank continued to move from a portfolio model –in which the account executive is responsible for a portfolio of clients- to an integrated model where each client has the Bank at their disposition, regardless of where they are. On these lines, one of the most important developments has been the strengthening of the Work Café branch model, ending the year with 20 of these branches across the country and becoming an icon for the Bank as well as a recognized competitive advantage. Also, VOX adopted a 24/7 attention model available for all customer segments, transforming into a facilitator for digital access and a powerful support for the other service channels. Moreover, 84% of incoming calls were closed with a positive resolution for customers, while over 60% of complaints were solved immediately.

Without a doubt one of the most important events during the year was the launch of Life, an unprecedented value proposition that offers a new relationship and accompaniment paradigm for the mass segment. The model incorporates the customer's fundamental motivations such as: the desire to progress; the need to be recognized and that their efforts are worthwhile; time saving; and the availability of products and services that work correctly. The new model is completely digital and rewards good financial behavior through exclusive recognitions such as discounts at supermarkets, interest-free installments, payment flexibility or discounts on installments. At December 31, only a few days after the launch, the model had registered 482 new clients with the Life Plan and 300 clients with a Life credit card.

Throughout the year, Santander Chile continued to expand and improve its digital banking capabilities over four basic conditions: mobile first, developments and innovations are oriented towards mobility, hence all designs are originally developed for the mobile platform; omnichannel, all attention channels are integrated and offer customers a uniform experience; contextual, personalized and relevant offers in the customer's context, wherever and whenever they require; and completely transactional and digital so customers can conduct any type of transaction and operation, not only financial, without human intervention. A relevant milestone was the launch of Digital On Boarding, the first 100% digital platform for non-clients to become customers of Banco Santander completely online (non presential), either from a desktop computer or a mobile

The coordinated work between different areas and teams achieved milestones of great relevance in the year while facing a challenging financial scenario.

device, being able to contract plans or single products such as a credit card. Also the Multipago and Multioferta tools were implemented. Multipago allows the simultaneous payment of several bills in one single transaction, either on the Web or App, while Multioferta is an initiative that considering a previous online risk assessment, allows clients to manage their credit availability, assigning it among different products such as a credit card, an overdraft line or a consumer loan. Also the Bank implemented a tool to block and unblock credit and debit cards both on the Web and App, in addition to the new capability of issuing credit and debit cards in 10 minutes directly at a branch. These cards are activated immediately.

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

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

Finally, new account plans were launched, in particular the Limited Santander LATAM Pass Plan for individuals and four new plans for SMEs with different characteristics to meet the needs of each client. These new plans seek to strengthen the Bank's role as a strategic partner for SMEs and contributed to a 58% increase in the number of plans sold.

Regarding the third objective of the Strategic Plan, that aims to deepen the relationship model in Middle-market and Corporate banking, the Bank implemented diverse initiatives during the year that allowed for the continuation of development and consolidation of the integrated client service model, leveraged on the Company Centers located across the country. The Bank allied with the Mide UC Centre to detect gaps in the knowledge of account executives and therefore improve training plans. In addition, a Digital Office was launched. This is a tablet for account executives loaded with NEO Connect BEI, a mobile version of NEOCRM, improving the mobility and efficiency of the commercial teams and encouraging visits and proximity to clients. Also, the value offer on international trade was improved leveraging on the new Mercury platform and the international coverage of Santander Group. This led to a 6% increase in the number of customers using these products. Finally, Office Banking, the online platform for companies, continued to be enhanced, obtaining a four point increase in customer satisfaction with the platform. The following attributes were highlighted: Security, Stability and Variety of operations that can be conducted.

Regarding the fourth and last point of the Strategic Plan, to advance in the consolidation of an internal culture centered on clients, the cultural change process was started in 2015 and focused on the internalization of concepts relative to the Simple, Personal and Fair (SPF) style and its eight behaviors. In particular the Inconsistencies initiative was implemented. This is a program in which 70% of the Bank's teams participated with the objective of identifying everything that prevents us from being more SPF. Also a global platform called StarmeUp was launched allowing employees to recognize those that stand out in the fulfillment of the eight SPF behaviors.

An important milestone was the beginning of a branch renovation program to make them more accessible to all customers with any type of disability. This requires a total investment of $10,000 million of which 10% has already been expended in 2017. During this period over 91% of employees participated in training programs that added up to 194 thousand lecture hours and a $2,440 million investment. It should also be noted that, as part of its corporate values and basic behavior principles, Santander Chile adheres to fundamental rights, equal opportunities and non-discrimination. Lastly, the Commitment and Organizational Support survey's results maintained high levels reflecting the satisfaction of employees. The commitment dimension reached 86% in 2017 (87% in 2016), while the organizational support dimension increased to 80% (79% in 2016).

As in the previous year, our annual report complies with the Global Reporting Initiative (GRI) guidelines to adequately account for the Bank's performance on the economic, social and environmental areas. It also constitutes our Communication on Progress from the Global Compact, initiative to which we adhere since 2003.

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

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

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

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

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

As mentioned before, during 2016 the Bank built a comfortable liquidity position, in part due to debt issuances in the local and international markets for close to US$3,800 million. This, together with a moderate loan growth in the year, allowed the Bank to optimize the funding base taking advantage of specific opportunities during the period. One such opportunity was a US$500 million three-year issue in the US market, anticipating the FED's interest rate hike and securing the lowest coupon rate ever for a Chilean issuer in the US market for such tenor. These transactions reaffirm the Bank's capability to access markets in advantageous conditions, maintaining an adequate diversification of the funding base. They also reflect the positive perception of international and local investors about Santander Chile.

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

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

Fee income climbed 9.7% in 2017, above the 7.1% of 2016. The good performance was as a result of sustained work on the relationship with business clients, the constant focus on non-credit activities in the corporate segment leveraging on the Bank's strong execution capabilities, and a larger use of the products offered to retail clients, in line with higher loyalty and transaction levels. Highlights are the increase in credit card transactions (+6.2%) and in the total amount (+8.8%). In effect, loyal customers –those that hold and use the Bank's products- grew 9.5% in the high income segment, We have executed a Strategic Plan that responds to the challenges of the environment and the industry, advancing in helping people and businesses prosper.

4% in SMEs and 3% in the middle-market segment.

Loan loss provision expenses were down by 12.8% year-on year thanks to lower provisions and charge-offs, and higher recoveries of loans previously charged off. The latter evidences the positive impact of the focus on growth in less risky segments, together with the previously implemented changes in admission and recovery policies. Thus, the cost of credit (loan loss provisions over total loans) continues on a positive trend falling from 1.64% in 2015 to 1.26% in 2016 and 1.08% in 2017. Regarding portfolio quality, the period saw a positive evolution although a slight deterioration was evidenced towards the end of the year. Non-performing loans reached 2.28%, while coverage was 240.2%, explained by a weaker labor market especially during the first half of the year. We believe that the latter should be temporary, and reverse as the economic recovery seen by the end of the year picks up. It should be noted that, at year end, loan loss allowances cover 2.7 times the effective loan loss, understood as net charge-offs less recoveries.

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

I would like to thank the Board and shareholders for their trust in this Administration. We have executed a Strategic Plan that responds to the challenges of the environment and the industry, advancing in helping people and businesses prosper. The work over the previous years already generates tangible results, however there is much yet to do. We have strong competitive advantages –a leading position in the market, innovation capability, flexibility to anticipate and adapt to changes in the environment and the support from Santander Group that celebrated its 160th anniversary- that together with an experienced team and a sound strategy, allow us to reach our goals, reaffirming the commitment to create value for our shareholders, customers, employees and the society.

Cordially,

Claudio Melandri Hinojosa
CEO AND COUNTRY HEAD

Board of Directors

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

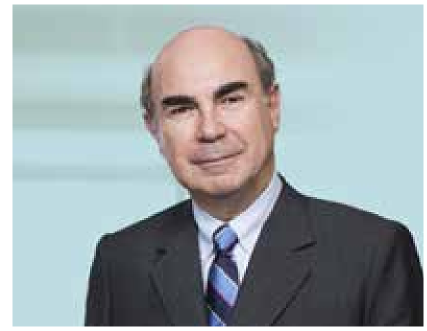
11
Members

6
External directors

88%
Committee attendance


VITTORIO CORBO LIOI
Chairman


ÓSCAR VON CHRISMAR CARVAJAL
First Vice president


ROBERTO MÉNDEZ TORRES
Second Vice president


ANA DORREGO DE CARLOS
Director


ANDREU PLAZA LÓPEZ
Director


ORLANDO POBLETE ITURRATE
Director


LUCÍA SANTA CRUZ SUTIL
Director


JUAN PEDRO SANTA MARÍA PÉREZ
Director


ROBERTO ZAHLER MAYANZ
Director


BLANCA BUSTAMANTE BRAVO
Alternate Director


RAIMUNDO MONGE ZEGERS
Alternate Director

VITTORIO CORBO LIOI
Chairman

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

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

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

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

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

He is also economic advisor for relevant national and international companies.

He has published and edited 11 books and over 100 different articles in books and international magazines specialized in economics.

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

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

ÓSCAR VON CHRISMAR CARVAJAL
First vice president

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

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

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

ROBERTO MÉNDEZ TORRES
Second vice president

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

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

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

ANA DORREGO DE CARLOS
Director

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

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

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

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

ANDREU PLAZA LÓPEZ
Director

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

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

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

ORLANDO POBLETE ITURRATE
Director

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

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

LUCÍA SANTA CRUZ SUTIL
Director

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

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

JUAN PEDRO SANTA MARÍA PÉREZ
Director

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

He has been president of the Legal Committee of the Asociación de Bancos e Instituciones Financieras for over 20 years and President Pro Tempore of the Financial Law Committee at Federación Lationamericana de Bancos (FELABAN).

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

ROBERTO ZAHLER MAYANZ
Director

He is president of the advisory firm Zahler & Co. and advisor for the World Bank, Banco Interamericano de Desarrollo (BID), Bank for International Settlements at Basel (BIS) and the International Monetary Fund (IMF).
He was a member of the Grupo Asesor de Alto Nivel del Presidente del BID, of the Comité Latinoamericano de Asuntos Financieros (CLAAF) and the Non-G7 Eminent Persons Group for the new International Financial System Architecture. He was visiting professor at the IMF Research Department. Also served as director at Air Liquide Chile and Banco Santiago, and chairman of the Board at Siemens Chile.
Between 1991 and 1996 he served as president of the Central Bank of Chile and between 1989 and 1991 was vice president. Previous to that, he was main regional advisor in monetary and financial policy at Comisión Económica para América Latina y el Caribe (CEPAL) of the United Nations and researcher and professor at the Economic Sciences Faculty at Universidad de Chile.
He was visiting technical assistance to central banks, finance ministers and financial regulation superintendencies at Argentina, Barbados, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Indonesia, Jamaica, Kosovo, Mexico, Dominican Republic, Uruguay and Paraguay; to the International Fund for Agricultural Development (IFAD) and the African Economic Commission (AEC), both from the United Nations. He is author of over one hundred articles and books in Chilean and international magazines. He holds a Masters degree from the University of Chicago and a Business Administration degree with specialization in economics from the Universidad de Chile, where he has been professor of Macroeconomics, International Economy and Monetary Theory and Policy.

BLANCA BUSTAMANTE BRAVO
Alternate director

She holds a Business Administration degree with specialization in economics from the Pontificia Universidad Católica de Chile. She has served as economic analyst at the Central Bank in Chile, and research analyst at Oppenheimer & Co. New York and IM Trust.
She became Head of Investor Relations at Viña Concha y Toro when she joined the company in 1998, position she held until 2010. In 2001 she started serving as Corporate Communications assistant manager. Currently she serves as director of Corporate Affairs with responsibility over the corporate communications and investor relations areas. Since 2013 she is part of the Consejo Directivo del Centro de Investigación e Innovación at Concha y Toro.

RAIMUNDO MONGE ZEGERS
Alternate director

He is general director at ESE Business School at Universidad de los Andes. Until May 2017 he served as corporate director of Strategic and Financial Planning at Banco Santander Chile and CEO of Santander Chile Holding, entity that holds Santander Group's investments in Chile.
Previously he had other responsibilities at Santander Group Chile, which he joined in 1991 after serving at the Central Bank of Chile. Among them he was finance director and research and planning manager.
He is general a Business degree from Pontificia Universidad Católica de Chile and an MBA from the University of California, Los Angeles (UCLA).

Administration

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

4. CLAUDIO MELANDRI HINOJOSA
Chief Executive Officer and Country Head

11. MIGUEL MATA HUERTA
Deputy General Manager

1. GUILLERMO SABATER MAROTO
Financial Controller

2. FRED MELLER SUNKEL
Director of Santander Global Corporate Banking

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

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

6. MATÍAS SÁNCHEZ GARCÍA
Director of Retail Banking

7. CRISTIÁN FLORENCE KAUER
General Counsel

8. FRANCO RIZZA
Director of Risk Division

9. RICARDO BARTEL JEFFERY
Director of Technology and Operations Division

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

12. EMILIANO MURATORE
Chief Financial Officer

13. SERGIO ÁVILA SALAS
Director of Administration and Costs

14. RICARDO MARTÍNEZ SÁNCHEZ
Director of Internal Audit

Corporate governance

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

PARAMETERS AND STANDARDS

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

1

Close supervision by the Board and senior management.

2

Simple and clear organizational structure.

3

Robust internal control system.

4

Permanent determination and monitoring of risks.

5

Internal audit and independent external audit.

6

Subsidiary supervision.

7

Executive compensation design with long term plans.

The defined standards to achieve these goals are:

1

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

2

Participation: directors are active members of the management committees.

3

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

4

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

5

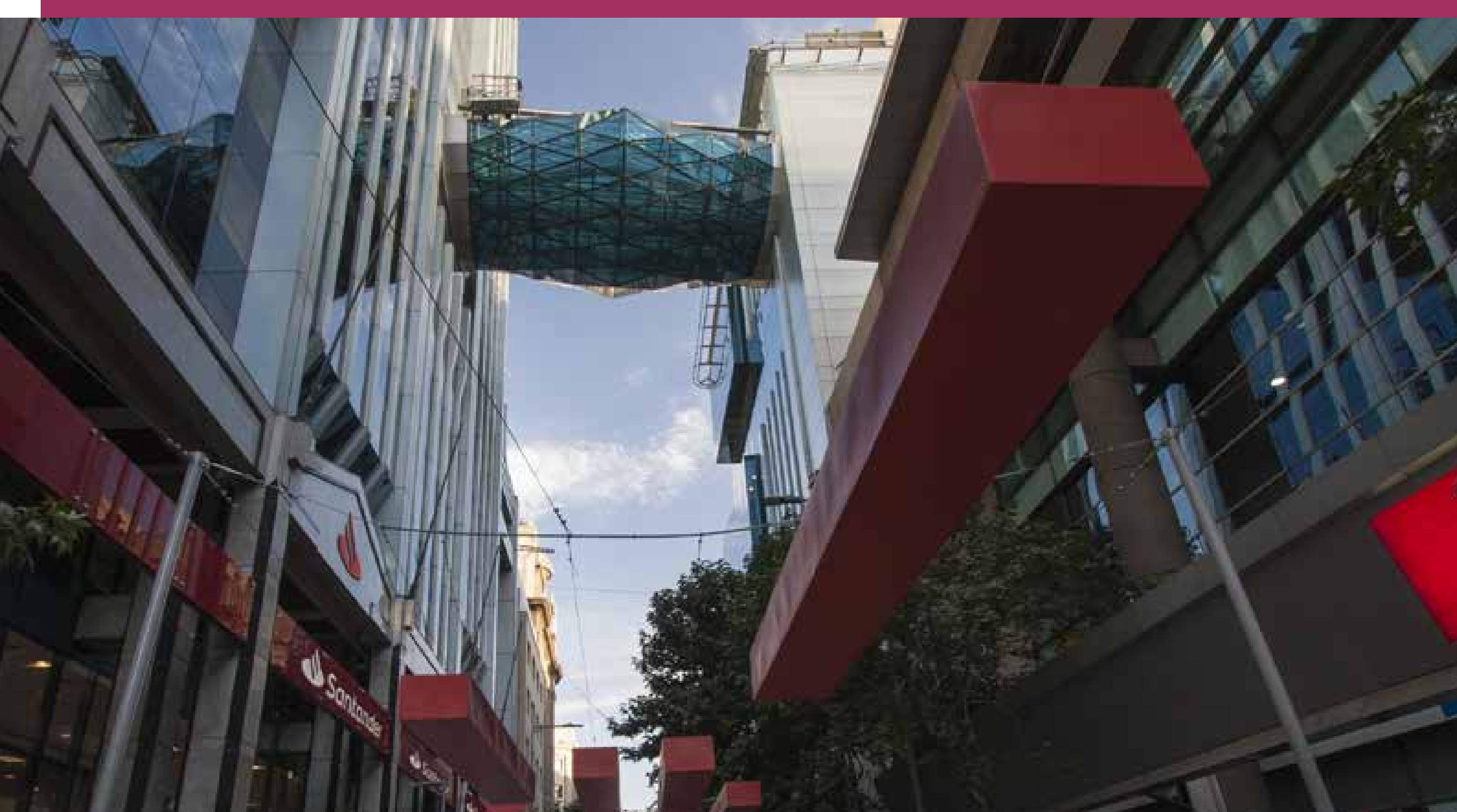
Autonomous audit: an autonomous area within the Bank undertakes control activities.

6

Compliance: a compliance area oversees the application of the Bank's ethics codes, Chile's Corporate Governance regulations and the United States' Sarbanes-Oxley Law, as well as the applicable Basel criteria.

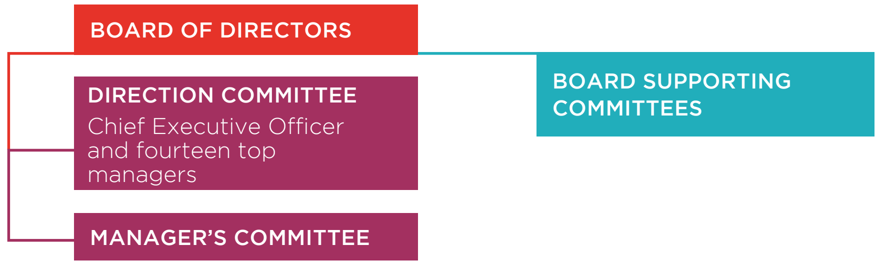
7

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



CORPORATE GOVERNANCE BODIES

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



ORDINARY SHAREHOLDER'S MEETING

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

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

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

Moreover, the shareholder's meeting approved to allocate 30% of the net income of 2016 –equivalent to $141,705,377,855- to increase reserves, while the remaining 70% –amounting to $330,645,881,662- was set to be distributed as dividends. Hence, the approved dividend per share was of $1.75459102.

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

Material issue

BOARD OF DIRECTORS

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

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

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

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

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

SANTANDER GROUP GUIDELINES

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

REGULATORY CHANGES

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

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

SELF-ASSESSMENT OF THE BOARD

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

BOARD SUPPORTING COMMITTEES

In corporate management active participation of directors is key. They lead the main policies and strategies, in line with the Bank's Mission and Vision. For the same, all directors integrate the diverse committees that support the Board's work, in such a way as to ensure the application of governability practices and guarantee transparency, responsibility, efficacy and defense of shareholder's interests. These instances allow them to inform themselves in detail about the evolution of the business and decision making. Committees meet regularly, with pre-established frequencies, subrogation schemes, formal records and follow-up instances of agreed-upon matters.

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

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

BOARD SUPPORTING COMMITTEES

AUDIT

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

Frequency: monthly.

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

RISK

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

Frequency: biweekly.

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

ANALYSIS AND RESOLUTION

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

Frequency: monthly.

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

HUMAN RESOURCES

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

Frequency: quarterly.

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

STRATEGIC

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

Frequency: biannual.

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

MARKET

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

Frequency: monthly

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

ASSET AND LIABILITY (ALCO)

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

Frequency: monthly.

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

AUDIT COMMITTEE

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

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

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

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

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

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

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

ISSUES COVERED DURING 2017

INTERNAL AUDIT

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

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

EXTERNAL AUDITORS

The Committee is also responsible for proposing to the Board the designation of the external auditors for each exercise. In its turn, the Board formulates a proposal to the Ordinary Shareholder's Meeting, which finally makes the designation. The Committee proposed for the 2017 period PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada. Said firm was the appointed by the Shareholder's Meeting.

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

FINANCIAL STATEMENTS AND INTERNAL CONTROL

One of the most important functions of the Audit Committee is to know, analyze and pronounce itself about the Bank's financial statements and the internal control situation, and in particular about loan loss reserves sufficiency. This implies the intermediate as well as the definitive financial statements issued at the end of the period. Considering that the Bank is registered in the United States, it must also issue a 20-F report to be presented to the authorities of that country, as it contains the Bank's financial information by the end of the year. For this effect, the Bank must issue the Financial Report Internal Control certification. All of this is also reviewed by the Committee.

Regarding internal control, during the exercise the Committee receives from the responsible management information on the advance of the different processes that end with the affirmation, backed methodologically, that the internal control at the bank is satisfactory.

SBIF AUDIT FOLLOW-UP

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

OPERATIONS WITH RELATED PARTIES

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

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

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

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

m Material issue

COMPLIANCE AND PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM

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

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

CONFIDENTIAL MAILBOX

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

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

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

JUDICIAL PROCESSES THAT MAY AFFECT THE BANK

Every three months the Committee is thoroughly informed about the status of the judicial processes that affect the Bank. The office of the General Counsel explains the most risky situations, as well as the eventual provisions the Bank should contemplate to face an adverse result. In relation to the relevance of the reputational risk for the Bank, the office of the General Counsel has divided the presentations of lawsuits by amount and reputational risk. This information includes any issues, in Santiago and in regions, with their respective procedural status.

RELATION WITH SHAREHOLDERS

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

COMPENSATION POLICY

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

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

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

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

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

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

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

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

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

With respect to senior management, the guidelines and compensation policies for the Bank's top management and senior executives are determined by the Human Resources Committeee. Senior management has variable compensation plans linked to the achievement of certain goals and objectives, with fulfillment evaluated on a quarterly and or yearly frequency. Additionally, there are variable compensation plans that span more than one year oriented to retention and motivation of executives, with payment depending on the degree of the achievement of goals, both common as well as individual, during a time horizon of over a year. During 2017, total compensation paid to executive officers and management members was MM$42,753, in line with the policies established by the Board.

DIRECTION COMMITTEE AND MANAGER'S COMMITTEE

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

The Manager's Committee is conformed by the Bank's senior management, with members selected based on their achievements and corporate criteria. This is the main communication instance of the Bank's strategies and performance review, and one of its most relevant functions is to communicate the initiatives and specific businesses, as well as the collection of feedback. The frequency of sessions is monthly. Executives are obliged to transmit to their teams within a week the matters covered in the session. In larger teams the relay is cascaded, as the goal is that all employees are informed about the matters subject to this committee.

SUSTAINABILITY MANAGEMENT

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

ETHICAL FRAMEWORK

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

1

EQUALITY OF OPPORTUNITIES AND NON-DISCRIMINATION

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

2

RESPECT PEOPLE

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

3

RECONCILIATION OF WORK AND PERSONAL LIFE

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

4

LABOR RISK PREVENTION

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

5

ENVIRONMENT PROTECTION AND SOCIAL AND ENVIRONMENTAL RESPONSIBILITY POLICIES

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

6

COLLECTIVE RIGHTS

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

Business environment

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

MARKET ENVIRONMENT

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

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

Very expansive monetary policies, stimulating fiscal policies and higher confidence levels –reflected in a widespread rise of stock indices, where among others the S&P 500 increased 19% in the year- were the norm during 2017. Despite the larger dynamism and a systematic reduction in unemployment rates, inflation in the world remained contained, evidencing that capacity gaps continued to be wide. In several countries the labor participation rate is still substantially below the levels prior to the subprime crisis, which suggests that, the pressure on wages –and, therefore, over inflation- could take some time to appear.

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

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

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

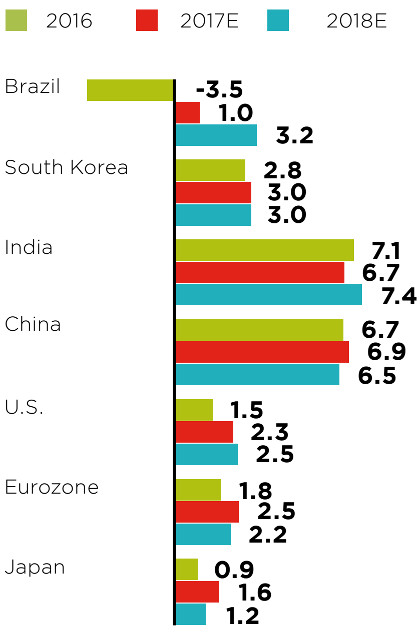
In Chile the economy grew below its long term trend and capacity gaps widened. At the beginning of 2017 there was a significant decrease in growth due to the slowdown by the end of 2016, and the impact of a strike in an important mining operation in the northern part of the country. However, throughout the year the economy recovered, favored by a better external scenario and the recovery of mining. Thus, activity showed a better dynamism, moving from a 0.4% contraction on the first quarter, to a 3.3% growth on the fourth quarter. All in all, the economy expanded 1.5%, once more below potential growth.

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

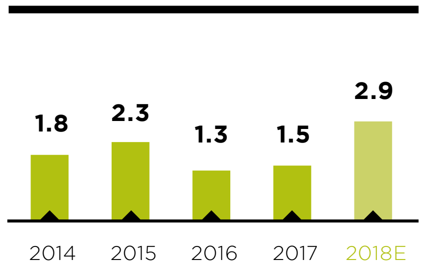
Despite the better global scenario, global trade recovery and better terms of trade, the external sector did not show a great dynamism, affected largely by specific phenomena. During 2017 exports contracted 0.9%, while imports expanded 4.7%. The current account, on the other hand, presented a deficit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

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

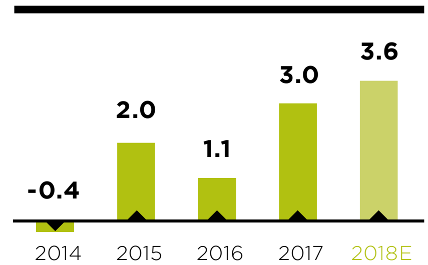
Real GDP
(y/y change, %)



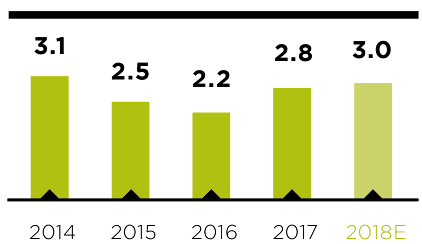
Chile, real GDP
(y/y change, %)



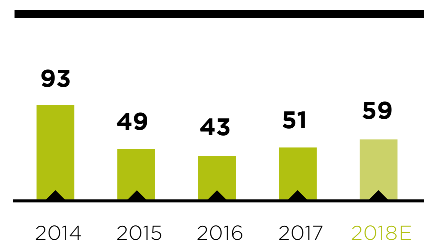
Internal demand
(y/y change, %)



Average copper Price
(US$/LB)



Average WTI oil price
(US$/BBL)



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

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

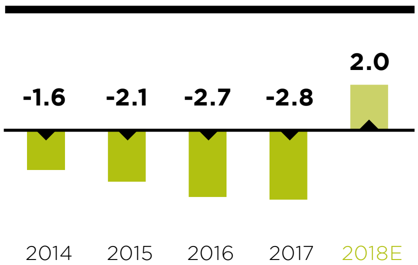
Inflation, that had dropped sharply during the second half of 2016 together with the appreciation of the peso, continued to deepen its fall in a context of greater slack, and by mid-year settled in the lower part of the Central Bank's tolerance range. In this context, the issuing institute decided to inject a larger stimulus, reducing the monetary policy rate from 3.5% in January to 2.5% in May 2017. On the fiscal side, the increase in copper prices during the year improved fiscal income which, added to a slight moderation in the expansion of spending, translated into a stabilization of the public deficit, which closed the year at 2.8% of GDP.

In the political front, the tax reform promised by Donald Trump's government advanced substantially in Congress and was on the verge of being approved. Mainly, the reform reduces the marginal tax rate on individual income from 39.5% to 37%, cuts the corporate tax rate from 35% to 21% and drops the tax rate on so called pass-through[1] companies from 39.5% to 25%. Also, a series of taxes and tax exemptions are eliminated, and incentives are introduced for North American companies to pay taxes in the United States. Together with the latter, some components of the health system reform of the previous government –the "Obamacare"- are eliminated.

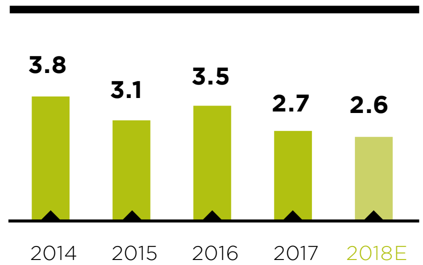
During the period, Europe was marked by a series of political tensions. At the beginning of the year, the election of Emmanuel Macron in France contained the protectionist positions that had manifested in the Brexit vote in the United Kingdom the previous year, and that threatened to keep moving forward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

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

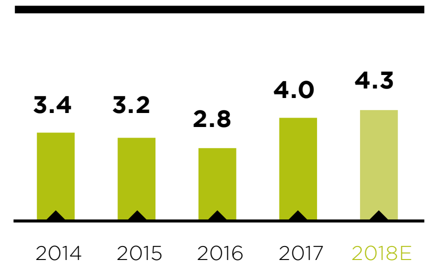
Effective fiscal result
(% GDP)



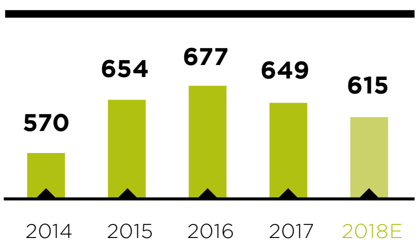
Monetary policy rate
(%)



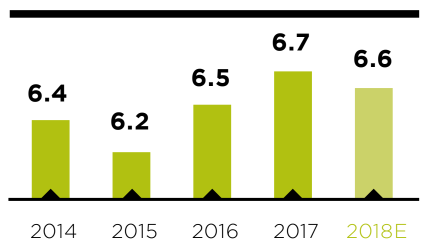
Labor income
(y/y change, %)



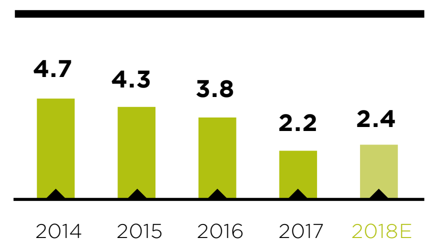
Average nominal exchange rate
($/US$)



Average unemployment
(%)



Average inflation
(y/y change, %)



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

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

In China, the XIX Congress of the Communist Party ratified general secretary Xi Jinping as president of the body for the next five years, and his power increased significantly as his political thesis have been included in the Constitution. During the Congress goals for the next decades were outlined, which are synthetized in the desire to achieve greater world hegemony through military development, the expansion of investment, the strengthening of commercial integration and a strategy of openness and influence on global issues. On the domestic front, the agenda is oriented towards the generation of a more sustainable and clean economy, introduction of more regulations on the financial sector in order to reduce the currently elevated risks, and promote efficiency on the public sector in order to increase productivity and sustain growth.

In the last presidential election in Chile, Sebastián Piñera won with broad citizen support after obtaining 54.6% of votes. One of the most important challenges will be to resume economic dynamism, after several years growing below the potential trend. On its side are the external scenario and the recovery of trust seen over the last months. Another important challenge will be to adequately channel a series of social demands without sacrificing fiscal discipline. In this sense, although fiscal income will be favored by higher growth rates and copper prices, it will be important to adequately determine how much of the larger income is cyclical and how much is structural. Public spending expansion and eventual adjustments to the tax burden will depend on the latter.

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

FINANCIAL SYSTEM

During 2017 loan volumes in the banking system maintained the trend of the previous year, this is, decelerating growth as a reflection of the economy's slow dynamism, although somewhat less than what was seen in 2016, despite having recorded a slight recuperation during the first quarter. Hence, total loans increased 4.7% in nominal terms –excluding Corpbanca's investment in Colombia and BCI's in the U.S.- below the 5.3% figure of 2016. Activity was led by mortgage loans that grew 10.1% in nominal terms, although lower than the previous year's 9.6%. The latter responds, on the one hand, to the lower inflation registered in 2017 compared to the previous year, as well as the slow economic dynamism. Commercial loans expanded 1.5% in nominal terms, below the 3% of 2016, being the lowest figure in the last years. Finally, consumer loans grew 7.1%, above the 6.7% recorded in the previous period, and despite showing a strong rebound in the first quarter with an 8.9% increase, to then slow down gradually throughout the rest of the year.

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

Summarized income statement (MMM$)

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

Chilean banking system ratios (%)

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

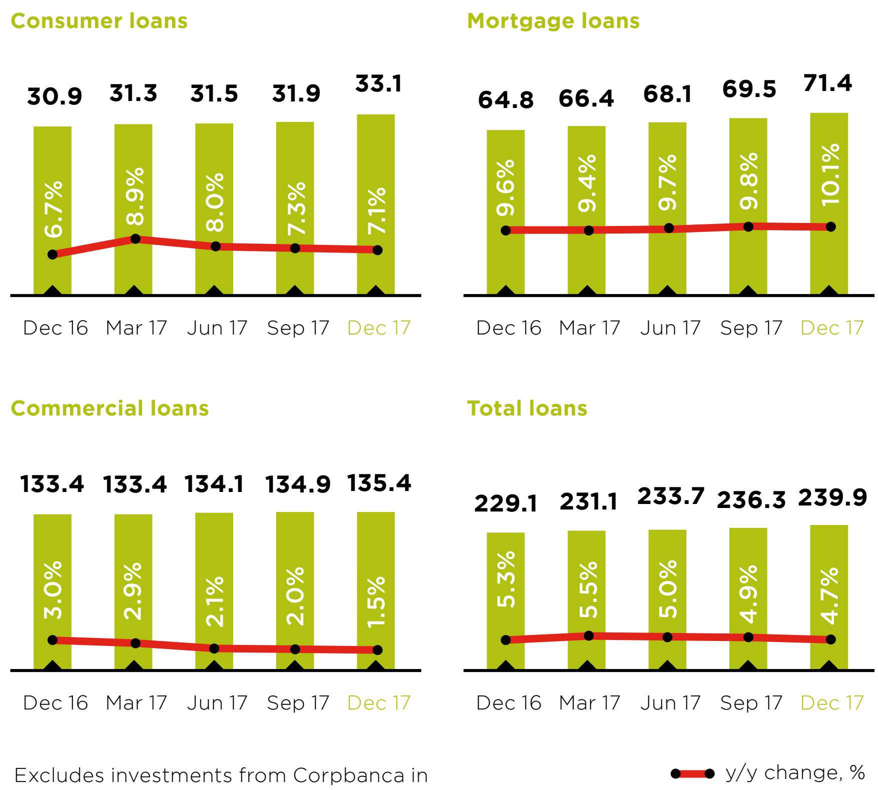
Source: Superintendecy of Banks and Financial Institutions.
1. As of November 2017, last available figure.
2. Total loans excluding the portion of mortgage loans financed with long term bonds.

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

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

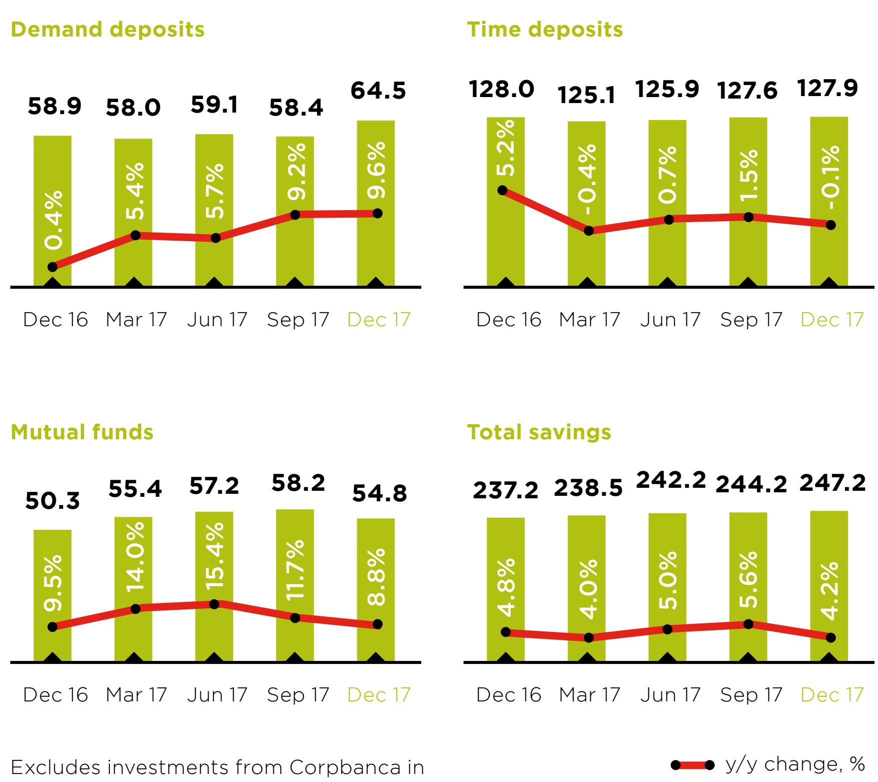
The industry posted good results in 2017 as a reflection of loan growth and controlled delinquency, as well as the efforts to rationalize expenses. Net interest income increased 6.7%, while net fees grew 9.3% in the period. Added to the latter is a stable asset quality which translated into a loan loss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

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



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

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



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

Strategic plan and value creation

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

MISSION

Contribute to the progress of people and businesses

VISION

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

VALUES

1

Leadership

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

2

Management of excellency

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

3

Client orientation

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

4

Talent

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

5

Ethics

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

6

Commitment with the society

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

We bring value to our audiences:

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

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

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

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

We have defined four strategic objectives:

1
Substantially improve customer experience.

2
Develop new ways to relate with our clients through the continuous transformation of Retail Banking.

3
Deepen the relationship model in Middle-market and Corporate Banking.

4
Promote and manage a cultural change, incorporating the new Simple, Personal and Fair style.

Business model

1

PART OF SANTANDER GROUP

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

3.5%
of the Group's total assets

6%
of the Group's consolidated net income

2nd
most traded stock in Chile

2

A UNIVERSAL BANK

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

→ Wide branch and ATM network across the country

56%
of loans to individuals

44%
of loans to SMEs, companies and corporations

3

FOCUS IN CLIENT BANKING

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

79%
of results generated by Commercial Banking

1st
in total clients

1st
in checking accounts and credit cards

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

4

THE BEST TEAM

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

11,068 employees

55% female

45% male

5

EFFICIENT RESOURCE ALLOCATION

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

41% efficiency

m Material issue

6

STRONG BALANCE SHEET AND RISK PRUDENCE

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

Aa3 risk rating

11% core capital

128.8% coverage

SPF style

Our way of doing things is based on a style:

1
SIMPLE
Offer our clients a quality service, easy to understand products and permanent connectivity to attend their requirements.

2
PERSONAL
Treat clients as if they were unique, delivering a tailor-made service.

3
FAIR
Treat clients in a fair and equal manner, with transparency and solving their requirements with maximum diligence.

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

1
EMPATHIZE WITH OUR CLIENT:
everything starts and ends with this.

2
SHOW RESPECT:
treat others as you would like to be treated.

3
TRULY LISTEN AND SPEAK CLEARLY:
this way we avoid misunderstandings and question constructively.

4
KEEP PROMISES:
nothing worse than being incoherent and leave others waiting.

5
COLABORATE:
there are no “others” only “us”.

6
TAKE THE INITIATIVE:
things don’t happen for a reason, but because of someone.

7
DEVELOP THE TEAM:
grow making others grow and learn from mistakes.

8
PLAY FAIR:
yes to transparency and no to shortcuts.

Business areas

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

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

m Material issue

1

RETAIL BANKING

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

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

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

In 2017 Retail Banking focused its efforts in the development of the new client service concept reflected in the Work Café; the transformation of the low-income business; the digital deployment and the change in the incentives model for commercial executives.

2017 HIGHLIGHTS

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

2

MIDDLE-MARKET BANKING

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

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

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

During the last years, Middle-Market has developed and consolidated an integral client service model, in which a relevant part has been the financial advisory work carried out through the Business Centers implemented across the country.

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

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

2017 HIGHLIGHTS

m Material issue

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

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

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

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

m Material issue

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

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

3

SANTANDER GLOBAL CORPORATE BANKING (GCB)

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

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

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

2017 HIGHLIGHTS

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

Technology and innovation

Material issue

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

In this context, the most important highlights were:

1

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

2

Material issue

In cybersecurity, an important and currently increasing risk, the Bank invested a significant part of its Capex –above 7%- in tools for defense and response to external threats, ensuring robustness and reliability to clients in relation to the protection of information and transactions.

3

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

4

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

INNOVATION POLICY

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

The latter translates into an evident improvement in service, and by extension, in client perception. This entails, on the one side, more income, and on the other, higher efficiencies due to process optimization, both because they are simplified and because the application of new models or technologies permit the reduction of operating costs.

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

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

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

INNOVATION AWARD

For the second year in a row, Banco Santander was included among the 50 companies that best manage innovation in Chile. The latter according to the Best Place to Innovate 2017 ranking, prepared based on a perception study from GfK Adimark and supported by the Centro de Innovación, Emprendimiento y Tecnología (CIET) of the Universidad Adolfo Ibáñez, Microsoft, XPGConsultNet and América Retail.

The ranking was constructed on the back of a quantitative study that included 2,270 structured interviews to men and women over 18 years of age, professionals, residing in all regions of the country, and that had or had had a relation with the evaluated industry.

Sustainability at Santander Chile

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

Part of the Bank's business, not an additional task.

Materializes in products, services and business management.

Country-wide.

Part of corporate culture (as each employee understands his work and acts consequently).

Respects the environment.

Reflected in communication (massive, individual, digital).

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

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

- Primary and secondary education
- Higher education
- Financial education

Material issue

STAKEHOLDERS

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

EMPLOYEES

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

CLIENTS

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

SHAREHOLDERS

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

SUPPLIERS

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

COMMUNITY

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

COMMUNICATION CHANNELS

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

MATERIALITY

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

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

Material issue / see throughout this report.

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

Economic issue

Environmental issue

Social issue

Impact within the company

Impact outside of the company

Identification process of relevant aspects

Internal aspects

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

External aspects

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

COMMITMENT OF BANCO SANTANDER WITH SDG

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

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

1

Promotes poverty eradication.

3

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

4

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

5

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

8

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

9

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

10

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

11

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

12

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

13

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

PARTICIPATION IN EXTERNAL INITIATIVES

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

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

PRESENCE IN SUSTAINABILITY STOCK INDEXES

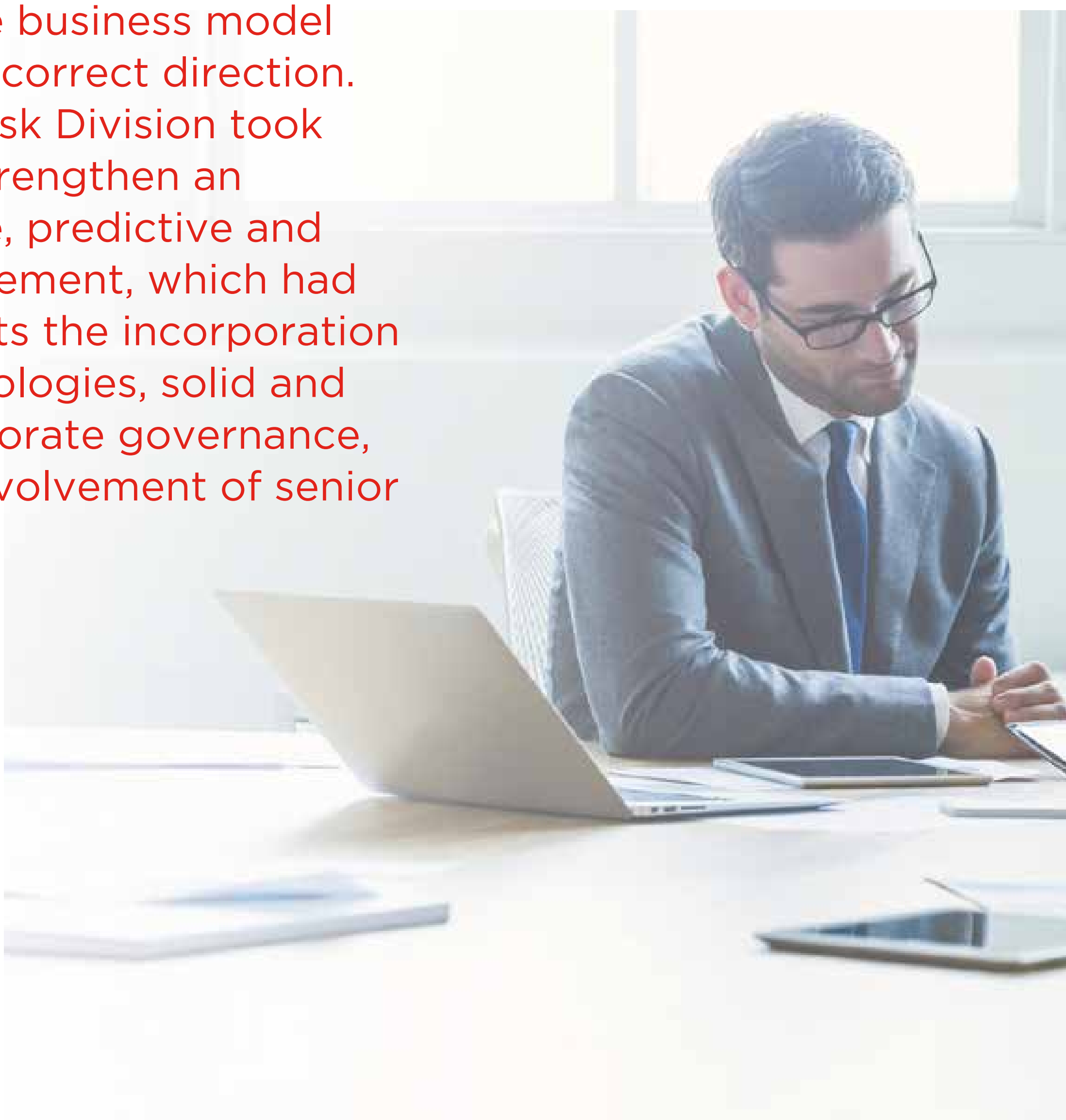
Santander Group is also part of the main global stock indexes that analyze and value sustainable actuations in companies. It's present in the Dow Jones Sustainability Index (DJSI) and the FTSE4Good since 2000 and 2003, respectively.

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

Risk management

Material issue

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



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

1

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

2

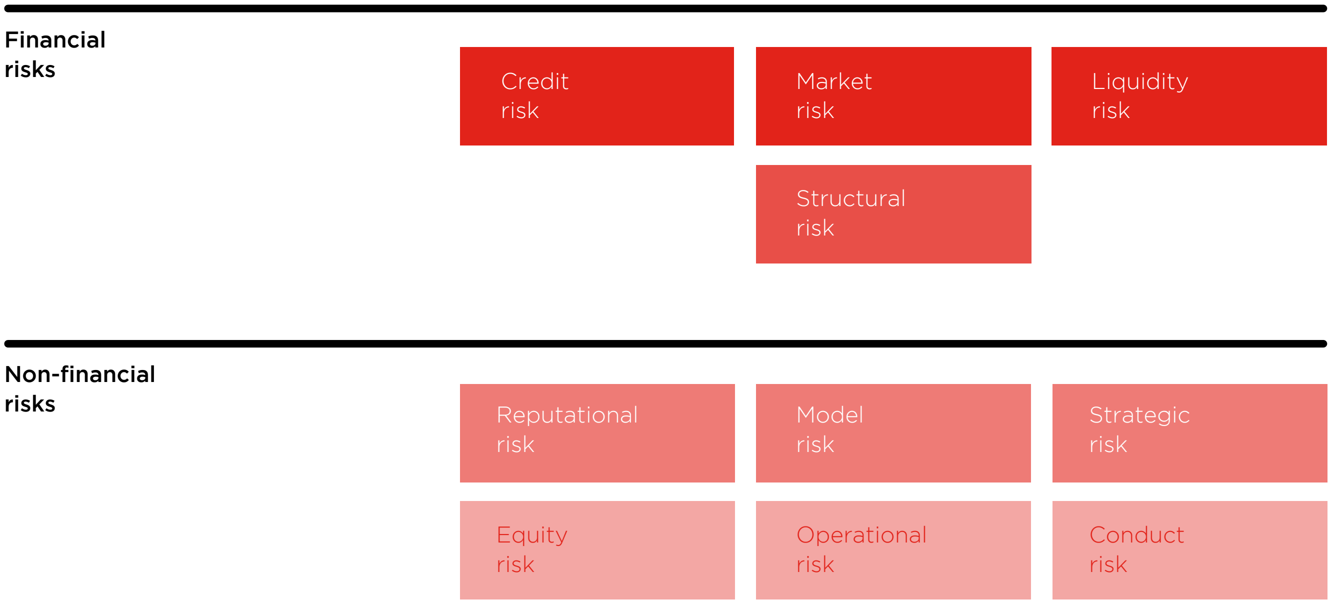
MANAGEMENT EXCELLENCY: in its third and last year, the Advanced Management Program (ARM) incorporated state-of-the-art tools, which permitted evolving to an advanced risk management approach. Also, Banco Santander achieved the Excellence certification in this issue.

3

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

4

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



ARM, FROM PROGRAM TO MANAGEMENT STYLE

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

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

MAIN RISKS

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

FINANCIAL RISKS

Credit risk

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

Mechanisms

- Responsible for the management of this risk, delegated by the Board: Integral Risk Committee (IRC), Executive Credit Committee and the Bank's risk departments.
- Loan loss provisions for probable loan losses in accordance with the instructions issued by the SBIF and qualification and risk assessment models approved by the Board.
- Loan loss provisions for commercial loans analyzed on an individual basis. To establish them the Bank assigns a risk category to the debtor and its respective loans, considering the following risk factors in the analysis: industry or sector, partners and administration, financial situation and payment capability, and payment behavior.
- Loan loss provisions for clients assessed on a group basis, relevant to address a large number of operations with small single amounts, and where debtors are natural people or small-sized companies. These operations include consumer loans, mortgage loans and commercial loans to individuals. Loan loss provision levels have been established in accordance with expected loan losses, through the classification of the portfolio using one of two models:

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

Market risk

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

Mechanisms

- Responsible for market risk management: ALCO, risk departments and the Bank's Finance Management.
- Management analysis in three main components: trading portfolio, financial management portfolio in local currency, and financial management portfolio in foreign currency.
- The trading portfolio is comprised of fixed income securities and foreign currency. This portfolio includes essentially bonds from the Central Bank of Chile, mortgage bonds and low risk corporate bonds issued locally. Measurement of the portfolio's market risk is done with the VAR methodology.
- Financial management portfolios include all financial investments not considered within the trading portfolio. This is, the majority of the Bank's assets and liabilities that are not trading investments, including the loan portfolio. The Bank applies a sensitivity analysis to measure the portfolio's market risk with respect to local and foreign currency. Through a scenario simulation the present value of future cash flows in the base scenario (current market) is compared against the value under a chosen market (a 100 basis point movement across the curve). The same simulation is done on the net foreign currency positions and interest rates in United States dollars. Finally, limits are established in relation to the maximum loss these types of movements can cause on the Bank's equity and net interest income projected for the year.

Liquidity risk

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

Mechanisms

- The Bank's approach in liquidity management is to ensure, as much as possible, that it has sufficient funds to meet obligations at maturity, in normal stress circumstances.
- The Board sets limits, understood as a minimum relation between available and receivable funds plus a minimum amount of interbank operations and other loan facilities, which should be available to cover withdrawals or an unexpected demand level. These limits are reviewed periodically.
- Compliance of regulatory limits set by the SBIF and the Central Bank for maturity mismatches.
- Daily monitoring of the liquidity position, establishing future cash inflows and outflows.
- Stress tests at the close of each month, using a variety of scenarios that cover both normal and fluctuating conditions.

NON-FINANCIAL RISKS

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

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

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

RISK GOVERNANCE

One of Banco Santander's strategic goals is to lead in risk management, seeking to anticipate the challenges of the economic, social and regulatory environments which are in constant change. For this the Bank is always thoughtful to recommendations from supervisory and regulatory bodies, as well as to best practices in the market. This way the governance of the risk function has been strengthened, delimiting more clearly the responsibilities of the different committees that supervise and manage risks.

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

1

Separation of decision making from risk control functions.

2

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

3

Ensure that all risk decisions have a formal approval process.

4

Ensure an integral view of all types of risks.

5

Strengthen risk-controlling committees.

6

Maintain a simple structure of committees.

LINES OF DEFENSE

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

FIRST LINE OF DEFENSE

It's comprised of business functions, or activities that take or generate exposure to a risk. The assumption or risk generation in the first line of defense must adjust to the risk appetite and defined limits, so it must have the means to identify, measure, treat and report the assumed risks.

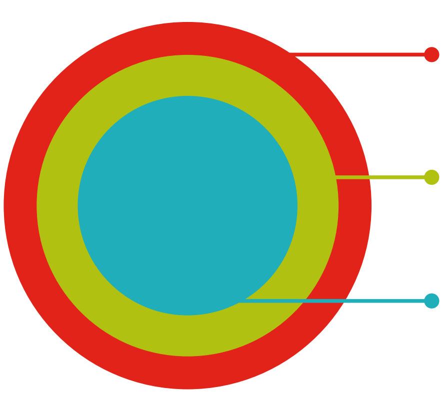
SECOND LINE OF DEFENSE

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

THIRD LINE OF DEFENSE

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

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



1ST LINE OF DEFENSE

Business functions, or activities that take or generate exposure to a risk.

2ND LINE OF DEFENSE

Control and supervision of risks function.

3RD LINE OF DEFENSE

Periodical Internal Audit, refers to the last control stage.

RISK CONTROL STRUCTURE

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

The ICR's role is to define the risk framework and general guidelines to set the risk appetite, supervising over the correct identification, measurement and global control of all risks. Among the risks overseen stand out: credit, market, liquidity, structural, equity, operational, model, conduct, reputational and regulatory risks.

The Risk Supervision and Consolidation area supports the ICR in its functions, constituting a second line of defense for all risk domains, ensuring that all material risks are correctly identified, measured and controlled. This area applies a global and independent view of the portfolios, about their risk management, keeping senior management informed about their management and profile, as well as the ICR in regards to the aspects relevant to their scope. The ICR reviews the integral view of risks including credit, market, liquidity, operational, compliance and conduct risks, as well as the risk appetite. Also, addresses a broad agenda of risk issues, structural and short-term, covering the main highlights and issues of most relevance on this scope.

The ICR's principal functions are:

1

Analyze with an integral view, the administration of risks and the map of recommendations issued by local and foreign regulators, as well as compliance of regulatory provisions.

2

Verify compliance of the Group's strategic goals, according to assumed or potential risks, identifying warning lights.

3

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

4

Review documents prior to their approval by the Board.

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

In addition to the abovementioned, the Board has established the Asset and Liability Committee (ALCO) to assist it in the management and control of risks. This committee is comprised of three directors, seven members of the Bank's Direction Committee, and three managers (Finance Management, Treasury and Market Risk).

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

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

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

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

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

Risk policies and management systems are regularly reviewed to reflect the changes in market conditions, and products and services offered. Through the establishment of standards and procedures, the Bank procures to create a disciplined and constructive control environment, in which all employees understand their functions and obligations in regards to this.

RISK CULTURE

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

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

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

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

1

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

2

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

3

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

4

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

5

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

RISK PROFILE

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

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

Compliance

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

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

1

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

2

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

3

PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM RISK: is to avoid the institution being used as a vehicle for money laundering or financing of terrorist groups.

4

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

GOVERNANCE AND ORGANIZATIONAL MODEL

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

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

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

During 2017 notorious advances were made in all phases of the Compliance Function's transformation program denominated Target Operating Model (TOM). This program started in 2016 and its goal is to improve the Compliance Function in line with the best standards in the global financial industry. Through this model the role of the Compliance Department as a second line of defense has been strengthened, which, as such, exercises controls, monitoring and verifications of the risks it manages. Thus, the first line of control, comprised of the business and support areas, periodically reports to Compliance about occurred incidences, in case there are. This area is then responsible for informing senior management in order for the incidences to be addressed and for the implementation of the necessary corrective and mitigation measures.

The Compliance Department is audited by Internal Audit, third line of defense that periodically assesses that the policies, methods and procedures applied by Compliance are adequate and effective considering its action parameters. As well, performs the necessary reviews and tests to check that appropriate control and supervisory elements are applied, and that the norms and procedures defined by the Bank are met.

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

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

1

CERTIFICATION OF THE CRIME PREVENTION MODEL OF LAW 20,393

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

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

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

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

2

INCOPORATION OF NEW INTERNAL MANUALS

- **Control guidelines over criminal risks:** the main purpose of this document is to establish the minimum control guidelines over criminal risks faced by Banco Santander and its subsidiaries. This with the aim of establishing an adequate prevention, supervision and control framework over the organization, the people that compose it and the activity it carries out, so as to allow the Bank to minimize the probable materialization of criminal risk upon the commission of a crime.
- **General policy on financing of electoral campaigns and political parties:** is ruled by the transparency, honesty and political neutrality principles in the relationships of Banco Santander and its subsidiaries with political parties and other entities with public and social goals of a political nature, rejecting all action on the part of its employees and senior management that could be related to any form of corruption over these entities.

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

- **General policy on conflicts of interest:** its purpose is to establish the mechanisms and procedures that allow the identification of possible conflicts of interest, determine how to manage those that cannot be avoided, provide due information to affected clients, and also adequately document for its internal control and explanation to regulators about the implantation of established measures to attend the abovementioned goals.

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

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

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

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

3

TRAINING STRATEGY

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

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

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

4

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

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

5

COUNTRY RISK AND SANCTIONS POLICIES

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

6

COMMON REPORTING STANDARD (CRS)

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

m Material issue

7

REPUTATIONAL MODEL RISK

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

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

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

m Material issue

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

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

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

SOCIOENVIRONMENTAL POLICIES

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

8

COMMUNICATIONAL PLAN

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

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

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

9

AUDITS

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

10

CODES OF CONDUCT

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

In certain specific subjects that need a detailed regulation, norms established in the General Code of Conduct are complemented with those appearing in sectorial codes and manuals, which are approved by the Global Compliance Committee, and notes or circulars that develop specific points of said codes and manuals.

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

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

The main documents are:

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

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

- **Securities Markets Code of Conduct:** contains the policies on this matter, seeks to prevent conflicts of interest and the use of privileged information by the people that conform the Bank's key areas. Among other things, in general seeks to: register and control sensible known information and that generated within the Bank; maintain the list of affected securities and initiated employees, and watch over operations with said securities; supervise operations with restricted securities according to the type of activity, portfolios or collectives to which the restriction is applicable; receive and respond to communications and requests for authorization of own-account operations; control own-account operations by restricted employees and manage possible non-compliance of the Securities Markets Code of Conduct; identify, register and resolve conflicts of interest and those situations that might originate them; analyze possible behaviors suspicious of constituting market abuse and in that case, report them to supervisory authorities. At the close of the year, 679 people were subject to this code.

- **Money Laundering and Financing of Terrorism Prevention Manual:** its goal is to make known to all employees working at the Bank and its subsidiaries the policies, norms, organization and procedures that must be applied and complied with to establish an adequate money laundering prevention system. Reading of the document is mandatory, as well as the completion of training courses. This manual was updated in 2016 to adjust it to the new needs and regulations in force.

- **Corruption and Bribery Prevention Manual:** the anticorruption and bribery policy seeks to set conduct guidelines to avoid any form of corruption within Banco Santander. Thus, rules are made known that must be complied with at all levels within the organization, in relation to corruption and bribery prevention.

Financial results

Material issue

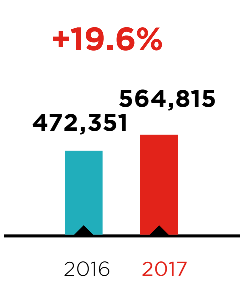
Banco Santander continued to capitalize on the efforts carried out within the Commercial Transformation Plan framework, with the goal of being the best bank for its clients.

Income attributable to shareholders reached MM$564,815 in 2017, 19.6% higher than in 2016. Net income before taxes, which does not consider the effects of the increase in the statutory tax rate during 2017, grew 23.9% compared to the previous year. On the other hand, net operating profits from the business segments –understood as the sum of net interest income plus net fees and commissions plus financial results, net, and minus loan loss provisions- which reflects the performance of the Bank's core business, increased 9.1% year-over-year. ROE (measured as net income attributable to shareholders over average equity) reached 19.3%, higher than the previous year's 17.0%, while ROA (attributed net income over average assets) climbed to 1.58%, higher than the 1.33% of 2016. Efficiency improved to 41%, compared to 42.7% on the previous year.

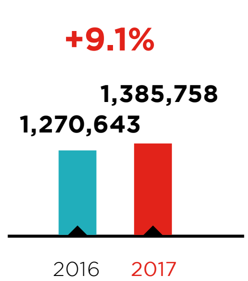
These results are a combination of a larger activity due to the increase in the loyal client base, with the consequent loan growth –especially in the Bank's target segments for the period-, an improvement in the funding mix, stable asset quality and a continuous increase in fee income. 2017 also presented a favorable situation for the Bank in terms of low interest rates following an expansive monetary policy by the Central Bank of Chile with a 1.0% drop in the rates during the first half of the year, opportunity that was adequately managed by the Bank.

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

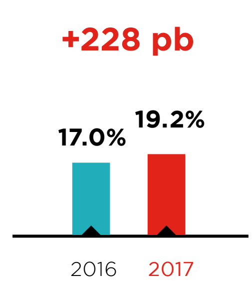
Income attributable to shareholders
(MM$)



Net operating profit from the business segments
(MM$)



Return over average equity
(%)



Summary of results (MM$)	**2017**	**2016**	**CHANGE 17/16**
Net interest income	1,326,691	1,281,366	3.5%
Net fee and commission income	279,063	254,424	9.7%
Basic gross margin	**1,605,754**	**1,535,790**	**4.6%**
Total financial transactions, net	129,752	140,358	(7.6%)
Other operating income	87,163	18,299	376.3%
Net operating profit before provisions for loan losses	**1,822,669**	**1,694,447**	**7.6%**
Provisions for loan losses	(299,205)	(343,286)	(12.8%)
Operating profit	**1,523,464**	**1,351,161**	**12.8%**
Operating expenses	(704,893)	(686,905)	2.6%
Other operating expenses[1]	(101,658)	(85,432)	19.0%
Net operating income	**716,913**	**578,824**	**23.9%**
Net income	577,263	474,716	21.6%
Minority interest	12,448	2,365	426.3%
Net income attributable to equity holders	**564,815**	**472,351**	**19.6%**
Net income per share ($)	3.00	2.51	19.6%
Net income per ADR (US$)[2]	1.95	1.50	29.7%
Loans and accounts receivable from customers[3]	27,563,229	26,933,624	2.3%
Interbank loans[3]	162,685	272,807	(40.4%)
Total loans[3]	27,725,914	27,206,431	1.9%
Total deposits	19,682,111	20,691,024	(4.9%)
Loan / deposit adjusted[4]	100.7%	92.1%	+ 857 pb
Equity	3,108,063	2,898,047	7.2%
Net interest margin	4.4%	4.5%	- 3 pb
Efficiency	41.0%	42.7%	- 173 pb
Recurrence	39.6%	37.0%	+ 255 pb
ROAE[5]	19.2%	17.0%	+ 228 pb
ROAA[6]	1.58%	1.33%	+ 25 pb
Non-performing loans / total loans	2.28%	2.07%	+ 21 pb
Coverage of non-performing loans	128.78%	145.41%	- 1,663 pb
Expected loss[7]	2.94%	3.02%	- 7 pb
Basel ratio	13.91%	13.43%	+ 48 pb
Branches[8]	385	434	(49)
ATMs	926	1.295	(369)

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

LOANS

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

This way mortgage loans maintained the trend shown during 2016, gradually reducing their expansion rate throughout the year to stabilize during the second semester. Consumer loans showed a sustained deceleration in their growth rhythm during the period, although somewhat more sharp during the first months. Commercial loans also reduced their growth rates in the year, but recuperated during the fourth quarter in line with the improved economic dynamism in the period. Growth is a reflection of the Bank's strategy during the exercise, focusing in client segments that offer a higher risk-adjusted profitability, this is, middle and high-income individuals, and middle and large-sized companies.

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

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

1. Includes mortgage and consumer loans and other loans to individuals.
2. Includes interbank loans. Gross of loan loss allowances.

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

1. Gross of loan loss allowances.

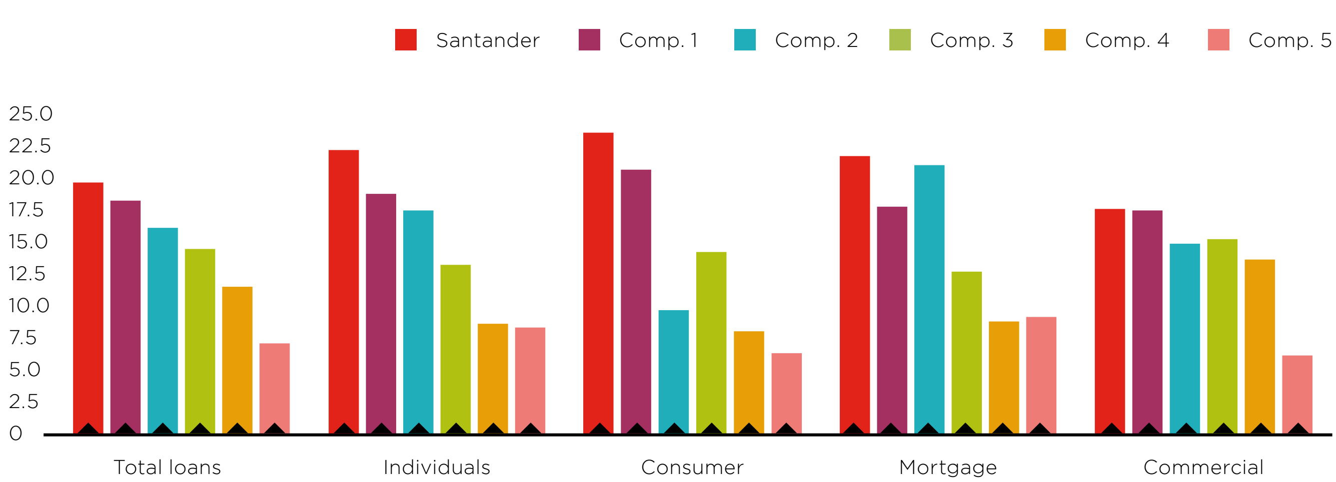
This way, loans to individuals and SMEs increased 3.4% in the year. In individuals growth was mainly driven by the middle and high-income segments with a 5.6% expansion. Low-income segment loans decreased 24.3% with respect to the previous year. Regarding the latter, the Bank completed the reduction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

Loans to mid and large-sized companies showed a 5.9% increase, although below last year's 6.5% growth. Loans to the corporate segment, this is, multinational and the largest companies in the country, contracted 23.0%, affected by a lower demand associated to the drop in investment during the first half of the year, and the appreciation of the Chilean peso –considering that close to 10% of total loans are denominated in U.S. dollars-, and the maturity of low-yielding interbank loans during the year. It's important to note that the abovementioned growth does not reflect the segment's performance during the period –the loan portfolio is volatile by the business' nature- as close to 90% of profits are related to non-lending activities.

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

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

Loan market share (%)



DEPOSITS

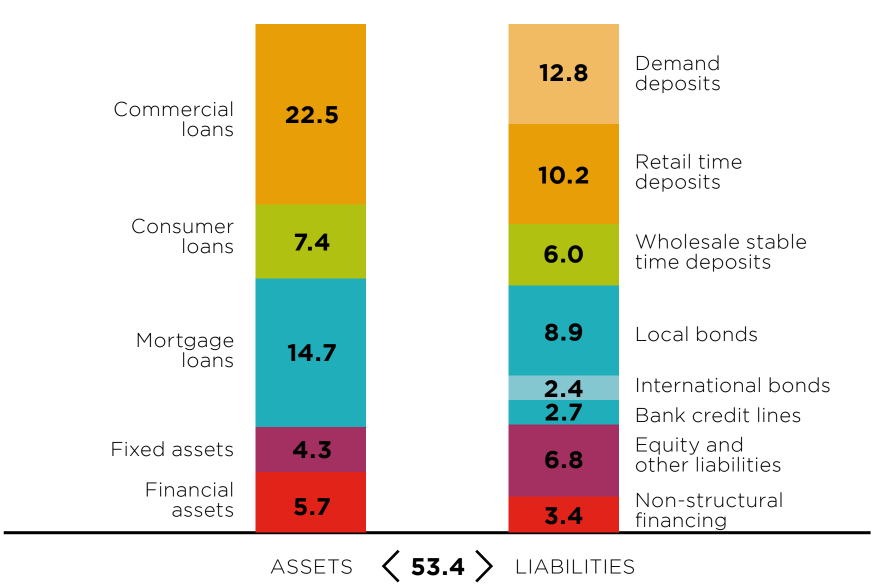
The Finance Management Division of Banco Santander is in charge of managing the Bank's balance structure and liquidity position. This unit, set apart from the Bank's treasury, uses its own methodology that defines Structural Liquidity as the difference between liquid financial assets and non-structural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

The applied methodology distinguishes between commercial assets (loans to clients), fixed assets and liquid financial assets. The former are financed with structural or stable funding sources, considering as such demand deposits, time deposits from retail clients, structural time deposits from wholesale clients, bonds and bank credit lines. With respect to the last three, these are considered non-structural funding sources when their maturity is less than 120 days due. Fixed assets are financed with permanent liabilities (mainly equity and provisions). Finally, liquid financial assets are financed in part with non-structural financial liabilities (time deposits from wholesale clients and bonds with maturity less than 120 days due, and commercial paper), while the remaining part, which corresponds to Structural Liquidity, is financed with structural financial liabilities. During the period structural liquidity remained on average at US$2,219 million, closing the year at US$2,307 million.

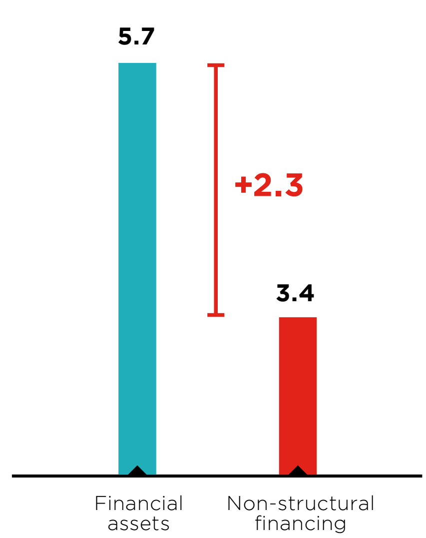
In line with the abovementioned strategy, Santander continued to make efforts to improve the local funding mix taking advantage of the Central Bank's low interest rate scenario during the first semester, as well as from the lower inflation and its comfortable liquidity position. This way, the total deposit base decreased 4.9%, despite total loan growth. Demand deposits (funding with no cost for the Bank) increased 3.0% in the period thanks to Santander's leadership in Cash Management products for companies and a larger loyalty of retail clients. Time deposits contracted 9.4% after the inflationary profile and low interest rates made them less attractive for clients, situation which the Bank took advantage of to adjust its deposit pricing strategy and thus improve spreads. All in all, by the end of the year the average annual total deposit cost, including demand and time deposits, decreased from 2.32% in 2016 to 1.87% in 2017.

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

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



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



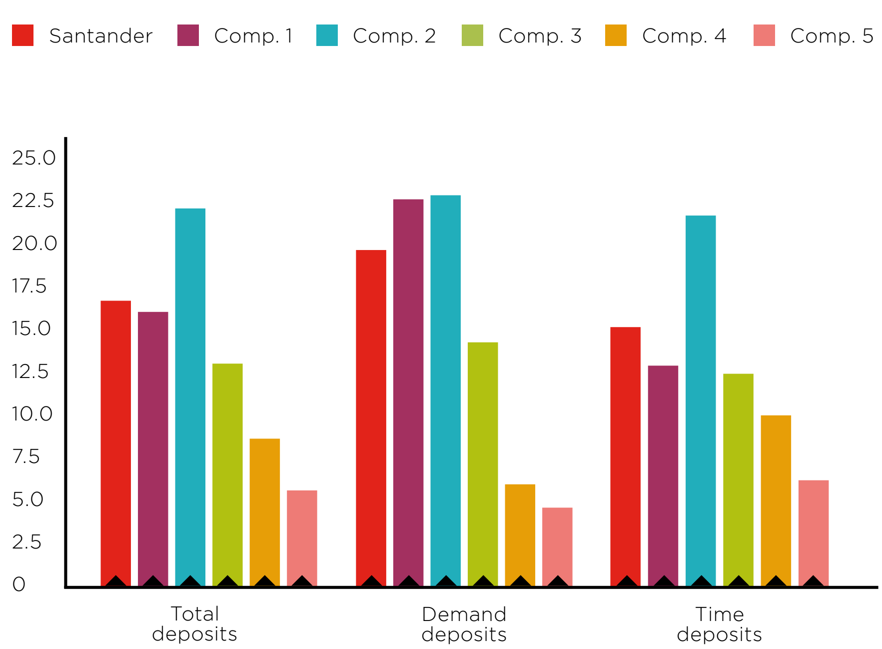
Funding sources (MM$, %)	2017	2016	CHANGE 17/16
Demand deposits	7,768,166	7,539,315	3.0%
Time deposits	11,913,945	13,151,709	(9.4%)
Total deposits	**19,682,111**	**20,691,024**	**(4.9%)**
Mutual funds[1]	5,056,892	5,026,068	0.6%
Total client funds	**24,739,003**	**25,717,092**	**(3.8%)**
Senior bonds	6,186,760	6,416,274	(3.6%)
Subordinated bonds	773,192	759,665	1.8%
Mortgage bonds	99,222	104,182	(4.8%)
Total bonds	**7,059,174**	**7,280,121**	**(3.0%)**
Credit letters	34,479	46,251	(25.5%)
Total issued debt instruments	**7,093,653**	**7,326,372**	**(3.2%)**
Loan to deposit adjusted[2]	**100.7%**	**92.1%**	**+ 857 bp**

1. Santander Chile is the exclusive broker for mutual funds managed by Santander Asset Managment S.A. Administradora General de Fondos, a subsidiary of SAM Investment Holdings Limited.
2. (Net loans excluding the portion of mortgages financed with bonds and credit letters) / (Demand and time deposits.) Mortgages are mostly long-term-fixed-rate loans financed mainly with long term liabilities and not short-term deposits. For this reason, for the computation mortgages are subtracted from the numerator.

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

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

Total loan market share and by products
(%)



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

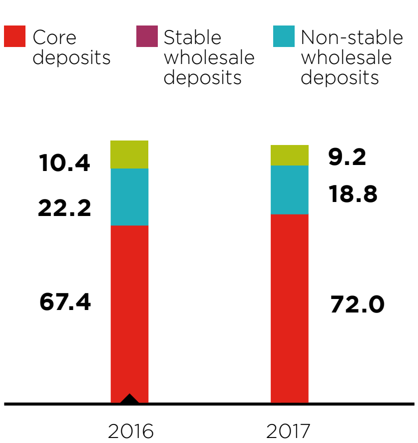
In line with the Bank's strategy of maintaining a mainly retail and more permanent funding base, and hence more competitive in terms of costs, during the period the Bank focused on increasing retail deposits which grew 5.3%, and thus moving from a 67.4% of total deposits in 2016 to 72.0% in 2017. On the other hand, structural deposits from wholesale clients decreased from 22.2% of total deposits to 18.8% over the same period, while non-structural deposits from wholesale clients dropped from 10.3% to 9.2% of total deposits. It should also be noted that Santander Chile is one of the local banks with the lowest exposure to wholesale financing as a percentage of total funds.

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

In 2016 the Bank issued close to US$3,800 million in international markets building a comfortable liquidity position. The latter added to the moderate growth in total loans in 2017 allowed the Bank to optimize its funding base taking advantage of specific opportunities that appeared during the year. In the local market the Bank issued bonds for a total of UF 10 million (inflation linked currency) and $160 billion in peso denominated bonds. In international markets, and relying on the Bank's international issuances program EMTN, several Private Placements in US$ and AUD were done at interest rates below the equivalent local alternative. In addition, in December Santander took advantage of a specific opportunity in US$ financing anticipating the FED's interest rate increase and securing a low financing rate. In fact, a US$500 million three-year tenor bond was issued in the U.S. market, which reached a 2.669% IRR equivalent to a 72bp spread over Treasury, making it the lowest coupon rate ever obtained by a Chilean issuer in the American market for that tenor. Finally, throughout the year several bond repurchases were carried out over the normal course of business, given that as the maturity date approaches they lose computability for liquidity metrics. These transactions reflect the Bank's ongoing capability of accessing markets in advantageous conditions, maintaining an adequate diversification in the funding base, and a positive perception from national and international investors regarding Santander Chile.

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

Deposit Structure as of December 31, 2017
(%)



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

RESULTS BY BUSINESS SEGMENT

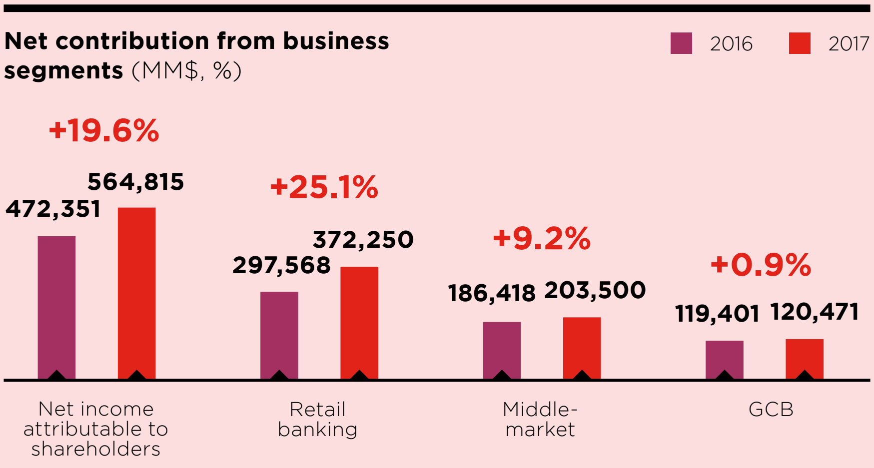
Operating result of the Bank's business segments increased 9.1% in 2017. Said percentage includes net interest income, net fees, financial transactions, net, and loan loss provision expenses, and excludes other corporate activities like the impact of inflation in results, exchange rate changes and the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

Net contribution from the retail segment (individuals and SMEs) increased 25.1%, a reflection of a larger interest income thanks to the growth of loan volumes and a better funding mix, higher fee income linked to the increase in the loyal client base, lower loan loss provisions due to the improvement in asset quality –as a result of the loan growth mix change over the last years- and flat operating expenses, following the Bank's efforts to increase productivity and efficiency with investments in technology, rationalization of the distribution network and changes in client attention models.

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

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

Net contribution from business segments (MM$, %)



Operating results by business segment[1] (MM$)	**Retail (Individuals and SMEs**[2]**)**	**Middle-market**[3] **(BEI)**	**Global Corporate Banking**[4]	**Total business segments**
Net interest income	970,332	264,663	100,808	1,335,803
Annual change (%)	4.2%	8.0%	6.0%	5.1%
Net fee income	206,449	36,280	27,626	270,355
Annual change (%)	4.9%	17.6%	10.2%	7%
Core income[5]	**1,176,781**	**300,943**	**128,434**	**1,606,158**
Annual change (%)	**4.3%**	**9.1%**	**6.9%**	**5.4%**
Financial transactions, net[6]	20,595	13,751	50,714	85,060
Annual change (%)	(2.6%)	(29.8%)	(9.3%)	(12.0%)
Loan loss provisions	(290,156)	(19,312)	4,008	(305,460)
Annual change (%)	(9.8%)	(24.4%)	n.m.	(12.7%)
Net operating profit[7]	**907,220**	**295,382**	**183,156**	**1,385,758**
Annual change (%)	**9.6%**	**9.5%**	**5.7%**	**9.1%**
Operating expenses	(534,970)	(91,882)	(62,685)	(689,537)
Annual change (%)	1.0%	10.2%	16.24%	3.3%
Net contribution	**372,250**	**203,500**	**120,471**	**696,221**
Annual change (%)	**25.1%**	**9.2%**	**0.9%**	**15.4%**

1. Excludes results from Corporate Activities.
2. SMEs: companies with annual sales below $1,200 million.
3. Middle-market: companies with annual sales between $1,200 million and $10,000 million, companies from the real estate sector with annual sales over $800 million, large companies with annual sales over $10,000 million and institutions like universities, government entities and regional local governments.
4. Global Corporate Banking: local and foreign multinational companies with annual sales in excess of $10,000 million.
5. Core income: net interest income + net fee income from businesses.
6. Financial transactions, net: net income from financial operations + foreign exchange net gain (loss).
7. Net operating profit: net interest income + net fee income + financial transactions, net – loan loss provisions from the business segments.

NET INTEREST INCOME

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

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

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

On the other hand, the Bank has more inflation adjusted assets than liabilities, so net interest income was negatively affected by the lower inflation. The UF (unidad de fomento, or inflation adjusted currency), the relevant indicator for the Bank, again recorded a lower profile when compared to the previous year, especially during the third quarter with a -0.03% change. In total, the UF increased 1.7% in 2017, below the 2.8% of 2016. The latter was due to lower internal inflationary pressures given the local economic scenario and the appreciation of the peso against the U.S. dollar (7.8% during 2017 and almost entirely during the second half of the year) following the increase in copper prices. Finally, the maximum conventional interest rate (which acts as a cap on rates on the Chilean financial system) decreased during the period, which reduced the profitability of some lending products in the retail segments.
All in all, net interest margin (NIM), that is, net interest income divided by average interest earning assets, remained stable moving from 4.45% in 2016 to 4.42% in 2017.

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

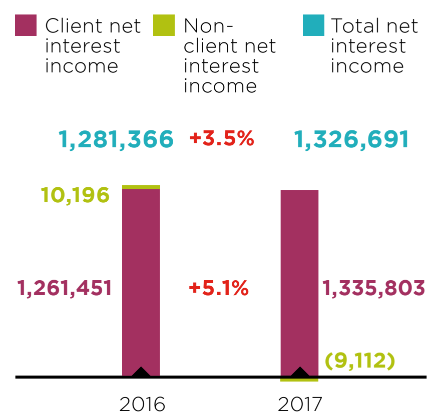
Non-client interest income reflects the effect of inflation when considering the UF gap (the difference between inflation indexed assets and liabilities), as well as the other components of interest income as the financial cost of hedges, the financial cost of the Bank's structural liquidity, the interest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

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

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

1. UF annual change

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

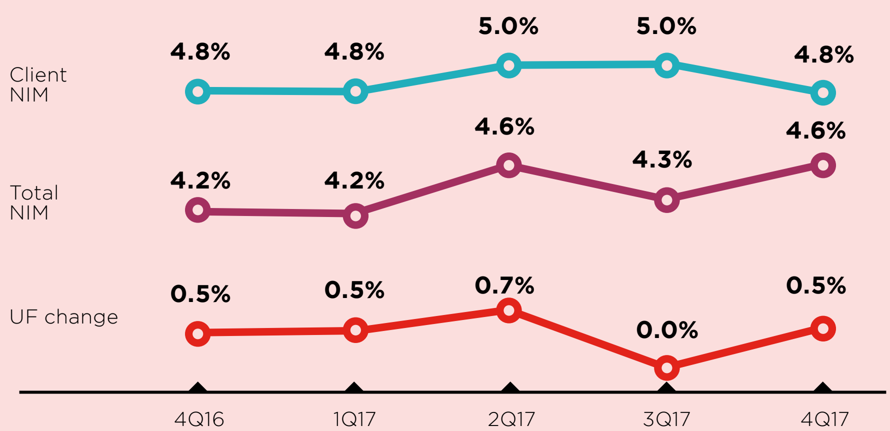


to an average of $4,087 billion in 2017. The latter implies that for every 100 basis points that inflation increases, non-client interest income records an additional $41 billion in annual income approximately all else equal). In addition, a strict policy on lending product's prices was maintained, as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

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

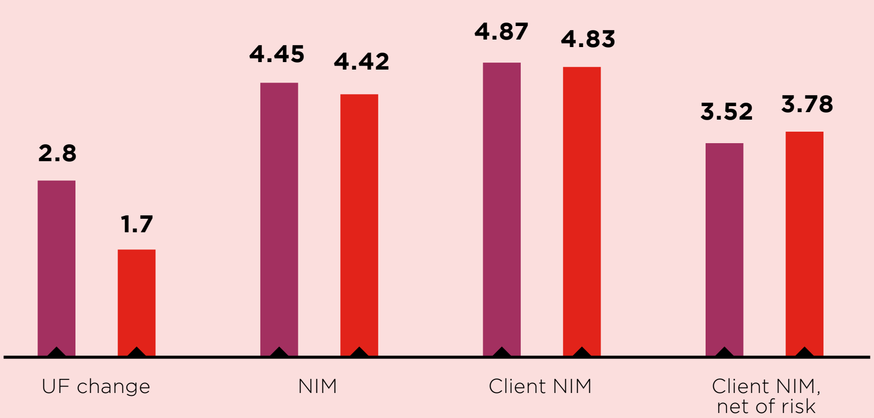
The Bank's final goal is NIM net of risk. Thus, the continuous improvement in asset quality contributed to increase net interest margin, net of loan loss provisions, from 3.26% in 2016 to 3.42% in 2017. Similarly, client NIM net of loan loss provisions, improved from 3.52% in 2016 to 3.78% in 2017.

Total[1] and client net interest margin (%)



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

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

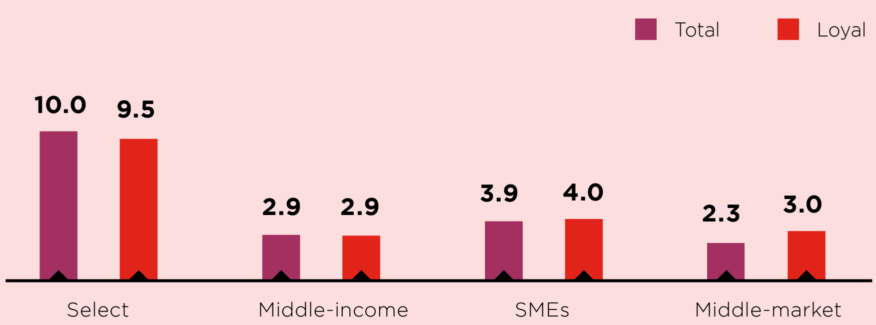


FEES

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

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

Clients (annual growth, %)



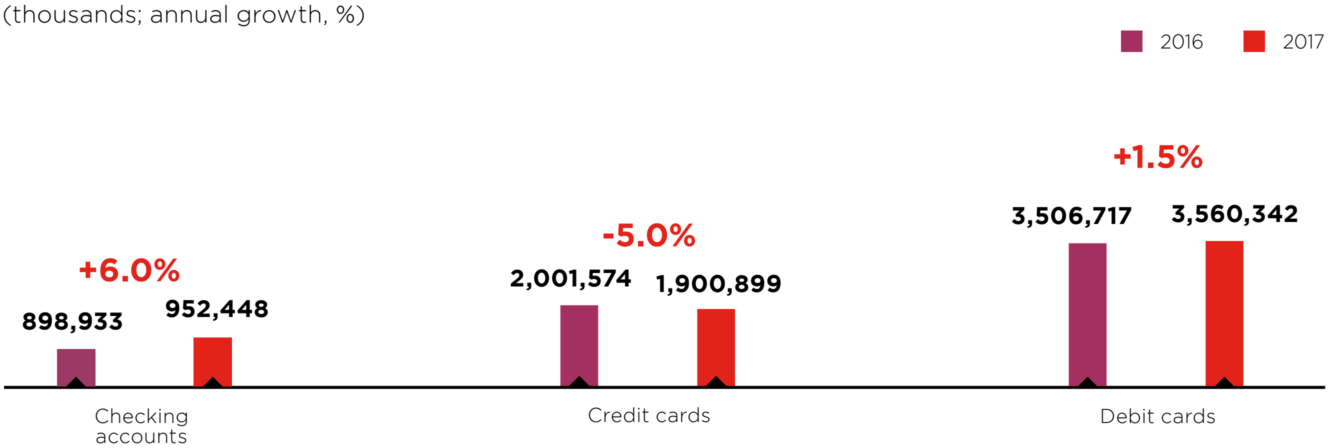
During 2017 the Bank continued innovating in client attention models with the consolidation of the new Work Café branch model and launching Life for middle and low-income individuals. These initiatives are backed by the increased digitalization of the Bank's distribution channels and products, translating into loyal client growth –understood as clients with between two to four products, and minimum levels of usage and profitability for each segment. This way, the Bank has more clients and more loyal clients.

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

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

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

Products
(thousands; annual growth, %)



FINANCIAL TRANSACTIONS

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

Client treasury results decreased 8.6% with respect to the previous year. These revenues had a very good first semester driven by Debt Capital Markets deals in the GCB segment (debt structuring), which boosts cross-selling of products in the market making business, considered as income in this line. However, during the rest of the year demand for hedging products decelerated due to lower volatility, as well as the activity levels in market making.

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

It's important to mention that in the case of client treasury results the comparison base is abnormally high. In the first quarter of 2016 an extraordinary income of $5,834 million was recorded as a result of the repurchase of bonds issued by the Bank in international markets. As well, in the second half of 2016 an abnormally high CVA result (Credit Value Adjustment, an estimate of the market value of counterparty risk included in the derivatives) was recorded in the derivatives portfolio after the Brexit vote.

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

Financial transactions

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

LOAN LOSS PROVISIONS

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

During the year the general evolution of asset quality was positive, albeit with an increase in non-performing loans (loans with one or more installments 90 days or more overdue plus the outstanding loan balance) and impaired loans (non-performing loans plus renegotiated loans) explained by a weaker labor market especially during the first half of the year. Nevertheless, the latter should be transitory and revert as the economic recuperation seen by the end of the period continues. In addition, in September an update of the provisioning model for loans analyzed on a group basis was carried out. This process incorporated a larger historical depth through the inclusion of a recessive period within the sample, and as a result the parameters for Probability of Default (PD) and Loss Given Default (LGD) were strengthened. This implied recognizing extraordinary provisions for commercial and mortgage loans, which was compensated by lower loan loss provisions for consumer loans, with which total loan loss provision expense was not significantly affected.

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

Loan loss provisions and portfolio quality (MM$, %)	**2017**	**2016**	**CHANGE 17/16**
Net established loan loss provisions	4,408	(29,770)	n.m.
Charge-offs	(386,928)	(391,814)	(1.2%)
Loan loss provisions and charge-offs	(382,520)	(421,584)	(9.3%)
Recuperations	83,315	78,298	6.4%
Net loan loss provisions	**(299,205)**	**(343,286)**	**(12.8%)**
Total loans	27,725,914	27,206,431	1.9%
Total loan loss allowances (LLR)	(815,773)	(820,311)	(0.6%)
Loan loss allowances for client loans	(815,687)	(820,139)	(0.5%)
Loan loss allowances for interbank loans	(86)	(172)	(50.0%)
Past-due loans[1] (PDL)	339,562	324,312	4.7%
Non-performing loans[2] (NPL)	633,461	564,131	12.3%
Impaired loans[3] (IL)	1,803,173	1,615,441	11.6%
Loan loss provisions and charged-off loans / total loans	1.38%	1.55%	- 17 pb
Cost of credit[4]	1.08%	1.26%	- 18 pb
PDL / Total loans	1.22%	1.19%	+ 3 pb
NPL / Total loans	2.28%	2.07%	+ 21 pb
IL / Total loans	6.50%	5.94%	+ 57 pb
Expected loss (LLR / Total loans)	2.94%	3.02%	- 7 pb
Coverage of PDLs	**240.24%**	**252.94%**	**- 1,270 pb**
Coverage of NPLs[5]	**128.8%**	**145.4%**	**- 1,663 pb**

1. Past-due loans include installments 90 or more days overdue.
2. Non-performing loans includes installments 90 or more days overdue plus the outstanding loan balance.
3. Deteriorated loans include NPLs plus renegotiated loans.
4. Cost of credit is equivalent to Net loan loss provisions over total loans.
5. Coverage of NPLs is the ratio between Loan loss allowances and Non-performing loans.

Loan loss provisions by product (MM$)	**2017**	**2016**	**CHANGE 17/16**
Consumer loans	(165,977)	(220,960)	(24.9%)
Mortgage loans	(17,220)	(19,299)	(10.8%)
Commercial loans[1]	(116,094)	(137,871)	(15.8%)
Total loan loss provisions[2]	**(299,291)**	**(378,130)**	**(20.8%)**

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

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

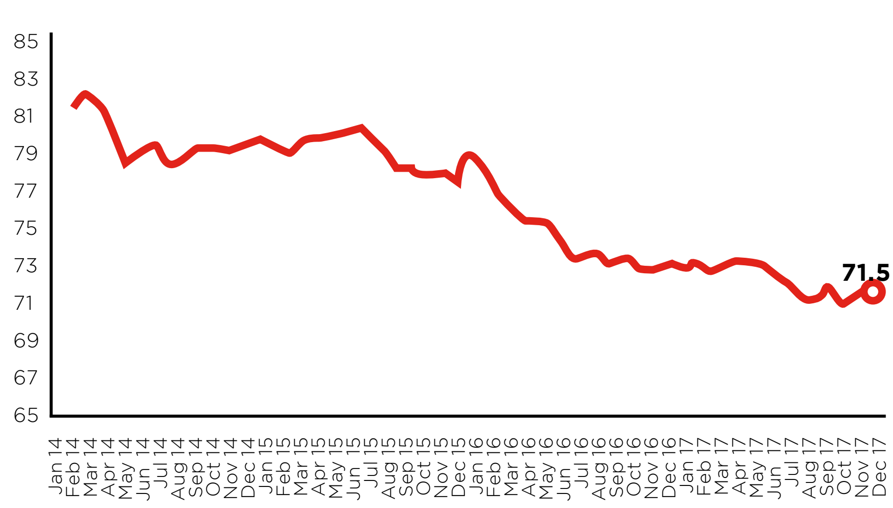
It should be noted that by the end of the year loan loss allowances cover 2.7 times the effective loan loss, understood as charge-offs net of recoveries.

By product, in the case of consumer loans a 24.9% reduction in net loan loss provisions was recorded compared to the previous year. This is explained in part by the change in the loan growth mix towards less risky segments, as well as by the continuous efforts to improve admission and recovery processes, in addition to the effect of the update in the provisioning model mentioned before. Regarding asset quality, the local economic environment and the increase in unemployment negatively impacted delinquency levels. Thus impaired consumer loans (non-performing plus renegotiated loans) increased from 6.5% in 2016 to 7.2% in 2017. Non-performing loans, on the other hand, reached 2.3% by the close of the year, almost the same as the 2.2% of 2016. Coverage decreased from 300.9% in 2016 to 275.0% in 2017, reflecting the effect of the change in the provisioning model and the growth of the portfolio.

Regarding mortgage loans, loan loss provisions fell 10.8% despite the extraordinary additional provisions recorded after the update in the provisioning model in September. Asset quality remained stable, despite a slight increase in non-performing loans and impairment during the second half of the year, reflection of the higher unemployment. Non-performing loans increased from 1.7% in 2016 to 1.8% by the end of 2017. Similarly, impaired loans reached 5.1% as of December 2017 compared to 4.6% in the same month of 2016. As well, coverage increased from 41.4% to 42.7% over the same period. It should be highlighted that the Bank has maintained strict requirements for mortgage loans with a Loan-to-value (LTV, amount of the loan over value of the property) below 80%.

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

Loan-to-value at origination (%)



OPERATING EXPENSES

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

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

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

Material issue

During the year the Bank continued advancing on the digital transformation plan launching digital On Boarding and Life, as well as new improvements to NEOCRM, thus boosting digitalization. In addition, 49 branches were closed as a consequence of the acceleration of the closure of Banefe branches, completely ending this model by year-end, but compensated with the opening of new Work Café branches, which total 20 points at the close of 2017. The latter are more productive compared to traditional branches. In this line, the renovation of traditional branches towards multi-segment formats moved ahead, making them more efficient in terms of space usage and back-office, which translates into fewer branches needed and thus lower office rental expenses. As well, the number of ATMs decreased importantly, especially those located away from branches and that were not profitable. Although this reduces income from ATM transactions, it implies lower expenses like securities and valuables transport services, which dropped 17.7% during the year. It should be noted that transactions in ATMs are being replaced by transactions in other channels like Web, Mobile and VOX. All of the abovementioned translates into that, although the number of branches decreased 11.3%, total volumes per branch (considering loans and deposits) increased 11.6%. Similarly, volumes per employee grew 1.5% with respect to the previous year.

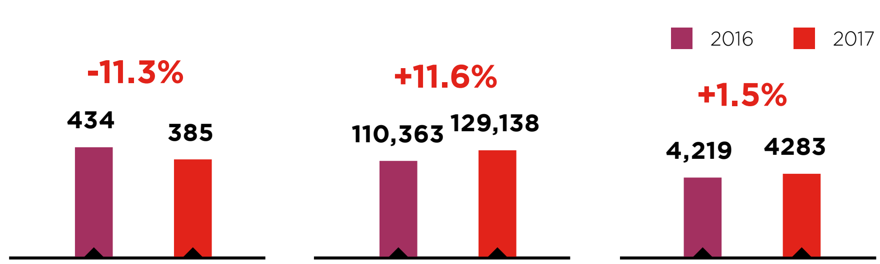
Operating expenses (MM$, %)	2017	2016	CHANGE 17/16
Personnel expenses	(396,967)	(395,133)	0.5%
Administrative expenses	(230,103)	(226,413)	1.6%
Depreciation and amortization	(77,823)	(65,359)	19.1%
Operating expenses	**(704,893)**	**(686,905)**	**2.6%**
Other operating expenses	(101,658)	(85,432)	19.0%
Impairment of property, plant and equipment	(5,644)	(234)	2,312.0%
Total other operating expenses	(96,014)	(85,198)	12.7%
Total operating expenses	**(806,551)**	**(772,337)**	**4.4%**
Efficiency[1]	**41.0%**	**42.7%**	**- 173 bp**

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

Branches
(Nº)

Productivity per branch (volumes[1] pre branch)
(MMM$)

Productivity per employee (volumes[1] per employee)
(MMM$)



1. Volumes = loans plus deposits

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

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

When including total other operating expenses, total expenses increased 4.4% with respect to 2016, which compares favorably with the 8.0% growth recorded the previous year. This is explained by a larger amount of charge-offs of assets received in lieu of payment. Also, during 2017 an extraordinary expense in severance payments for $12 billion approximately was registered, similar to the $10,789 million of the previous year, both part of the cost efficiency plan mentioned before. As well, during the third quarter an extraordinary impairment of intangibles for $5,290 million was recorded, mainly obsolete software and fixed assets. These expenses were partially compensated by higher recuperations in charged-off assets received in lieu of payment, together with a release of provisions for contingencies for $29,903 million constituted in 2016, and which had a favorable result for the Bank in 2017.

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

TAXES

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

Taxes (MM$)	2017	2016	CHANGE 17/16
Net income before tax[1]	**720,874**	**581,836**	**23.9%**
Price level restatement of capital[2]	(72,851)	(101,027)	(76.8%)
Net income before tax adjusted by price level restatement	**648,023**	**480,809**	**45.1%**
Statutory tax rate	25,5%	24,0%	+ 150 bp
Income tax expense at statutory tax rate	**(165,246)**	**(115,394)**	**54.1%**
Tax benefits[3]	21,633	8,274	386.0%
Income tax	**(143,613)**	**(107,120)**	**28.5%**
Effective tax rate	**19.9%**	**18.4%**	**+ 68 bp**

1. This table is for informational purposes only. Please refer to note 12 in the consolidated financial statements for more details.
2. For tax purposes, capital is indexed to CPI inflation. The statutory tax rate is applied over net income before tax adjusted for price level restatement.
3. Includes mainly income tax credits from property taxes paid on leased assets as well as the impact from the fluctuation in deferred taxes and liabilities. This difference originates in the different treatment of provisions and charge-offs in the Bank's financial and tax accounting.

BALANCE SHEET STRENGTH

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

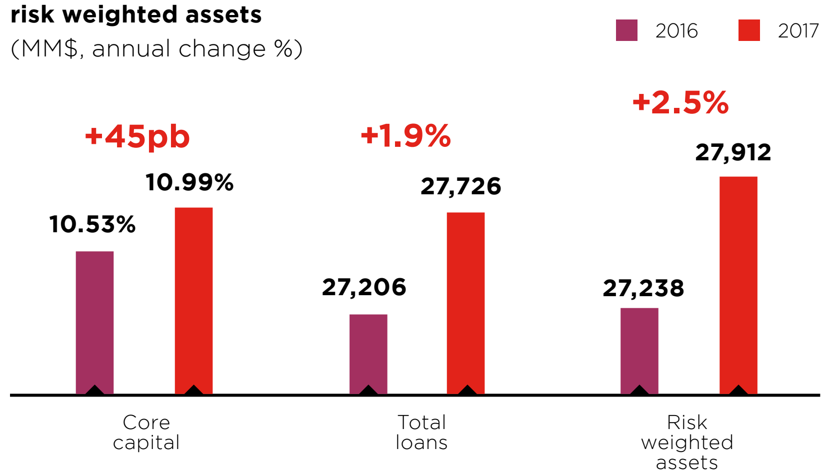
This position is a reflection of the Bank's strategic focus in the efficient use of capital, allocating it to highly profitable operations relative to their capital consumption. Thus, these figures show Santander's capability to grow while at the same time keep a solid capital position. It should be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

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

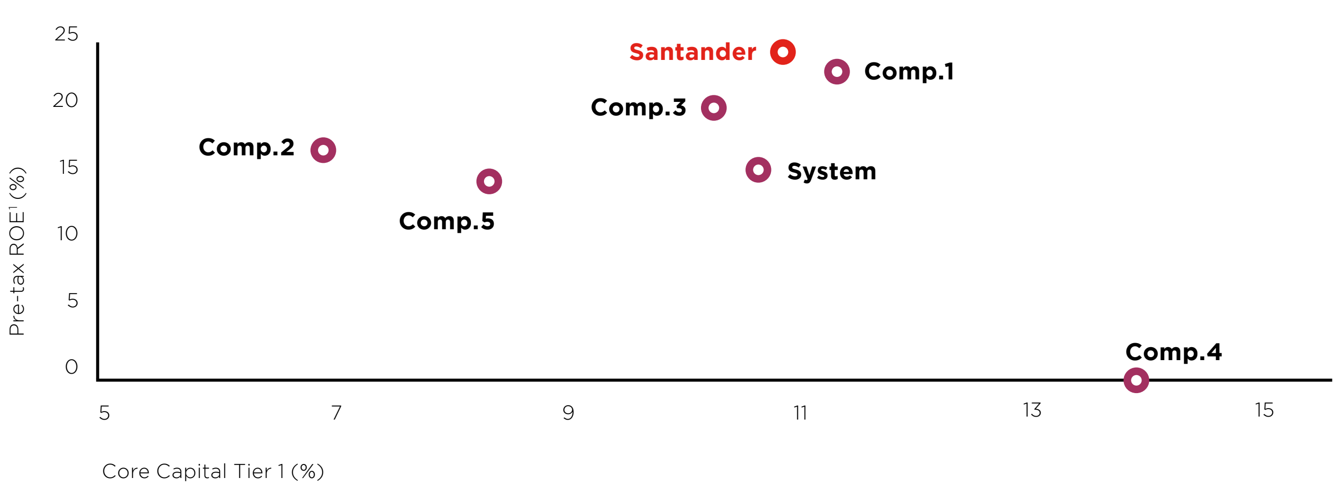
Capital adequacy (MM$, %)	**2017**	**2016**	**CHANGE 17/16**
Basic capital	3,066,180	2,868,706	6.9%
Tier II capital	815,072	789,001	3.3%
Effective equity	**3,881,252**	**3,657,707**	**6.1%**
Total assets[1]	38,713,600	39,713,043	(2.5%)
Consolidated risk weighted assets	27,911,834	27,237,835	2.5%
Basic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

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

Core capital; total loans; and risk weighted assets
(MM$, annual change %)



ROE / Core capital relation (%)



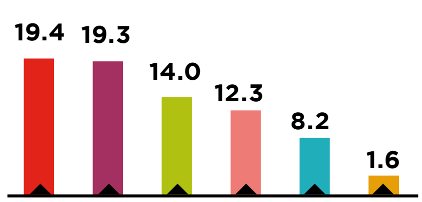
1. Pre-tax ROE = Net income before taxes / average equity.
Source: SBIF as of December 2017.

COMPARISON WITH THE COMPETITION

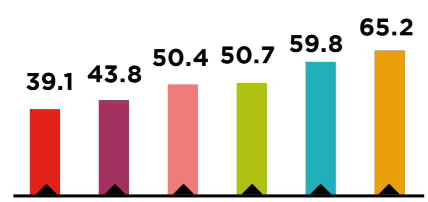
One of the fundamental pillars of Banco Santander Chile's long term Strategic Plan has been its high efficiency. The Bank seeks to allocate its resources efficiently, investing in projects that increase productivity and maintain it at the forefront of the industry. At the close of 2017, Santander Chile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

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

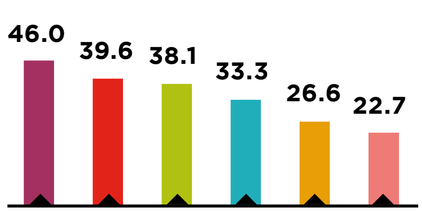
ROE[1]
(%, at December 31, 2017)



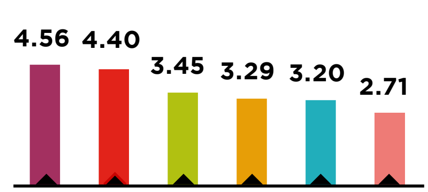
Efficiency[2]
(%, at December 31, 2017)



Recurrence[3]
(%, at December 31, 2017)



Net interest margin[4]
(%, at December 31, 2017)



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

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

Source: Superintendencia de Bancos e Instituciones Financieras

Our team

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

MOVING AHEAD IN THE SPF CULTURAL CHANGE

STAGE 1
ASSIMILATION
November 2015 – June 2016

→

STAGE 2
INTERNALIZATION
July 2016 – December 2018

→

STAGE 3
SETTLEMENT
January 2019 >

SPF INITIATIVES

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

Some of the initiatives are:

1

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

2

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

3

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

4

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

5

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

6

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

7

SANTANDER ACKNOWLEDGES YOU, AWARDS TO EMPLOYEE'S OVERCOMING SPIRIT: throughout 2017, Santander rewarded some of the many employees that have demonstrated outstanding commitment and human qualities.

THE BEST PLACE TO WORK

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

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

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

As well, in the Commitment Survey, Santander Chile achieved the best results in SPF culture perception within Santander Group, with a five points increase with respect to 2016, also being the dimension that improved the most. It's important to highlight that this survey allows monitoring employee perception regarding the installation of the SPF culture in the organization, as well as the Simple, Personal and Fair attributes facing clients.

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

NEW ORGANIZATIONAL CHART

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

1

Identify roles and their contribution to the organization more objectively.

2

Ease the analysis and market research locally and globally.

3

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

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

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

GPtW: sustained improvement

In 2017 the largest number of employees participated:

90%
of the workforce was part of the process

9,961
employees

The satisfaction index improved four points:

83%
Satisfaction 2017

79%
Satisfaction 2016

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

The implementation in figures

5
massive talks in the auditorium

4
meetings with unions

20
focused meetings

120
CAV queries

530
new roles

5,462
positions created

9,000
employees with role change

Material issue

MOVEMENTS

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

TALENT DEVELOPMENT

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

- International initiatives are corporate programs that aim to promote high performance professionals and cover succession needs, which in 2017 were complemented with Talent in Motion:

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

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

* Includes total participants in Santander World and Cross Borders.

SANTANDER ACADEMY

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

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

SPECIFIC TRAINING

- Skills
- Technical knowledge

LEADERS

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

INTERNAL KNOWLEDGE

- Sharing internal know-how

CORPORATE PROGRAMS

- SPF systematic
- BEI style

SELFMANAGEMENT

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

GOOD PRACTICES

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

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

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

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

BOOSTING CO-WORK

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

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

1

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

2

Agile cells: the Technology and Operations Division has been driving since the end of 2016 the Agile methodology, conceived in the United States in 2001 as a way to develop projects incorporating variables such as speed and flexibility, based on an essentially collaborative mode that allows for specific goals and permanent monitoring. From this approach the work system includes people from different areas that work in a flexible, efficient and non-hierarchical manner.

3

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

REMUNERATIONS

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

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

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

RETRIBUTION/VARIABLES

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

SALARY READJUSTMENTS BY GENDER (total workforce)

women: 1,671 (average increase: 18.4%)

men: 1,169 (average increase: 15.5%)

SALARY READJUSTMENTS FOR PERFORMANCE

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

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

75% above the system's average

REMUNERATION (nominal increase)

Santander: 6.4% vs banking system: 3.8%

VOLUNTARY ROTATION

3.6%, the lowest in the banking system

Source: Human Resources Division, Banco Santander Chile

Material issue

INCLUSION AT SANTANDER

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

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

- Two events were held:
  - A breakfast with the CEO and Country Head Claudio Melandri and employees with disabilities.
  - Another acquaintance meeting between employees with visual disabilities from VOX and the Human Resources and Communications Division.
- A universal accessibility diagnostic was carried out (for more details see inset on the right).
- A sign language course was conducted in which 20 people participated, figure that is projected to increase in 2018.
- Another 45 employees were trained in sensibility, with the aim of preparing them to welcome and interact adequately with people with disabilities that currently work at the Bank, or that will work in the future.
- The Bank's selection processes are being adjusted and workstations are being adapted whenever necessary, in addition to the installation of Jaws software, especial for blind people.

MAKING AN ACCESSIBLE BANK

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

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

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

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

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

BEST COMPANY FOR EMPLOYEE FINANCIAL FUTURE

Santander was recognized as "Best of the Best" in this award, an initiative developed by Principal in collaboration with People First and La Tercera newspaper, distinguishing companies that have a greater commitment to contribute in the wellbeing and financial future of their employees.

BENEFITS AND INCENTIVES

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

CORPORATE VOLUNTEERING

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

Leaves / Permits

199 for marriage or civil union agreement

229 for birth (parents)

8,938 family special

305 final degree examinations

4,716 plus permits

5,748 free evenings

Benefits for parents

620 birth bonus and presents

602 employees benefited with day-care

1,219 employees benefited with kinder garden

Be-healthy program

12,000 ecological backpacks delivered

234 people participated in talks

528 people attended healthy nutrition workshops

UNIONS

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

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

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

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

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

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

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

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

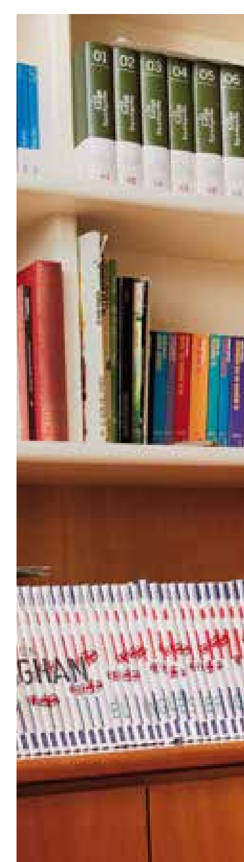
The client at the center

Material issue

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

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

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



620,386
Loyal clients

3.0%
Loyal client growth

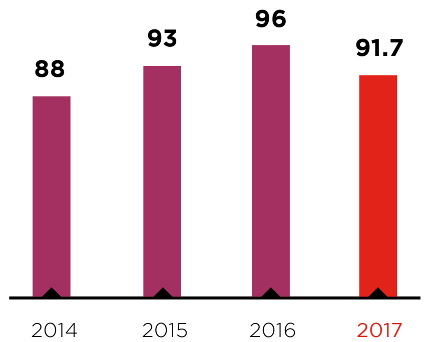
8.9%
Consumer loan growth (installment loans)

QUALITY PLAN

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

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

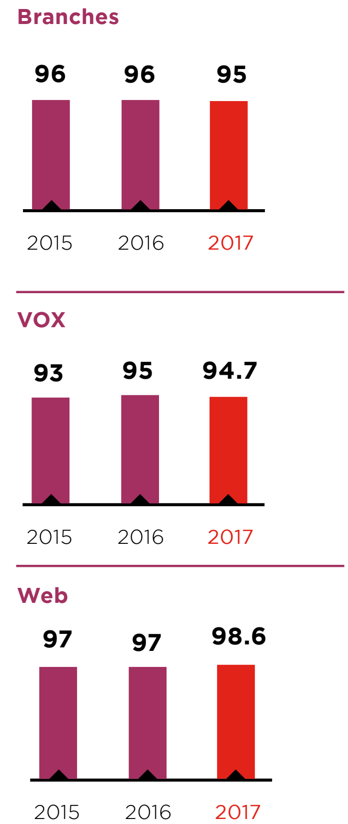
Customer satisfaction evolution
(%) / Considers grades 5, 6 and 7



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

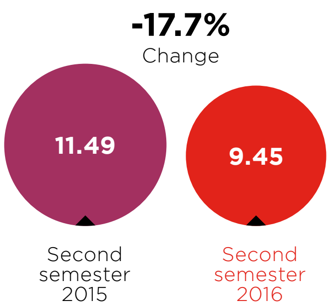
In terms of customer satisfaction a generalized reduction can be observed at an industry level –after successive years of important improvements-, of which Santander was not exempt. Despite this, the Bank maintained its relative position against the relevant competition with a high customer satisfaction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

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



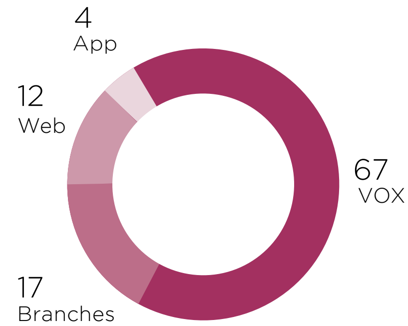
Source: Internal research GfK Adimark (VOX and Web). Eol Research (branches)

Sernac Financiero ranking (Complaints per 10,000 debtors)



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

Complaints per attention channel (%)



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

REDUCTION OF COMPLAINTS

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

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

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

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

ADVANCES IN THE COMMERCIAL ATTENTION MODEL

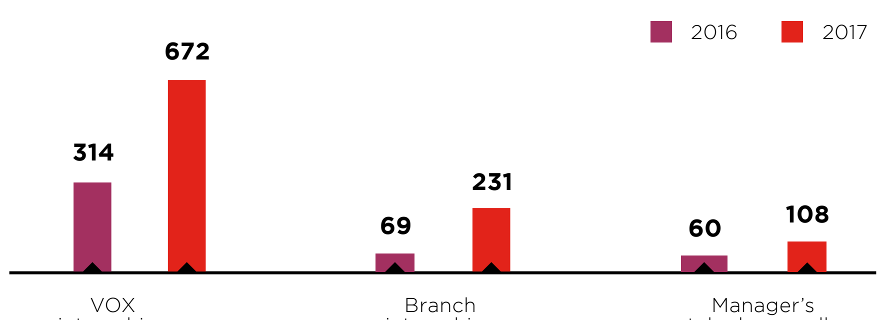
Banco Santander has been a pioneer in modernizing its commercial network introducing models which have transformed customer habits, making available to them all the advantages offered by technology and digital development. During 2017, the Bank continued to move from a carterized model –in which the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

CONECTA PROGRAM

Started as a pilot plan which put in contact Central Service's areas with client's requirements and expectations, the Conecta program was transformed into a permanent action that was expanded to a larger number of employees and extended to the 33 branches with the highest client influx.

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

Figures 2017/2016 (Nº)



WORK CAFÉ

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

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

In addition, through the Work Café Banco Santander made available to customers and non-customers a co-work space that fosters entrepreneurship, collaborative work and the exchange of experiences between professionals of different disciplines.

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

In addition, the integrated model for middle-income individuals was launched, which has various advantages: first, the client does not depend on its account executive as it is served by a group of trained executives for these effects; second, there's always someone available to serve the customer; and finally, can be attended at any branch or through VOX. This model was launched in mid-2017 in two zones and is being expanded towards the rest of the country.

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

NEW INCENTIVES MODEL

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

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

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

NEO EVOLUTION

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

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

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

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

m Material issue

DIGITAL BANKING

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

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

1

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

2

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

3

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

4

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

In 2017 focus was set on three fundamental aspects:

Put the customer at the center of the experience.

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

Do things efficiently from a profit and loss standpoint.

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

Demand generation.

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

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

MAIN INITIATIVES

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

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

On Boarding

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

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

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

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

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

Home Banking

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

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

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

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

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

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

Material issue

NUMBER ONE IN DIGITAL BANKING

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

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

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

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

Material issue

Office Banking

The substantial increase in 2017 in the Bank's amount of digital transactions had an important incidence factor in Office Banking. The total volume of transactions duplicated, reaching 30 million per month. Also, increasing client availability and performance indicators were registered (availability refers to the capability of opening the application in less than five seconds; performance relates to the capability of operating in the application within the same time). In December 2017 these indicators reached 99.8% and 98.9%, respectively.

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

Santander App

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

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

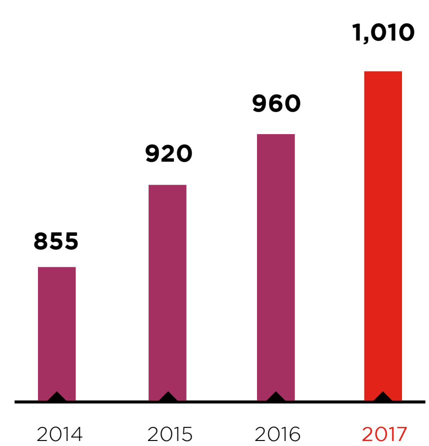
Availability and performance indicators were also significant, reaching 99.3% and 97.9%, respectively, in December 2017.

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

DIGITAL CLIENTS

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

Evolution of digital clients (thousands)



Source: Technology and Operations Division

MERITOLIFE

1

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

2

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

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

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

LIFE, A REWARD FOR CLIENTS

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

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

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

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

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

1

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

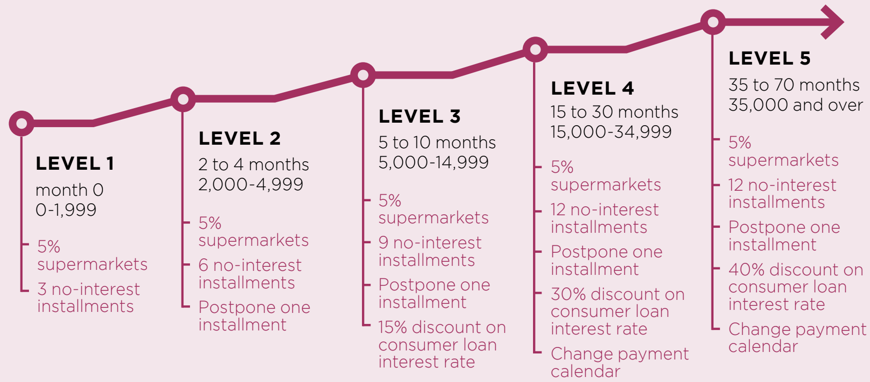
2

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

3

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

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



ACKNOWLEDGMENT LEVELS

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

life

SANTANDER LIFE CREDIT CARD

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

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

SANTANDER LIFE APP

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

MEANS OF PAYMENT

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

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

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

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

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

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

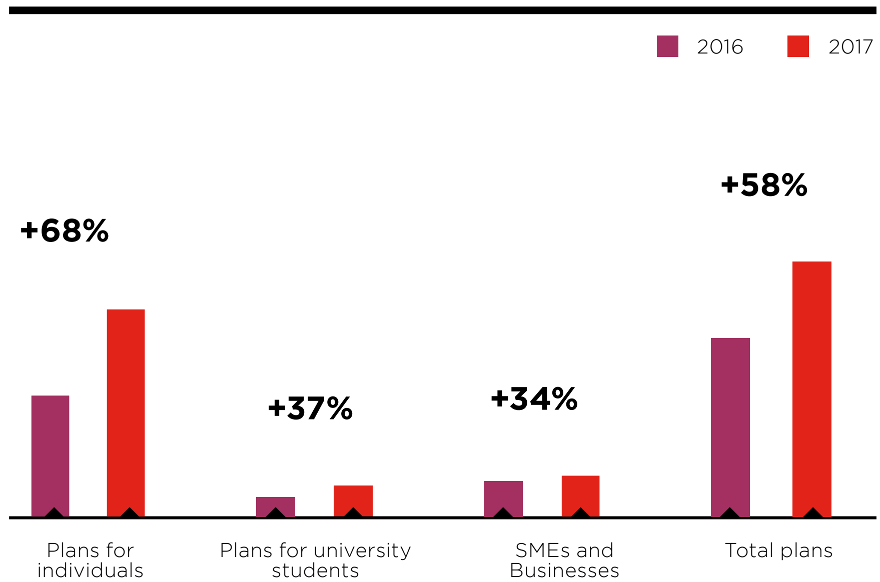
In addition, the value offer for the university segment was updated with new products, which implied a 37% increase in the sale of new plans for this client group.

CARD IN 10 MINUTES

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

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

Increase in sales of plans
(%)



AGREEMENT FOR SMES

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

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

1 millon
monthly calls
through VOX

1,116
VOX
executives

MM$26,631
monthly sales
through VOX

SANTANDER TOCTOC ALLIANCE

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

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

OMNICHANNEL STRATEGY

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

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

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

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

In response to the multi-contact which clients are looking for, the online Chat was created on the Bank's public website. This is a virtual branch for clients and non-customers to talk to executives on real-time and solve their banking concerns, without the need to be derived to another attention channel. The VOX chat is available every day of the week and counts with an assistance service in case of emergencies or unexpected situations, and works in extended schedule. The number of daily contacts in this platform reaches one thousand people.

These advances were complemented with a seven-week training program for all executives, and improvement of profiles and the induction process, pointing towards satisfying client's needs, empathizing with their emotions and thus achieve higher loyalty levels. These initiatives have had such a positive impact that, in 2017, in the evaluation at the end of calls, 97% of clients are satisfied with their attention and 96% say their requirements were solved.

The latter not only adds value to clients, but also directly impacts on the Bank's revenues. In 2017, 21% of checking account plans and 16% of consumer loans were sold through VOX.

Value creation for shareholders

Banco Santander Chile is the country's leading financial institution, by market share as well as by capital strength and profitability. The Bank specializes in the financing business, product innovation, risk management, and strong orientation towards customer quality of service with a marked retail vocation. The Bank has an active participation in the local market, leveraging on Santander Group's international network.

The Bank originates in 1978 with the opening of a subsidiary of Banco Santander in Chile mainly dedicated to international trade. In 1982 the assets and liabilities of Banco Español Chile, at the moment under liquidation, are acquired. During the following years the Bank develops an integral financial group concept, incorporating innovative technological solutions to better serve clients.

In 1993 Fincard is acquired, to that date the largest credit card processing company in the country, thus entering the low-income segment. The next year is launched SuperHipoteca, a product that creates great impact at a national level, allowing the Bank to duplicate its business volume in only eight months. Financiera Fusa is acquired in 1995, which is merged with Fincard giving birth to Banefe, Santader's specialized division to serve middle and low-income individuals.

Santander Chile merges with Banco Osorno y la Unión in 1996, turning into the largest bank in the country with leading positions in all business segments. Furthermore, in 2000, the www.santander.cl web portal is launched and in 2001 the Universia portal is created with the support of Santander Group and the country's main universities. That same year a bancarization effort through Banefe is started.

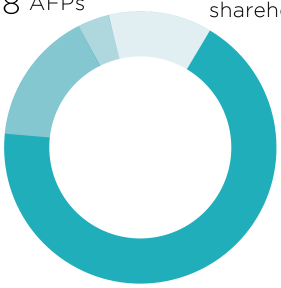
In July 2002 an Extraordinary Shareholders' Meeting is held in which the merger between Banco Santander Chile and Banco Santiago is approved, through the incorporation of the former into the latter. This operation gives birth to the largest bank in the country leading in all business segments. Since then the Bank maintains a universal bank profile with a marked retail orientation, with presence in all business segments and the largest distribution network spread across the country.

SHAREHOLDER STRUCTURE

Banco Santander's basic capital as of December 31, 2017 is divided into 188,446,126,794 ordinary shares, of only one class, without par value. Each share represents one vote. The shares trade in the Santiago Stock Exchange and in the New York Stock Exchange (NYSE) as ADRs (American Depositary Receipts).

The largest shareholder is Santander Spain, which controls 67.18% of the company through Santander Chile Holding S.A. and Teatinos Siglo XXI Ltda. The rest of the shareholders include Pension Fund Administrators (AFP), which as of December 31, 2017 conjointly hold 3.68% of the shares, and other minority shareholders. Among the latter are included ADR holders, which hold as a group 16.58% of the property.

Banco Santander Chile Shareholder Structure
(% as of December 31, 2017)



Business name or shareholder name	# SHARES	% OVER TOTAL
Santander Chile Holding S.A.	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones S.A.	59,770,481,573	31.72
Santander Group	**126,593,001,268**	**67.18**
The Bank Of New York Mellon (ADRs)	31,238,866,071	16.58
Banco de Chile on behalf of third parties	5,364,197,536	2.85
Itau-Corpbanca on behalf of third parties	5,167,453,600	2.74
Banco Santander on behalf of third parties	3,086,841,253	1.64
A. F. P. Habitat S. A.	1,812,969,102	0.96
A. F. P. Provida S. A.	1,804,545,502	0.96
A. F. P. Cuprum S. A.	1,421,624,255	0.75
A. F. P. Capital S. A.	1,283,622,517	0.68
Banchile Corredores de Bolsa	971,198,701	0.52
Santander Corredores de Bolsa Limitada	674,919,074	0.36
LarrainVial S.A. Corredora de Bolsa	382,514,907	0.20
B.C.I. Corredor de Bolsa S.A.	370,367,814	0.20
A. F. P. Modelo S. A.	358,315,142	0.19
A. F. P. Planvital S. A.	259,898,955	0.14
Bice Inversiones Corredores de Bolsa S.A.	257,346,618	0.14
Banchile Administradora General de Fondos	255,962,118	0.14
Valores Security S.A. Corredores de Bolsa S.A.	254,065,196	0.13
Corpbanca Corredores de Bolsa S.A.	238,452,951	0.13
Banco Santander - HSBC Bank PLC Londres	194,382,008	0.10
Btg Pactual Chile S.A. Corredores de Bolsa S.A.	155,481,106	0.08
Fondo Mutuo Santander Acciones Chilenas	135,575,202	0.07
Inversiones Antares S.A.	134,122,227	0.07
Aberdeen Chile Fund, Inc.	113,001,987	0.06
Fondo Mutuo Security Chile Long-Short	107,789,111	0.06
Soc. Adm. de Fondos de Cesantía de Chile	107,612,837	0.06
Fondo Mutuo Etf It Now Ipsa	98,572,123	0.05
Fondo Mutuo Tanner Capitales	96,585,783	0.05
Nevasa Corredores de Bolsa S.A.	91,744,175	0.05
Other 11,475 shareholders	5,415,097,655	2.87
Total shares	**188,446,126,794**	**100.00**

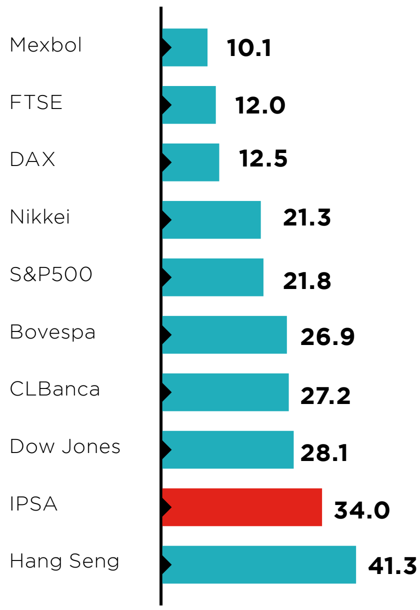
STOCK PRICE PERFORMANCE

Although the economy had a weak performance during 2017, the better external scenario, the significant increase in copper prices, an improvement in trust and better economic perspectives for the following years, drove a substantial increase in the price of local assets. During the year the IPSA climbed 30.6% (34.0% total return) in a context in which the global stock exchanges had good performances, for example, the Dow Jones increased 28.1%.

Regarding the shares of Banco Santander Chile, the market was optimistic about the evolution of its strategy and results. The latter triggered an important demand for the stock, both internal and external. This way, Santander Chile's share price increased 29.3% closing the year at $48.2 (US$31.3 per ADR) and creating value for shareholders for MMUS$3,339 in 2017. When adding the dividend paid during the year, which amounts to 70% of the attributed net income of 2016 for an amount of $1.75459102 per share, total return perceived by shareholders during the year reached 35.1% (49.3% per ADR). This figure compares with a 34.0% for the IPSA and the 27.2% for the average of the banks trading in the Santiago Stock Exchange represented by the CLBANCA index.

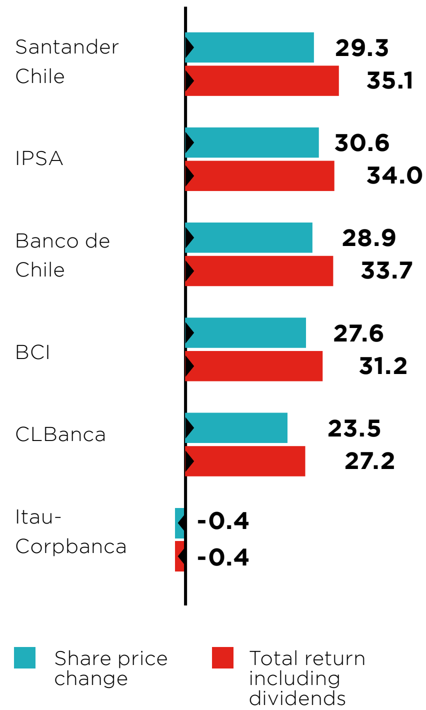
In terms of valuation, the Bank maintains its position among the most valued banks in the world, trading by year-end at a price/book value ratio of 2.9 times, above the average of banks in different latitudes. The high multiples at which the Bank's shares trade reflect the optimism regarding future performance expectations for the institution, the market's positive evaluation on its strategy and the good financial results achieved by the Bank during the year.

Total return, global markets
(%)

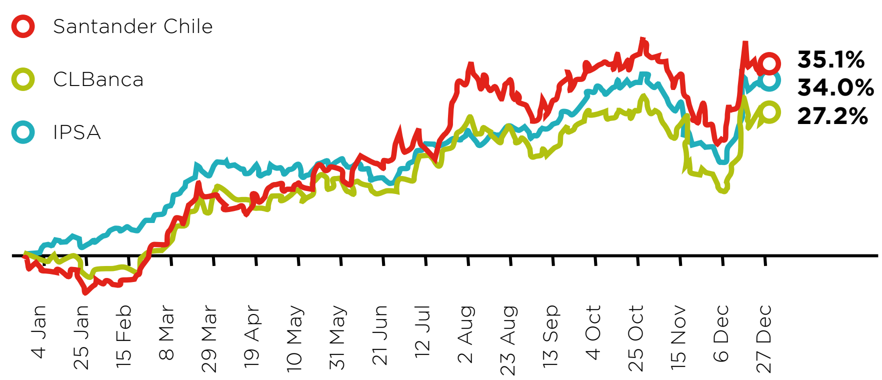


Source: Bloomberg

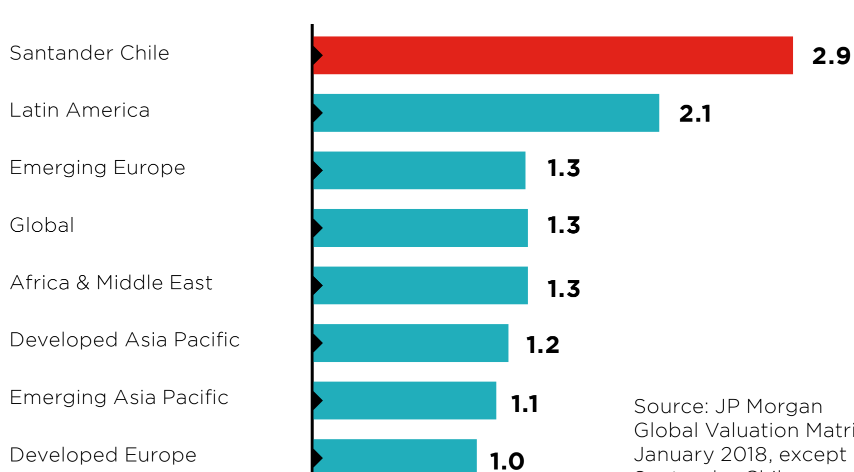
Chilean bank's stock performance 2017
(% change in pesos)



Total return, compared performance (%)



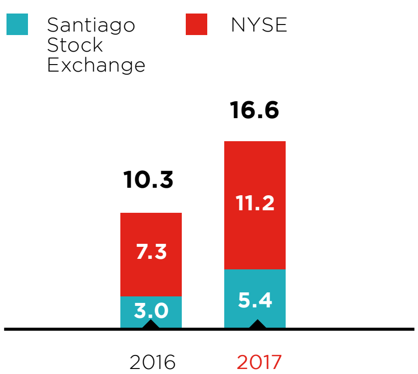
Price / book value multiple (times)



Source: JP Morgan Global Valuation Matrix, January 2018, except Santander Chile

Santander Chile's stock is one of the most traded at a local level considering transactions in the Santiago Stock Exchange and the NYSE. For the year 2017 as a whole, the average daily traded volume reached MMUS$16.6 of which MMUS$5.4 correspond to the local share and MMUS$11.2 to the ADR. This figure is 20.9% higher compared to the one registered in 2016. In terms of shares, the average daily traded volume exceeds 251 million shares, 62.1% higher than in 2016.

Average daily traded volume (US$ millions)



Source: Bloomberg

Stock indicators	2017	2016	CHANGE 17/16
Closing share price ($)	48.2	37.3	29.3%
High share price ($)	50.7	38.1	33.1%
Low share price ($)	34.7	29.1	19.1%
Closing ADR price (US$)	31.3	21.9	43.0%
High ADR price ($)	32.1	23.5	36.5%
Low ADR price ($)	21.4	16.0	33.7%
# shares (million)	188,446.1	188,446.1	n.a.
ADR ratio	400.0	400.0	n.a.
Earnings per share ($)	3.00	2.51	19.6%
Earnings per ADR (US$)	1.95	1.50	29.7%
Dividends per share ($)	1.75	1.79	(1.8%)
Dividends per ADR (US$)	1.04	1.08	(3.0%)
Payout policy (%)	70.0	75.0	n.a.
Book value per share ($)	16.49	15.38	7.2%
Book value per ADR (US$)	10.72	9.22	16.3%
Price / earnings per share (times)	16.1	14.9	n.a.
Price / book value per share (times)	2.9	2.4	n.a.
Market capitalization (MMUS$)	14,732	10,303	43.0%
Average daily traded volume (thousands of shares)	251,527	208,064	20.9%
Average daily traded volume (MMUS$)	16.6	10.3	62.1%
Total return (including dividends) in pesos	35.1%	23.8%	+ 1,130 bp
Total return (including dividends) in dollars	49.3%	30.8%	+ 1,852 bp

PAYOUT POLICY

The Bank's payout policy is to distribute at least 30% of net income attributable to equity holders as dividends, in accordance with current dividend regulation set forth in the Ley de Sociedades Anónimas and the General Banking Law. Nevertheless, during 2017 the Ordinary Shareholders' Meeting held in April 26, agreed to distribute as dividends 70% of the net income attributable to equity holders of 2016.

It should be noted that the dividend reinvestment program oriented towards retail shareholders of Banco Santander launched in 2016, offers shareholders to reinvest their perceived dividends in shares of the Bank without paying any kind of fees. As well, shareholders can purchase and sell stock of any issuer through the Santander Shareholder's Department with preferential fees.

ACTIVITIES WITH INVESTORS

The Investor Relations area together with the Shareholders' Department of Santander Chile deployed a broad agenda of activities during the year to keep shareholders and investors in general dully informed about the Bank's business performance. To ensure a permanent and fluid contact with the different investors and minority shareholders, diverse communication channels are used, including: Shareholders' Meeting; publications like the Annual Report, 20-F Report and quarterly press releases; webpage with all the relevant information; participation in investment conferences in Latin America, Europe, U.S. and Asia; meetings and visits to branches; telephone conferences; email and SMS; and breakfasts with local investors and minority shareholders. In total more than 800 contacts were held with investors of all kinds in 10 countries. Moreover, in November 2017, the Shareholders' Department extended an invitation to minority shareholders to attend Aida opera at the Teatro Municipal de Santiago. This first class show was well attended and made participants very happy.

RISK RATING

Banco Santander is one of the best rated private companies in Latin America and emerging markets.

INTERNATIONAL RATINGS

Currently three rating companies classify Banco Santander: Moody's, Standard and Poor's (S&P) and Fitch Ratings. Moody's and S&P maintain negative perspectives, which respond mainly to the negative outlook on the sovereign risk by Moody's, and the downgrade on the sovereign from AA- to A+ in July 2017 by S&P.

Moody's

Bank deposits	AA3
Baseline Credit Assessment (BCA)	a3
BCA adjusted	a3
Senior bonds	AA3
Commercial paper	P-1
Outlook	Neg

Standard & Poor's

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

Fitch Ratings

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

LOCAL RATINGS

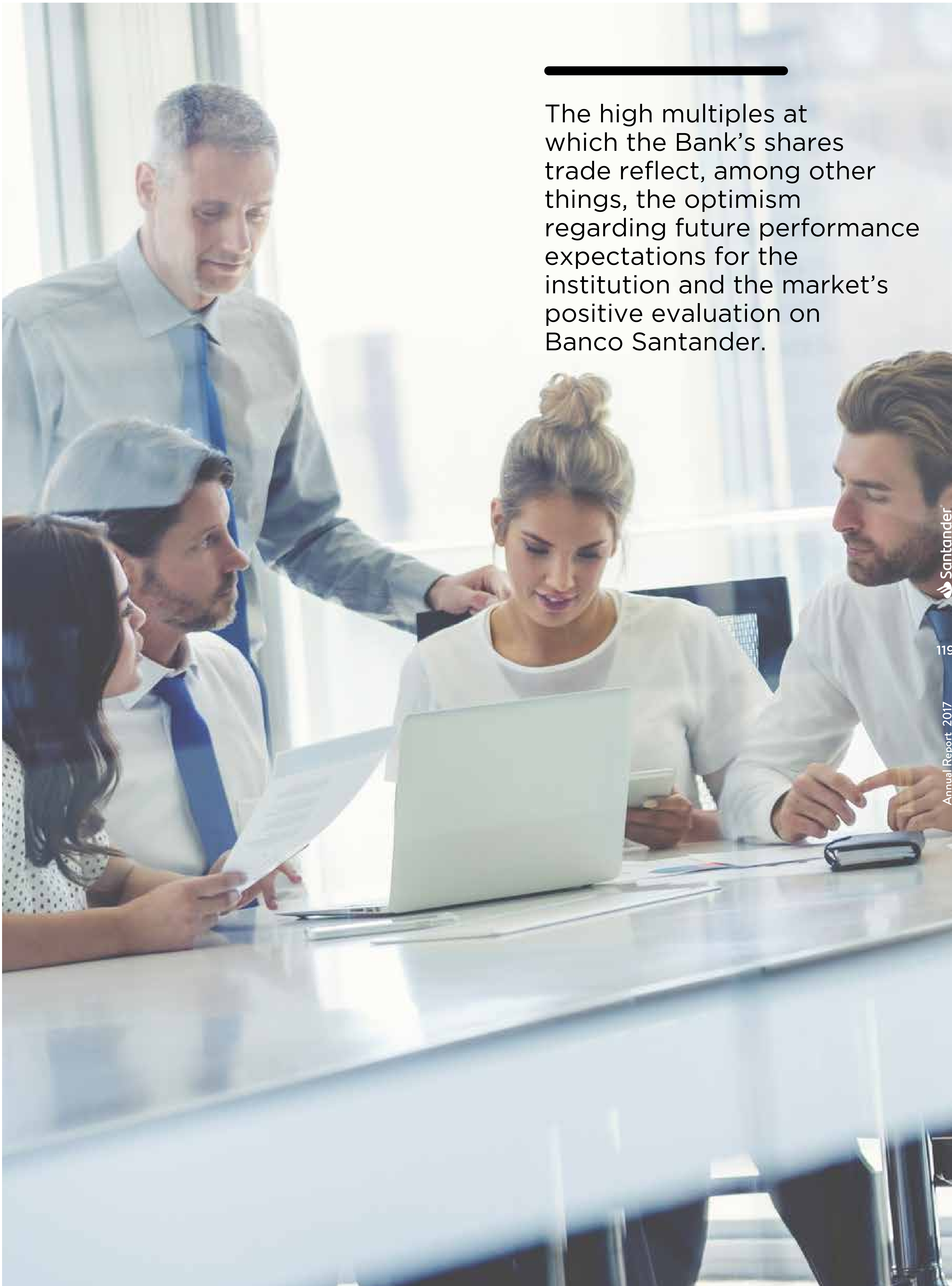
Banco Santander's shareholders have named Fitch Ratings Ltda. and Feller Rate Clasificadora de Riesgo Ltda. to rate the public securities issued by the institution, which are set forth in the following tables:

Fitch Ratings

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

Feller Rate

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



The high multiples at which the Bank's shares trade reflect, among other things, the optimism regarding future performance expectations for the institution and the market's positive evaluation on Banco Santander.

Sustainable management of the supply chain

In addition to maintaining stable relations, of mutual benefit and based on ethics, in 2017 Banco Santander strengthened its Global Purchasing Model[1] with a special emphasis on risk. Thus, version 2.0 of this instrument provided the actuation guidelines for reaching agreements and control, establishing the relevance of risks associated to the service, mitigation, improvement and remediation, as well as establishing adequate risk control mechanisms and effective and permanent monitoring.

Together with the increased emphasis in risk mitigation, the Bank also wanted to highlight the importance of including innovation in products and services, as well as driving improvements in the relationship with suppliers.

Supply Model Implementation	Homologation of critical services and suppliers
Contract clauses (Service/Norm SBIF 20-7)	Suppliers Committee (supplier service monitoring)
Definition of critical suppliers	Annual and monthly supplier evaluation

1. For more information please see https://www.santander.cl/nuestro_banco/sostenibilidad/proveedores.asp

Material issue

EVALUATIONS AND REWARDS

The model demands undertaking monitoring to guarantee that providers comply with minimum demanded conditions in several areas, the most relevant being that of social obligations with their employees. Monitoring is done through external revisions (audits) and internal revisions (evaluation platforms).

In order to reinforce good practices, over the last 17 years the Bank conducts an annual award ceremony to distinguish those suppliers that deliver high quality and innovative products and services, which also offer the highest risk mitigation, exhibit best practices with their employees and maintain the best financial health.

In the reported year, 24 external entities were awarded (six winners and 18 outstanding) among the 369 which provide services to the Bank. It should be highlighted that Banco Santander Chile's evaluation model was presented as "Best Practice" at Santander Group's Global Suppliers Committee.

SANTANDER SEMINAR

Titled "Santander World and Relation with Our Providers", the first seminar oriented towards these stakeholders was held in 2017. Its main function was to highlight the strategic role that external companies play in the Bank's processes to ensure optimal performance, and in value creation for clients.

Ninety suppliers and twenty Banco Santander invitees were part of the event, which attended talks regarding the national economy and relevant topics.

ENSURING SUSTAINABILITY

The Bank counts with a series of other criteria to help ensure sustainability in the supply chain, both at a corporate as well as a national level.

PROPYME SEAL

Since 2011, Santander adheres voluntarily to the Propyme Seal (pro SME), which guarantees payment to SMEs in less than 30 days since reception of the invoice. The initiative promotes good practices and generates shared value, as it allows companies in this segment to count with the necessary cash flow to continue operating. In 2017, payment was made on average in 10.6 days.

GLOBAL PACT

The Bank adheres to the Ten Principles of the United Nations' Global Pact, which implies that contracts with suppliers include a clause that establishes the commitment to respect and comply with them.

- Ensures compliance with the Corporate Policy on Human Rights on this respect.
- Maintains a high percentage of local suppliers in favor of local employment.

Nº of suppliers by billing level	2015	2016	2017
MM$ 600	124	90	84
MM$ 180 < MM$ 600	137	94	104
MM$ 30 < MM$ 180	101	140	181
Total	**362**	**324**	**369**

Expense breakdown (%)[1]	2017
Technology	35%
Operations	39%
Marketing and advertising	2%
Real estate	13%
Personnel	4%
Decentralized	5%
Institutional	2%

1. Only suppliers evaluated in 2017.

Supplier management	2015	2016	2017
N° of suppliers (Based on suppliers billing > MM$ 30)[2]	630	737	766
Annual billing (MMM$)	414	411	439
Local suppliers (%)	94	95	94
Evaluated suppliers	362	324	369

2. In 2015 the range definition was corrected (MM$ 30 instead of MM$ 5).

Our commitment with society

Material issue

Banco Santander contributes to economic and social progress through programs that invest in the community and which are focused on education. It has defined this line of action as it believes it's the main driver of people's prosperity.

This way, the Bank delivers tools and learning opportunities in three areas:

1

HIGHER EDUCATION

Through the Programa de Apoyo a la Educación Superior (PAES, Higher Education Support Program), Santander contributes to prepare future professionals in the context of globalization, generating international experiences that broaden their view of the world and provide them with new tools to be put to society's service.

2

PRIMARY AND SECONDARY EDUCATION

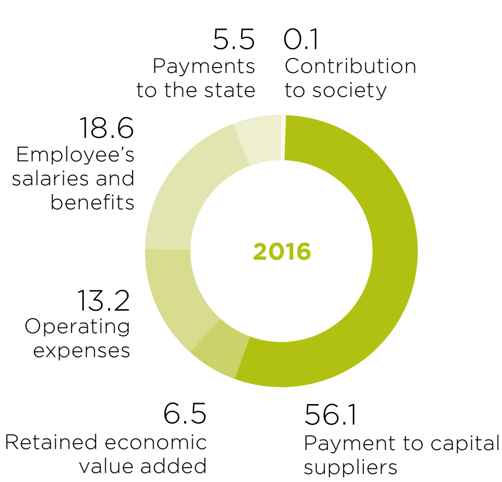
For the Bank, the development of children and youngsters in school age is key for the future. Thus, it finances through Fundación Belén Educa the Programa de Orientación Vocacional (Vocational Guidance Program) oriented to students attending their schools.

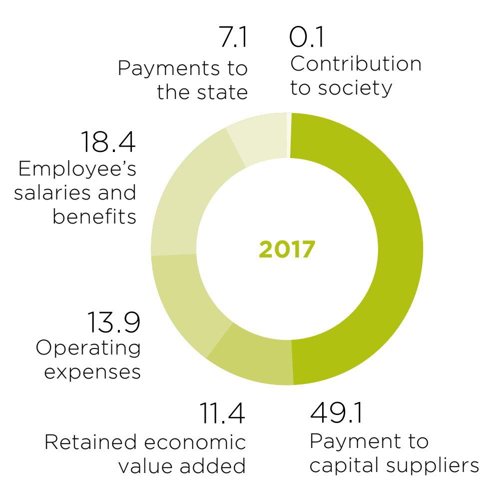
3

FINANCIAL EDUCATION

People's financial health directly impacts on their quality of life and in the construction of society. That's why Santander drives programs and actions that seek to deliver tools that diminish information gaps and boost education in this area.

Economic value added and distributed (%)





HIGHER EDUCATION AS A DRIVER FOR DEVELOPMENT

FOCUS ON ENTREPRENEURSHIP

Together with the PAES program, during the year Banco Santander gave a special impulse to entrepreneurship as a key factor to promote people's development and growth in companies. In this context, the following two initiatives stood out, Santander X and BRAIN Chile.

A global ecosystem of university entrepreneurship

During the year was launched Santander X, an international digital platform that aims to become the world's largest ecosystem of university entrepreneurship. In it students and entrepreneurs around the world contact other members within this ecosystem to share ideas and knowledge, and attract investment. This way, the interchange of best practices is facilitated, as well as monitoring of diverse startups and measurement of their impact.

By the end of 2017, the platform counted with over 60 universities from Argentina, Brazil, Chile, Spain, Mexico, Portugal and Uruguay. Among the participating Chilean institutions was the Pontificia Universidad Católica de Chile.

During the next four years, Santander Group will invest US$59 million around the world with the goal of connecting over one thousand institutions.

“Santander X aspires to become the connecting point of all entrepreneurs. It will be the largest global ecosystem of university entrepreneurship. It will open the doors to talent in order to build a better world for everyone”.

Ana Botín, President Banco Santander

Adding value to the country

The BRAIN Chile program was created in 2015 to promote the transformation of initiatives based on the application of science and technology, into entrepreneurships that add value to the country. The program is organized by Banco Santander Chile and the Innovation Center from the Pontificia Universidad Católica de Chile. The third version, which took place in 2017, counted with the participation of 220 projects from 597 people. Among them, 27 Mexican teams that arrived to the program thanks to a pilot prepared with the Bank, promoting integration and networking.

On a first stage, 34 projects were selected to participate in a boot camp with several workshops focused on product and service design, and intellectual property and entrepreneurial mindset, among other topics. In addition, entrepreneurs received mentoring from companies from different industries, gaining new knowledge, tools and networks to continue developing their projects.

After the boot camp, the top twelve projects were chosen to advance to the Acceleration Stage, where each one received $3 million to build prototypes in labs and in the FabLab UC. During ten weeks they obtained new tools to continue developing their business model together with support from a mentor.

Finally, these twelve initiatives split between them a $47 million prize. The three projects that were awarded the largest amounts were NeuroRehab Technologies with $9.25 million, Carnes Deliscia with $8.375 million and Clinic Hub with $6.55 million.

BROADENING HORIZONS AND PERFECTING KNOWLEDGE

Over the last two decades, Banco Santander through the Santander Universidades Division has been helping to prepare tomorrow's professionals within the context of an increasingly globalized and demanding world.

To this extent it developed the Programa de Apoyo a la Educación Superior (PAES, Higher Education Support Program), which is implemented in all the countries in which Santander Group is present and holds agreements with over 1,100 study centers around the world. This initiative seeks to generate international experiences that broaden horizons and deliver new tools, both elements that today constitute important competitive advantages in the labor market. In addition promotes international student and teacher mobility, and drives entrepreneurship initiatives in science and technological areas, aware that these areas are generators of change and promoters of innovation, indispensable to face the future.

Santander Grants

In Chile, the PAES program has been present for 15 years, period in which it has benefited over 2,700 students, teachers and researchers from the different universities in the country with mobility and fellowship grants.

In 2017 US$2 million were allocated to finance 496 grants, broken down in the following categories:

- **113 international mobility grants:** oriented to junior and senior undergraduate students that wish to study one academic semester in one of the universities around the world that have a collaboration agreement.
- **221 Ibero-America Undergraduate Students grants:** oriented to junior and senior undergraduate students that wish to undergo a six-month internship in a university in Argentina, Brazil, Spain, Chile, Colombia, Mexico, Peru, Portugal, Puerto Rico or Uruguay.
- **62 Ibero-America Young Teachers and Researchers grants:** oriented towards teachers and researchers of participant universities, interested in a two-month academic internship in one of the universities in the Ibero-American area.
- **100 SME Santander Universidades grants:** aiming to support undergraduate students and become a growth ally, establishing contacts between students and companies and institutions, and facilitating their subsequent job placement.

SANTANDER GRANTS AWARDS

At the Teatro San Ginés in Bellavista, was held the award ceremony for students and teachers which were awarded the close to 500 grants delivered by banco Santander in 2017. Some of the destinations chosen for an academic semester were universities in Germany, Spain, Mexico, United States, Australia, Brazil and Canada.

Scientific Research Award

In its fifth version, this initiative awarded in its Senior Researcher category the study "Health impacts of arsenic exposure in northern Chile", conducted by Dra. Catterina Ferreccio of the Pontificia Universidad Católica de Chile. Research results were transmitted to the community, recommending the avoidance of future exposures, maintain a healthy life and watch over health issues associated to arsenic.

On the other hand, the Junior Researcher category award was for matron nurse Báltica Cabieses from the Universidad del Desarrollo, for her research "Developing intelligence in the primary public health system for international immigrants in Chile: a multi-method study". Central aspects emerged from the document like mental health of international immigrants, children's health, informal immigrant worker's health, immigrants in absolute poverty situation, multi-dimensional and health of multinational families.

Both awards distribute a US$110 thousand total amount: US$70 thousand for the Senior Researcher category, US$30 thousand for the Junior Researcher category and US$5 thousand as a grant for the senior researcher from each winning study.

UNIVERSIA

This network of 1,341 universities –the most important in Ibero-America, with presence in 20 countries- is focused on generating new opportunities for educational institutions, promote innovation and manage and drive employment programs that foster the incorporation of university students into the labor market.

In Chile, Universia counts with the participation of 60 universities and an active agenda. These initiatives are undertaken around two central guidelines, which during the year were carried out in the following way:

1

Academic projects that promote knowledge and investigation.

The XV University Chancellor's Meeting was held, in which the main authorities of the country's different educational institutions analyzed the expositions of the program chiefs of presidential candidates Carolina Goic, Alejandro Guillier, Beatriz Sánchez and Sebastián Piñera. Claudio Melandri, CEO and Country Head of Banco Santander Chile, highlighted the Bank's mission of contributing to the progress of people and the society through education, devoting time, resources and efforts to the universities and their students. Afterwards, José Pedro Fuenzalida, general director of Universia Chile, highlighted the network's reach as well as the fact that in Chile, together with promoting meeting points for various fields, is driving academic projects and value added services to their partner institutions, with a focus on digital training.

2

University services to promote internships and first jobs, identify training needs and apply marketing tools.

Universia arranged 42,195 first jobs for recent graduates and 289,164 total jobs through the labor community Trabajando.com.

The 7th Postgraduate Meeting was held, gathering 28 Chilean higher education institutions which promoted all their fellowships offer to the close to 1,800 interested attendees. At the meeting, organized together with Trabajando.com, five grants for US$3 thousand were raffled among attendees.

SUPPORT TO PRIMARY AND SECONDARY EDUCATION

SANTANDER LEARNING SPACES IN CAMPS PROJECT

In order to complement formal education and boost the capabilities and talents of children and youngsters that live in high vulnerability contexts, Banco Santander together with Fundación TECHO Chile have driven the construction and implementation of learning spaces at camps.

Thus in 2017 a book collection campaign was done gathering over one thousand reading texts. In addition, this initiative enabled four learning spaces for children in equal number of camps at Lampa and Colina communes, in the Metropolitan Region.

VOCATIONAL GUIDANCE PROGRAM

Undertaken by Fundación Belén Educa, its goal is to guide, accompany and train youngsters from vulnerable sectors through the vocational choice process, and is comprised of three instances:

- **Santander Academic Excellency grants:** for the 14th consecutive year, the Bank gave grants to ex alumni of the Fundación Belén Educa for their outstanding school performance, leadership, commitment and responsibility during their study years. In 2017 four students were awarded from schools Raúl Silva Henríquez, José María Caro, Juan Francisco Fresno and Manuel Vicuña, totaling 47 beneficiaries with this grant.
- **Tutorials:** without interruption since 2008, volunteers from Santander have given vocational support to senior students from diverse schools in this network (composed of twelve educational institutions with high vulnerability indices). In 2017 a record was achieved in the number of tutored students, as 33 students from schools Carlos Oviedo Cavada and Lorenzo Sazié were advised from equal number of tutors in six meetings held throughout the second semester.
- **Keynote speeches:** twelve managers and deputy managers from Banco Santander addressed high school students from Carlos Oviedo Cavada School to motivate and encourage youngsters to acquire helpful tools for their academic and work future based on their own vital experiences. “Keys for success”, “Decision making and how they impact life”, “Vocation, ¿what do I base myself on to choose a career?” and “Careers and employment”, were the themes presented by volunteers to the different specialties taught by this school. Afterwards, students had the chance to talk in depth with the Bank’s directives and clear different doubts about their lives and their work.
- **Professional internships:** since 2003 Santander has opened its doors to students from Belén Educa for professional internships –a requirement for them to obtain their Technical Professional College degree. Between December 2017 and February 2018, 30 students from the Administration specialty from Carlos Oviedo Cavada and José María Caro schools completed their professional internships at Banco Santander.

Tema material

EDUCACIÓN FINANCIERA

People’s financial health directly impacts their quality of life, especially given the current massification and diversification of financial products and services. According to international and national studies conducted by the Organization for Cooperation and Economic Development (OECD), the World Bank, Banco Santander and other researches on the issue, there are low financial literacy levels within the population. According to the last version of the PISA test, 38% of students in our country do not reach the minimum competencies in this issue. Adding to the latter is the fact that, according to figures from the SBIF, 98% of Chileans over fifteen years of age hold at least one financial product.

Since 2013 Banco Santander has created programs and driven concrete actions to deliver tools that contribute to people’s financial knowledge and the reduction of information gaps.

FINANCIAL EDUCATION AT SCHOOL PROGRAM

This initiative is carried out since 2016 together with the Public Policy Center of the Pontificia Universidad Católica de Chile and points towards improving financial capabilities and knowledge of students at educational institutions through innovative and integral methodologies.

Based on a survey about Financial Education in schools (whose results are explained in Stage 2 further down) and the experience from 2016, during the year the project was expanded and carried out in four stages:

1

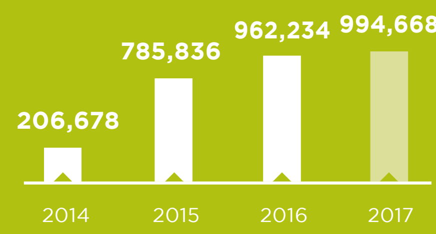
2nd version of the course to train directors of educational institutions

It’s a blended course, in which 110 directors from all over the country participated, covering financial resource management in educational institutions, and development of financial knowledge for life and creation of collaborative projects in order to generate learnings in this matter. To promote participation Banco Santander granted a scholarship to all registered participants, which financed 90% of the course’s cost. The multiplier effect of this course will occur once each trained director develops and executes a project taking into account the reality of

SANTANDER INVITED BELÉN EDUCA STUDENTS TO THE IV FINANCIAL EDUCATION FAIR

157 students from four schools from Fundación Belén Educa participated in this initiative, organized by the Superintendency of Banks and Financial Institutions (SBIF) in the context of the Financial Education Month.

Visits to Sanodelucas Tips and Advices evolution



Source: Google Analytics.

94,343

Sanodelucas Tips and Advices beneficiaries

Refers to the number of unique users, condition defined as: a) Sessions equal or longer than 90 secondes, b) Sessions with an event.

their respective schools, so close to 60 thousand people are expected to benefit indirectly.

The best students from the previous year's course were in 2017 "Financial Education Ambassadors", role that committed them to carry out a series of keynote speeches at their respective schools about the importance of working this issue in the educational system.

2

Citizen perception survey about Financial Education

This survey was carried out between June and October 2017 to measure the financial literacy level of Chileans and thus generate reference indicators, detecting expectations, needs and perceived barriers for the population on this issue, contributing with public policies in this area. In 2016 a survey was conducted to gather information regarding the level of knowledge of teachers and school directors in all Chile about how trained and interested they are to teach these topics to students.

3

Implementation of the winner project from the "Las Lucas se Educan" 2016 contest

In 2017 started the implementation pilot of "Gymkana Financiera", winner project from the "Las Lucas se Educan" contest conducted the previous year at José María Caro School, from Belén Educa. It's an online platform in which high school students learn financial concepts through informative videos, which are tested afterwards through a competition in pairs.

4

Financial Education International Seminar "El Futuro comienza en el aula: Educación financiera para la vida".

This meeting was held within the Financial Education Month framework, with the goal of highlighting the importance of financial education in the school stage, as well as delivering knowledge, good practices and useful tools for the academic community.

The seminar started with an exposition from Enrique Castelló, PhD in Economics and teacher from the Universidad Complutense de Madrid, followed by a discussion panel conformed by Eric Parrado, Superintendent of Banks and Financial Institutions, Paola Linconao, runner-up in the Global Teacher Prize 2016, Carolina Flores from the Educational Quality Agency and Harald Beyer, director of the Public Studies Center (CEP).

SANODELUCAS

In the year, this project, pioneer in the industry and started in 2013, changed its focus to position itself as a concept umbrella for all of Santander's financial education initiatives. Thus, at the www.sanodelucas.cl website is available all the information regarding activities and projects from Banco Santander in this area, divided into four chapters:

- **Sanodelucas tips and advices:** corresponds to the original financial education portal, delivers advice regarding the issue with a renewed design. As can be seen in the chart, the number of visits is rising.
- **Sanodelucas Education:** is the Financial Education Program at schools, previously explained.
- **Sanodelucas First Steps:** its goal is to train on the good use of the principal financial products the people that use them for the first time (mainly youngsters).
- **Sanodelucas Expert:** : is the Financial Education Seminar, previously explained.

WORK CAFÉ AS A STRATEGIC CENTER FOR CONTRIBUTING TO SOCIETY

This space is also used as a strategic center for delivering keynote speeches that contribute to society, which during 2017 turned around entrepreneurship. Carried out by the Chilean Association of Entrepreneurs (ASECH), they gathered one thousand attendees in ten speeches, which were transmitted through Facebook Live to close to a million people generating 7,500 reactions.

Fernanda Vicente
Director of ASECH, President of Mujeres del Pacífico

Nicolás Shea
Entrepreneur, founder of Cumplo, Start-up Chile, eClass, Jóvenes al Servicio de Chile, ASECH and TOD@S

Daniel Undurraga
Co-founder and CTO of CornerShop

Francisco Gazmuri
Executive Director of ASECH

Tadashi Takaoka
Manager Entrepreneurship at CORFO

Juan Pablo Larenas
Director of ASECH

José Tomás Infante
Founder of Cervecería Kross

Marcelo Guital
Director of ASECH

Óscar Solar
Director of ASECH

Alejandra Mustakis
President of ASECH

CORPORATE VOLUNTEERING

In accordance to its Volunteering Policy, Banco Santander promotes throughout the year, and across the country, employee participation in the diverse corporate volunteering initiatives, procuring to offer a broad variety of possibilities to help. The latter considering the Bank's mission, as well as the current situation, community needs and employee expectations.

Among the corporate volunteering initiatives promoted by the Bank stands out the Annual Solidary Project contest, through which employees have the possibility to apply for financing to implement initiatives that help communities, new or existing, carried out by themselves. In the 2017 version of this contest over 50 applications were submitted from employees from all the country's regions. 13 projects were selected, each being granted one million pesos for their implementation, gathering over 200 volunteers.

SUPPORT IN EMERGENCIES

Santander's commitment with society's development goes beyond the established initiatives, so each time the country suffers an emergency situation the Bank carries out some type of activity or extra effort to help the victims.

Thus, at the beginning of 2017, in the wake of the fire that affected the central-southern part of Chile, the Bank initiated several activities to help in different fronts:

- **Chile Helps Chile Campaing:** carried out by TECHO Chile, Canal 13 and Banco Santander, $1,555,768,324 were raised with which 500 emergency houses were built in 19 affected communes.
- **Campaign 1 + 2:** each peso donated by employees was duplicated by the Bank to help victims. Employees not only put money themselves, but also encouraged clients to donate money through an account especially opened by Santander to collect funds.

492
Total number of volunteers

3,918
Total hours donated by the Bank

$50,481,334
Valuation of contributed hours

- **Supply delivery at affected areas:** Santander together with its employees collected four thousand personal grooming kits, environmental hygiene supplies and veterinary health products to be delivered to Santa Olga, Marchigüe, Constitución and Talca.
- **Support to Chile's Fire Brigades:** delivery of fire-fighting equipment to fire brigades of ten communes (Cauquenes, Empedrado, Licantén, Constitución, Buin, Hualañé, Vichuquén, Florida, Bulnes and Angol).
- Financing of flight hours to support fire-fighting in the Paine commune.

"We have been together with TECHO since their beginnings, as the work carried out there is closely related with the mission of Banco Santander, which is to help people progress. As a company we take this role very seriously and our employees also have: there are several who have joined as volunteers over the course of these years in the different initiatives carried out by TECHO Chile throughout the country".

Claudio Melandri, CEO and Country Head

Volunteering initiatives 2017	Commune /city	Region	Nº volunteers
Fund collection for wildfires (TECHO)	Santiago	Región Metropolitana	13
Easter eggs collection (Hogar de Cristo)	SANTIAGO	Región Metropolitana	11
Book collection (TECHO)	SANTIAGO	Región Metropolitana	16
Construction of recreational areas at "Personitas" Kindergarten in Santa Olga, affected by wildfire (Hogar de Cristo)	Constitución	Región del Maule	9
Construction of recreational areas at "Las Corrientes" School, affected by wildfires (Hogar de Cristo)	Constitución	Región del Maule	15
Exterior painting at "Rocío de Amor" Kindergarten (Hogar de Cristo)	Iquique	Región de Tarapacá	34
Construction of recreational areas at "Hualqui" School, affected by wildfire (Hogar de Cristo)	Hualqui	Región del Biobío	14
Exterior painting at "Los Patroncitos" Kindergarten	Antofagasta	Región de Antofagasta	19
Tutorships (Belén Educa)	Diverse communes	Región Metropolitana	33
Construction of recreational areas at "Esperanza de niños" Kindergarten	Calama	Región de Antofagasta	10
Construction of learning space at "Nueva Comaico" Camp (TECHO)	COLINA	Región Metropolitana	33
Keynote speeches (Belén Educa)	Maipú	Región Metropolitana	12
Happy Park (Pequeño Cottolengo)	Diverse communes	Región Metropolitana	63
Solidary Projects	Diverse communes	Todo el país	210
TOTAL			492

TECHO CHILE

Santander holds an alliance with TECHO Chile since their beginnings, working together over the last 20 years. The Bank collaborates with the foundation in the promotion of habitability and improvement in the quality of lives of vulnerable families and communities in the country. In addition, it's present in all emergency campaigns (for more information see Support in Emergencies).

CULTURE

For over two decades, Banco Santander encourages and spreads out cultural and artistic expressions that contribute to the integral development of people and help value the country's cultural heritage. During 2017 this commitment was made manifest in diverse activities:

SANTANDER NATIONAL THEATER TOUR

Four plays toured the country to make culture reach the Bank's employees and customers and their families in 22 performances, two theatrical pieces for adults ("Our Women" and "I'm a Disaster") and equal number for all the family ("Alice through the mirror" and "The Little Prince"). Together, these shows were seen by over 9,600 people in a tour that covered nine cities between Arica and Punta Arenas.

CIRQUE DU SOLEIL: "SÉP7IMO DÍA – NO DESCANSARÉ"

Argentinean rock group Soda Stereo revived in Santiago thanks to the magic of Cirque du Soleil with the "Sép7imo Día – No Descansaré" show, which was seen by over 120 thousand spectators, four thousand of them customers.

"CABO DE HORNOS" BOOK

To give life to this work and commemorate the 400 years of the discovery of this mythical place in our country, distinguished specialists in the most diverse topics on the southernmost region of the planet were gathered. The book unites ten authors, and contains a logbook covering between Hoorn and Cabo de Hornos, a 16 thousand kilometers journey carried out by Dutch sailors four centuries ago. It's the 32nd edition from Banco Santander together with the Museo Chileno de Arte Precolombino through the Cultural Donations Law.

"CASAS DE CAMPO" BOOK

The third volume was launched of a collection that rescues by geographic zones Chile's historical heritage contained in each of these houses, through their architecture and surroundings. Prepared together with the Corporación Patrimonio Cultural de Chile and the Cultural Donations Law, this work covers the territory between the Maule and Cautín valleys. In this book's edition participated a team of professionals with distinguished careers, such as researcher and academic Teresita Pereira, architect and historian Hernán Rodríguez, geographer Valeria Maino and photographer Max Donoso.

WINNER OF PALOMA O'SHEA PIANO CONTEST

Over 1,160 people attended the concerts and masterclasses, in the cities of Frutillar, Castro, Valdivia and Rancagua, offered by Spanish piano player Juan Pérez Floristán, winner of the XVIII version of the Santander Paloma O'Shea International Piano Contest.

ARTISTIC INTERVENTION OF BANDERA STREET

Thanks to a public-private alliance, Bandera, one of the main avenues in downtown Santiago, was intervened between Moneda and Compañía streets at the end of 2017 in order to transform it into a colorful pedestrian walkway. The first section of this work, denominated "Social Connection", is located in front of the Bank's headquarters and counted with Santander´s support.

Our commitment with society

Material issue

The efforts undertaken by Banco Santander on this issue translated into significant reductions in the most relevant consumptions generated by the operation of the Central Services buildings.

Banco Santander's commitment with the environment is apparent in two ways:

1

Direct: through a responsible and efficient use of natural resources in its daily operation.

2

Indirect: represented by its banking and financial operation (for more information regarding the analysis of social and environmental risks of the Bank's operations and financing, see pg. 70).

NEW ENVIRONMENTAL POLICY

Santander's direct environmental management has a new version of its Environmental Policy, which focuses its actions on the prevention of contamination, the continuous improvements of its processes and goals, and compliance with current environmental regulation. Together with this, the Bank continues to work to reduce the environmental impact of its activities through efficient energy consumption, reduction in paper usage, recycling promotion, and correct treatment of residuals and their reuse.

The implementation of this new version also contemplates the incorporation of environmental care concepts into the corporate culture to motivate, train and commit employees and other stakeholders in this issue.

In addition, the Bank is spreading among its employees the relevant information about the performance of its environmental work and the activities carried out for the development, care and conservation of the environment.

The Environmental Management System (SGMA in Spanish) watches over compliance with these aspects, whose functions are permanently revised in order to advance continuously in Santander's environmental performance.

NEW ISO ADAPTATION PROCESS

Banco Santander Chile has its Environmental Management System certified under norm ISO 14,001:2004 valid until September 2018[1]. With the goal of updating and recertify under the new ISO 14,001:2015, during the year new concepts and requirements were integrated, such as:

- Settle environmental management on Banco Santander Chile's Sustainability Committee, headed by the CEO and Country Head. Thus, the issue will be discussed at a top management level, and transversal to all areas.
- Identify the needs and expectations of interested parts.
- Implement actions to tackle risks and opportunities.
- Focus on the life cycle in the analysis of environmental

1. It's important to note that the certification as well as the actions and measurements always refer to the three most important buildings from Central Services (Bandera N° 140, Bandera N° 150 and Bombero Ossa N° 1068). These three buildings as a whole contribute around 50% of the Bank's total revenues.

management.

IMPORTANT SAVINGS

Efforts undertaken in this sense –incorporation of cutting-edge technology and awareness-raising campaigns- are manifest in significant reductions in consumptions, as can be seen in the following charts.

HYDRIC RESOURCE

Performance improvements in this variable have allowed for a permanent reduction in its consumption, achieving a 31% drop with respect to the previous year.

PAPER

Despite being a relevant resource for the Bank's operation, the latter has undertaken huge efforts to incorporate cutting-edge and more efficient equipment and technology, obtaining as a result a better usage of this resource. Thus, during 2017 a 22% saving in consumption was achieved, way larger than the previously achieved level.

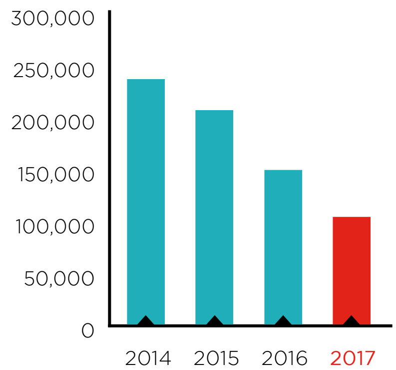
ENERGY

The incorporation of more advanced technologies in equipment and lighting, together with awareness campaigns in the efficient use of the resource, point towards an improvement in this indicator. During the exercise a 4% saving was achieved, figure expected to increase in the future.

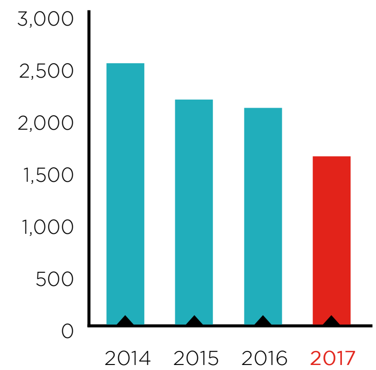
E-WASTE

Electronic garbage or E-Waste is the most significant residual generated, which during the exercise achieved an important recycling level, increasing 176% with respect to 2016.

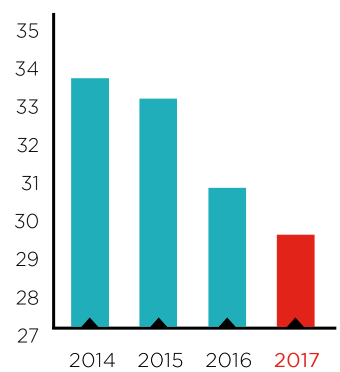
Water consumption
(m^3)



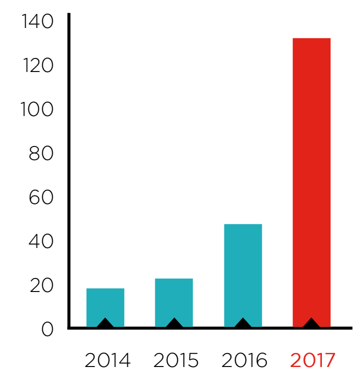
Paper consumption
(tons)



Energy consumption
(kws)



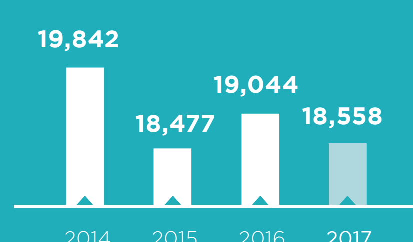
E-Waste recycling
(tons)



CLIMATE CHANGE

Carbon footprint measurement is part of Banco Santander's environmental care. Thanks to the incorporation of clean technologies and the control of maintenance frequencies and routines of emitting equipment, among other actions, a reduction was achieved, which is set forth in the adjacent chart.

CO^2 total emissions
(tons)



TRANSVERSAL INITIATIVES

ENERGY EFFICIENCY PLAN

On this same line of savings, within the context of the Energy Efficiency Plan (PEE in Spanish), in 2017 an energy consumption and control management project was started to monitor in real-time variables such as peak demand, power factor demand, and power factor in 50 branches. This information will allow the definition of daily consumption goals per branch, triggering an alarm in real-time when they exceed the goal. The execution of this project is expected to begin in 2018.

The first steps were executed through two monitoring and control pilots in branches, reaching 5.9% savings in energy consumption and a 40% lower peak energy demand. The total project considers a $247,413,495 investment.

LESS WATER

At the end of the year 60% of the bathroom remodeling plan of some floors from Banco Santander's buildings located on Estado and Bombero Ossa streets had been completed. In addition to modernizing facilities, the better technologies used in faucets will allow to save up to 70% of water compared to traditional taps. Efficient use toilettes, on the other hand, will use 30% less of this element.

INTERNAL PRO-ENVIRONMENT CAMPAIGNS

The initiative "Let's Take Care of the Environment Together" was carried out in order to raise awareness and commit all employees and teams in taking care of the planet, avoiding conducts like excess printing and leaving the air conditioning on in meeting rooms, among others.
In addition, like in previous years, Santander adhered to the "Hour of the Planet", promoted worldwide by the World Wildlife Fund, turning off all lights at its corporate buildings between 20.30 and 21.30 hours on March 25th.

m Material issue

FINANCIAL PRODUCTS WITH ENVIRONMENTAL IMPACT

Santander's commercial activity also includes those financial products and services with environmental value added, as through these the Bank contributes to the transition towards a low carbon economy.

Thus, in 2017 Santander Chile financed 100% of the value added tax for the construction of windmill projects Aela Eólica Llanquihue SpA and Aela Eólica Sarco SpA. Both projects, which belong to Actis fund and developer Mainstream, will have a combined installed capacity of 299 MW and will supply clean energy to the system from 2018.

As well, the Bank acted as sole advisor for Colbún in the acquisition of photovoltaic parks from Sun Edison in Chile (Solar Park Olmué and Solar Park Santa Sofía) and their respective long-term energy supply contracts.

CORPORATE MANDATES

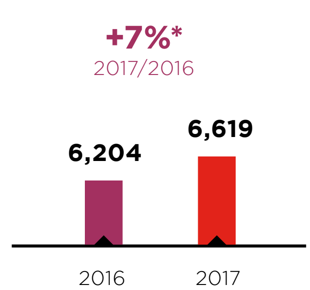
Since 2009, Santander Group adheres to the Equator Principles, which implies that all projects larger than US$10 million must be analyzed regarding their social and environmental risks. Thus, the Bank gives specific training on these factors to risk and business specialists, and updates the analysis tools for their evaluation.

Banco Santander worldwide

> Our success in 2017 shows that our way of doing business, and our focus on building loyalty, is creating a virtuous circle that delivers growth, profitability and strength.

In 2017 we obtained excellent results the right way: through profitable growth and a strong balance sheet, while helping people and businesses prosper.

Attributable profit
(Millions of euros)



* +7.4% in constant euros

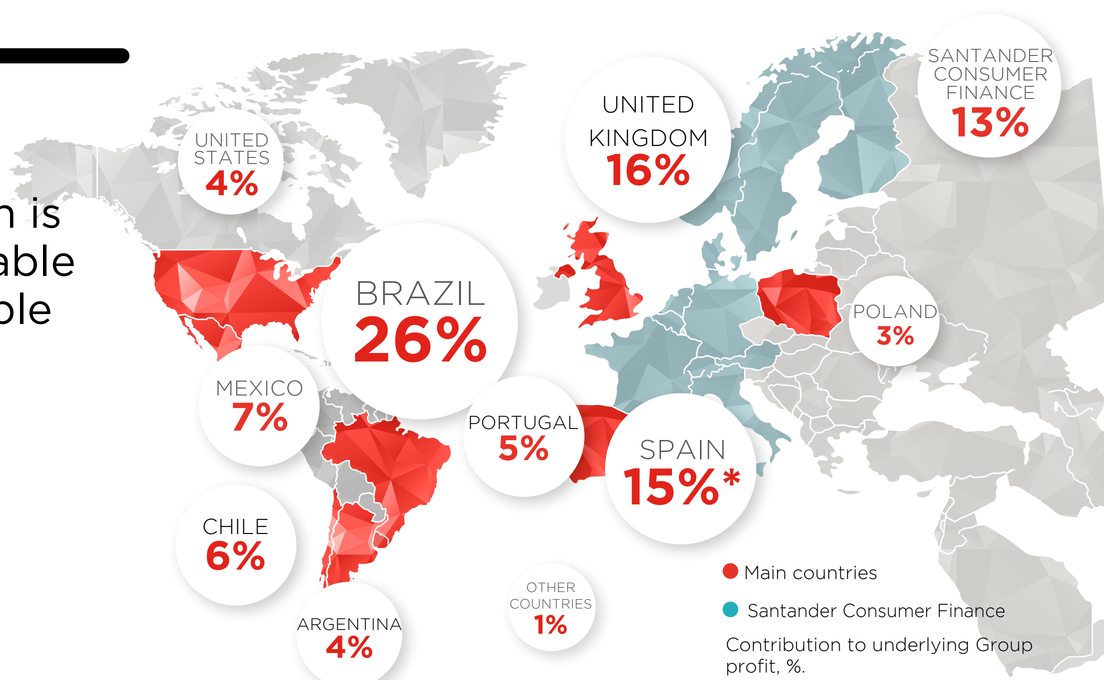
11.8%
Return on tangible equity (underlying)

10.84%
Fully loaded CET1 capital ratio

4.08%
NPL ratio

47.4%
Efficiency (cost-to-income)

Balanced geographic diversification is key to our stable and predictable growth.



* Including Popular (3%).

> We are one of the most profitable and efficient banks in the world, allowing us to lend more to customers, increase the per share dividend and organically generate capital.

> Our leading positions in 10 core markets, with a total population of a billion people, provide us stability and new opportunities.

> Our scale, our diversification and the predictability of our business give us strong foundations on which to innovate.

Ana Botín, Group executive Chairman of Banco Santander

81%
of employees believe that their colleagues behave in ways that are more Simple, Personal and Fair

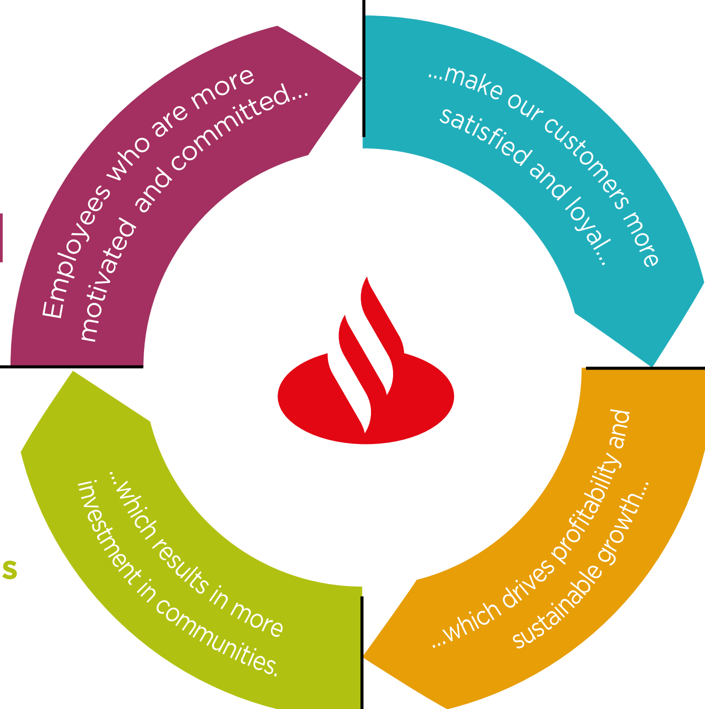
77%
of employees are engaged

17.3 (+13%)
Million loyal customers

25.4 (+21%)
Million digital customers

People
202,251

Customers
133
million



Communities
2.1
million people helped in 2017

Shareholders
4.0
million

44,862
scholarships granted in 2017

1,295
agreements with universities and academic institutions in 21 countries

16.6%
total shareholder return

+11%
cash dividend per share growth

Figures excluding Banco Popular, except number of employees and data on shareholders.

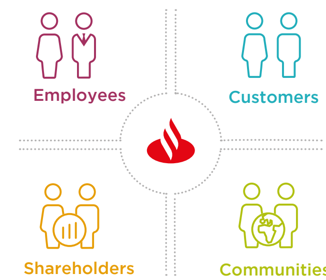
Simple | Personal | Fair

Creating value

We aim to be our customer's bank of choice. Through innovation, we are transforming our business to become a more profitable and sustainable bank.

We are meeting our targets earlier than expected...

	Strategic priorities	Key metrics
People	Be the best bank to work for and have a strong internal culture	Number of core markets where the Bank is among the three leading banks to work for (according to local rankings)
Customers[1]	Earn the lasting loyalty of our individual and corporate customers: improve our franchise	Loyal individual customers (millions)
		Loyal corporate customers (thousands)
		Growth in customer loans (%)[6]
	Operational excellence and digital transformation	Number of countries where the Bank is among the top 3 of its competitors in customer satisfaction
		Number of digital customers (millions)
		Growth in fee income (%)[6]
Shareholders	Capital strength and risk management	Fully loaded CET1 capital ratio (%)
		Cost of credit (%)
	Improve profitability	Cost-to-income ratio (%)
		Growth in earnings per share (%)
		RoTE (return on tangible equity, %)[5]
		Cash dividend as a percentage of attributable profit
Communities	Santander Universities	Number of grants (thousands)
	Support people in the local communities where the Bank operates	Number of people helped by the Bank's social investment programs (millions)



...with a clear strategy and a strong culture

2016	2017	Goals 2018	Further info[7].
4	5	Most countries	Pages 40-41
13.9	15.8	17	Pages 42-45
1,356	1,494	1,646	Pages 42-45
2%	2%	> competitors	Page 58
8	7	All	Page 45
20.9	25.4	30	Page 42
8.1%	10.6%	c. 10%[2]	Page 59
10.55%	10.84%	>11%	Page 59
1.18%	1.07%	1.2%[2]	Page 59
48.1%	47.4%	45-47%	Page 59
1.0%	1.0%	double digit	Page 60
11.1%	11.8%	>11.5%	Página 59
40%	40%	30-40%	Page 46-47
37	45	130[4]	Page 49
1.7	2.1	5[4]	Pages 48-51

Simple | Personal | Fair

Just as important as what we do is how we do it: Simple, Personal and Fair. This culture is based on our corporate behaviors.

I show respect
I truly listen
I talk straight
I keep promises
I actively encourage cooperation
I bring passion
I support people
I embrace change

The Santander brand

In 2017 we defined a strategy to evolve towards a brand which is more customer-focused, modern and digital, sustainable and committed to communities. Our brand positioning revolves around the idea that prosperity is created day by day. The evolution of global sport sponsorship responds to this strategy: we are entering a new phase in the UEFA Champions League.

The flame, which has been part of our logo since 1986, reflects our commitment to progress and is inspired by fire and what its discovery meant to human progress.

Santander®

Risk culture: *risk pro*

Santander has a solid risk culture, called risk pro, which defines the way in which we understand and manage risks in our day-to-day activities. It is based on making all employees responsible for the risks they generate and its principles must be known and assimilated into the way of working throughout the Group.

risk pro
All the Santander team engaged in risk

94%
of employees recognize and are responsible for the risks in their daily work

1. Excluding Popular. / 2. 2015-2018 average. / 3. Except in the United States, where it will be close to our competitors. / 4. Total amount 2016-2018. / 5. 2016 and 2017 are calculated using underlying profit. RoTE on attributable profit was 10.4% in both years. / 6. Constant euros.

The Santander vision

We are committed to generating growth in a sustainable, predictable and responsible manner.

Our purpose

To help people and businesses **prosper.**

Our aim

To be the **best retail and commercial bank,** earning the lasting loyalty of our people, customers, shareholders and communities.

A bank that is...

Simple | Personal | Fair

Our strengths

1

We have SCALE and the potential to grow organically

- We are the leader in market share in five of our core markets. We are also in the top three in seven of those markets in terms of customer satisfaction.
- We have 133 million customers in markets with a total population of more than one billion.
- We have more than 17 million loyal customers and 25 million digital customers. This implies huge potential for organic growth through increased loyalty and digitalization.

Our critical mass gives us efficiency, sources of growth and new business opportunities.

POSITION OF BANCO SANTANDER IN MARKET SHARE IN LOANS

#1	#3	#5
SPAIN	BRAZIL[1]	UK[2]
ARGENTINA[1]	MEXICO	U.S.[3]
PORTUGAL[1]	POLAND	
CHILE		
SCF		

1. Includes only private sector banks.
2. Mortgages, consumer and commercial loans.
3. Santander Bank market share in the States in which the Group operates.

to continue growing

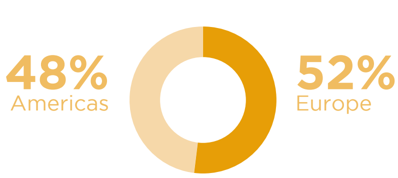
2

PREDICTABLE GROWTH: diversification by country and business, which contributes higher profits in a more stable manner

- Our diversification by country and business allows us to maximize results throughout the cycle and it is the key to our positive performance.
- Geographically, we have a balanced distribution between mature markets (which provide stability), and developing markets (which fuel growth in revenue).
- By business, there is a good revenue mix between products for individuals, consumer finance, SMEs, companies and other products.

Our unique business model allows us to deliver better results with less volatility and higher growth.

Distribution of underlying profit
(%)



and to be successful in the long term

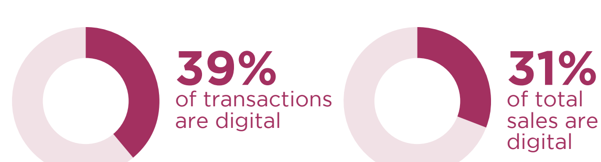
3

Focus on INNOVATION to increase customer loyalty and operational excellence

- Our technological transformation contributes to increase the number of loyal and digital customers.
- The digitalization of our commercial business allows us to offer our customers products and services that are more simple, personalized and modern. This increases customer satisfaction and loyalty.
- We have launched a wide array of initiatives at the bank, focusing on four main areas: blockchain, data, payments and services.

Our digital transformation is paying off: we have more digital customers and more digital transactions and sales.

Percentage of transactions and sales in digital channels
(%)



Glossary

This Annual Report is an exercise in transparency, containing relevant information for the Bank's different stakeholders about the institution's economic, environmental and social performance. With the goal of strengthening this aspect, we attach a glossary that explains technical terms contained in this report, so as to facilitate their comprehension.

ATM

Automated Teller Machine (ATM) is an electronic banking outlet, which allows customers to complete basic transactions without the aid of a branch representative or teller.

BACK OFFICE

The group of activities that support the business, like computer work, communications, accounting or human resource management.

BENCHMARK

Term used to refer to a level of quality that can be used as a standard when comparing products, services and processes in organizations that have the best practices and results in an area of interest.

CAPEX

CAPital EXpenditures. Refers to investments in fixed assets.

CORE CAPITAL

The basic capital of a Bank under Basel I.

COMEX

COMercio EXterior, Spanish lingo for international trade.

CORE DEPOSITS

Is the sum of demand and time deposits from retail customers.

DJSI CHILE

In 2015 arrived to Chile the first index with sustainable criteria managed by S&P Dow Jones Indices, to certify and group Chilean companies that comply with environmental, social and corporate governance standards, and which are part of the IPSA, the principal stock index in the local market.

FACTORING

Financial tool that allows companies to transform assets into liquid resources, through the sale of a firm's accounts receivable to a financial institution known as a factor.

FAST TRACK

To accelerate a project's progress, with the goal of achieving more rapid results than usual.

FATCA

Acronym for Foreign Tax Compliance Act, a United States legislation that primarily aims to prevent tax evasion by U.S. taxpayers by using non-U.S. financial institutions and offshore investment instruments.

FED

Acronym for Federal Reserve. The Federal Reserve System is the central banking system of the United States.

MMFF

Acronym for Mutual Funds, which are pools of money from natural and legal persons (denominated participants or contributors) that are managed by an investment company on account and risk of participants.

FTSE4GOOD

Sustainability stock index created by the London Exchange in 2001. Incorporates traded companies from all over the world that comply with the index's established pre requisites, such as CSR (Corporate Social Responsibility) practices on environment, shareholder relations and human rights, based on the principles of responsible investment.

GREEN HOUSE GASES (GHG)

Gases whose presence in the atmosphere contribute to the green-house effect. The most known is CO2 (carbon dioxide), although also participate methane (CH4), nitrogen oxide (N2O) and fluorinated gases.

GLOBAL REPORTING INITIATIVE (GRI)

Independent institution that created the first global standard of guidelines for the preparation of a sustainability report to promote compliance with certain characteristics, such as comparability, rigor, credibility, periodicity and verifiability.

CORE INCOME

Definition given by Santander to the sum of net interest income and net fee and commission income from one or more business segments.

ISO 14,001

International standard of environmental management systems to identify, prioritize and manage companies' environmental risks.

LEASING

A financial arrangement in which a person or company (the lessor) transfers the right to use an asset to a renter, in exchange for the payment of rental rates during a determined period of time, at the end of which the renter has the option to purchase the asset for a pre-arranged price, or turn it back to the lessor.

LOAN-TO-VALUE (LTV)

The ratio of money borrowed on a property to the property's fair market value.

MARK TO MARKET

Refers to accounting for the value of an asset or liability based on the current market price instead of book value.

MARKET MAKING

The process whereby a firm attached to the stock market engages in the buying and selling of financial securities such as stocks, shares, bonds and currencies, providing public bid and ask prices and thereby acts to establish a market price for these securities at all times.

MATERIALITY

Process established by the GRI to define the content of sustainability reports. Covers a wide variety of activities of internal and external information collection in order to establish the most significant aspects to be included: significant economic, environmental and social impacts, or those that have a substantial weight in stakeholder's assessments and decisions.

NEOCRM

Santander's Customer Relationship Management platform that consolidates customer's information and significantly simplifies client portfolio management, speeding up attention and facilitating commercial work.

OCDE

The Organization for Economic Cooperation and Development (OECD) is an intergovernmental economic organization with 35 member countries founded to stimulate economic development and world trade. Members are committed to democracy and the market economy. The OECD represents 80% of the world's GDP. On May 7th, 2010 Chile became the first South American country to be part of this organization.

SDG

The United Nation's Sustainable Development Goals (SDG) are fruit of the agreement reached by the U.N.'s member-states and are composed of a declaration, 17 Sustainable Development Goals (SDG) and 169 targets. Member-states have agreed to try to reach them by 2030, in a universal call to adopt measures to eradicate poverty, protect the planet and guarantee that all people enjoy peace and prosperity.

THIRD SECTOR ORGANIZATIONS

Group of entities (associations, foundations, and NGOs among others) which are not public and are not-for-profit. They undertake social action projects or defend collective interests of any kind. These entities complement the other two sectors, public and private.

GLOBAL COMPACT

United Nation's instrument, announced in 1999 by U.N.'s secretary general Kofi Annan at the World Economic Forum (Davos). Is part of the initiatives oriented to pay attention to globalization's social dimension. Consists of Ten Principles, which cover the human rights, labor regulation, environment and fight against corruption areas (for more details see http://www.unglobalcompact.org).

EQUATOR PRINCIPLES

International initiative whose guidelines serve financial institutions to determine, evaluate and manage the risks of social and environmental projects. In 2013 the third version (EPIII) was launched, which increased the emphasis on human rights, climate change and transparency.

SELECT

Banco Santander's high-income individuals customer segment.

PROPYME SEAL

Created by the Ministry of Economics in 2011 to acknowledge those large companies –with at least 5% of SME suppliers- that pay invoices to smaller firms in thirty days or less.

SOFT COMMODITY

Soft commodities, or softs, are commodities such as coffee, cocoa, sugar, corn, wheat, soybean, fruit and livestock. Generally refers to commodities that are grown, rather than mined.

SPREAD

The difference between two interest rates.

STAKEHOLDER

A person, group or organization that has interest or concern in an organization. It can either affect or be affected by the business. The primary stakeholders in a typical corporation are its investors, employees, customers and suppliers.

UF

A system used to express the adjustability or adjusted value of a currency, depending on inflation, authorized and administered by the Central Bank of Chile.

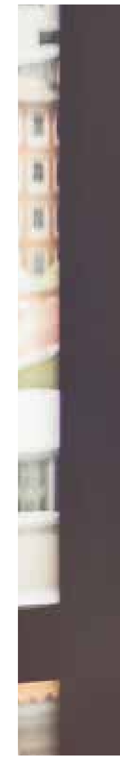
VOLCKER RULE

The banking system reform law passed in Barack Obama's government in the United States in 2010. Its name is in honor of Paul Volcker, former president of the Federal Reserve (FED).

WORKFLOW

A workflow consists of an orchestrated and repeatable pattern of business activity enabled by the systematic organization of resources into processes that transform materials, provide services, or process information.

General information



IDENTIFICATION OF THE COMPANY

Banco Santander Chile was incorporated by public deed dated September 7, 1977 granted at the Notary Office of Alfredo Astaburuaga Gálvez in Santiago, under the legal name Banco de Santiago, and received its permission to incorporate and function as a bank by Resolution N° 118 of the Superintendency of Banks and Financial Institutions (SBIF) on October 27, 1977.

The Bank's by-laws were approved by Resolution N° 103 of the SBIF on September 22, 1977. An excerpt of the by-laws and the resolution that approved them were published in the Official Gazette on September 28, 1977 and inscribed in page 8,825 N° 5,017 in the 1977 Commercial Register of Santiago's Real Estate Registry.

The denomination or legal name change from Banco de Santiago to Banco Santiago, together with the merger with former Banco O'Higgins, the legal dissolution of the latter and the quality of Banco Santiago as legal successor of said bank, appear in Resolution N° 6 of the SBIF on January 9, 1997 and the legal publications in the Official Gazette on January 11, 1997, which were duly protocolized under N° 69 on January 13, 1997 at the Notary Office of Andrés Rubio Flores in Santiago.

On July 18, 2002, an Extraordinary Shareholders' Meeting of Banco Santiago was held, whose minutes were reduced to public deed on July 19, 2002 at the Notary Office of Nancy de la Fuente in Santiago, in which were approved the merger between Banco Santander Chile and Banco Santiago through the incorporation of the former into the latter, acquiring the latter the assets and liabilities of the former, and an agreement for the anticipated dissolution of Banco Santander Chile and the name change of Banco Santiago for Banco Santander Chile. Said change was authorized by Resolution N° 79 of the SBIF on July 26, 2002, published in the Official Gazette on August 1, 2002 and inscribed in page 19,992 number 16,346 of the 2002 Commercial Register of Santiago's Real Estate Registry.

Afterwards, an Extraordinary Shareholders' Meeting held on April 24, 2007, whose minutes were reduced to public deed on May 24, 2007 in the Notary Office of Nancy de la Fuente Hernández, modified and established that, in accordance with the Bank's by-laws and the approvals of the SBIF, the legal names Banco Santander Santiago or Santander Santiago or Banco Santander or Santander may also be used. This reform was approved by Resolution N° 61 of the SBIF on June 6, 2007. An excerpt of the minutes and the resolution were published in the Official Gazette on June 23, 2007 and inscribed in page 24,064 N° 17,563 of the aforementioned register.

In addition to the amendments of the by-laws previously mentioned, these have been amended in several opportunities with the

Material issue

last one being the agreed upon at the Extraordinary Shareholders' Meeting held on January 9, 2017, whose minutes were reduced to public deed on February 14, 2017 in the Notary Office of Nancy de la Fuente Hernández. This amendment was approved by Resolution N° 17 of the SBIF on March 29, 2017. An excerpt of the amendment and the resolution were published in the Official Gazette on April 5, 2017 and were inscribed in page 27,594 number 12,254 of the 2017 Commercial Register of Santiago's Real Estate Registry. Through this last amendment, Banco Santander Chile, in accordance with its by-laws and the approvals of the SBIF, among others, reduced the number of regular Board members from 11 to 9 (maintaining two alternate directors), eliminated the possibility of using the legal names Banco Santander Santiago or Santander Santiago and defined an updated version of its by-laws.

RISK FACTORS

Given the company's banking business nature, there are some risk factors that may affect the institution. Among them:

CHILEAN ECONOMY

A substantial part of the Bank's customers operate in Chile, hence an adverse change in the local economy could have a negative impact over the company's results and financial condition in terms of delinquency levels and loan portfolio growth. It's important to note that the Bank's credit risk is monitored by the SBIF. The Bank also has a Credit Risk area which has developed norms and strict guidelines to minimize a possible impact on the organization if an increase in delinquency levels were to happen due to an adverse change in the local economy.

This area is completely independent from the commercial areas, with a control over loans from the admission process. As well, the Bank has a special monitoring section to detect in early stages any deterioration and undertake a correct monitoring of the loan portfolio.

Finally, if it were the case, the Bank has established mechanisms to recuperate non-performing or charged-off loans.

MARKET RISKS

Given its line of business, the company is exposed to market risks, which are defined as the effects over the Bank's financial condition that significant fluctuations in interest rates, inflation and exchange rates may generate. The Bank has a specialized area dedicated to minimize these risks with strict limits on net positions in foreign currency, UF and nominal pesos as well as other models that measure the Bank's sensibility to changes in the exchange rate and interest rates.

These limits are revised bi-weekly by Board members and the Bank's senior management in a specialized committee, and its measurement is conducted by an area independent of the commercial divisions. Also, the Bank has implemented warning systems and action plans in case that the internal or the regulatory limits are exceeded.

Finally, the General Banking Law and the Central Bank of Chile have established regulation to limit the Bank's exposure to these factors.

EVENTS IN OTHER COUNTRIES

Asset prices in Chile, including banks, are influenced to a certain extent by economic, political and social events in other countries in Latin America, the United States and the large economies in Asia and Europe. The latter is due to the indirect effect that may impact local economic growth and the companies that invest in those countries, and thus on the Bank's financial condition.

RESTRICTIONS TO THE BANKING BUSINESS OR CHANGES IN BANKING REGULATION

The Chilean banking industry, as is the case in most developed countries, is highly regulated. In particular, the local banking industry is subject to norms and regulations imposed by the General Banking Law, by the Ley de Sociedades Anónimas, the SBIF and the Central Bank of Chile. Thus, future amendments to these laws or the norms imposed by these organizations may have an adverse effect over the Bank's financial condition or restrict the entrance to new lines of business.

RISKS ASSOCIATED TO THE BANKING BUSINESS

The Bank has oriented its business towards retail segments, as it believes it's where it can obtain a better profitability. Thus, approximately 69% of the Bank's loans correspond to Individuals and SMEs. The current business strategy aims to grow selectively in these segments. For this reason it should be expected that current delinquency levels and charge-offs may increase in the future.

The Bank's business strategy is closely related to the local and global economic situation, and hence adapts constantly to changes in the environment so as to allow the Bank to benefit from business opportunities that may arise, as well as take shelter from potential threats.

Another important aspect to be considered is the increase in the number of non-bank competitors, which is more evident on consumer loans. This way retailers and supermarkets, among others, have increased their presence in this business, trend that is expected to continue in the future. For this reason, consolidation in the industry should lead to larger and more relevant competitors.

OTHER OPERATIONAL RISKS

The Bank, as any large organization, is exposed to a variety of operational risks, including fraud, internal control failures, incorrect manipulation or loss of documents, information systems failures and employee mistakes. It should be noted that, in order to minimize these risks, the Bank has a specialized area, the Operational Risk Department, and the support of Internal Audit which acts independently and reports directly to the Audit Committee.

SIGNIFICANT EVENTS

During 2017, Banco Santander Chile informed as significant events the following:

1. On January 10, at the Extraordinary Shareholders' Meeting held on January 9, 2017, agreements were reached approving the following:
    a. Change the Bank's legal name, only in the sense of eliminating the possibility of using the names Banco Santander Santiago or Santander Santiago;
    b. Reduce the number of regular Board members from 11 to 9, maintaining two alternates.

c. Update share capital to $891,302,881,691, which includes $215,394,964,605 corresponding to the revaluation of the Bank's share capital, accumulated between January 1, 2002 and December 31, 2008;

d. Suppress the First Transitory clause of the Bank's by-laws regarding the effects of the merger by absorption of former Banco Santander with Banco Santiago, today Banco Santander Chile;

e. Modify other social aspects of the by-laws to adequate them to current regulation;

f. Considering the changes in the previous figures, an updated version of the Bank's by-laws was approved;

g. Granting of the necessary powers of attorney necessary to fulfill the agreements adopted at the meeting.

2. On March 17 is informed that at its ordinary meeting on March 16, 2017 the Board agreed to summon an Ordinary Shareholders' Meeting to be held on Abril 26, 2017 with the purpose of discussing, among other matters, the proposal to distribute a dividend of $1.75459102 per share, equivalent to 70% of the attributable net income of the 2016 exercise, and assign the remaining balance to increase the Bank's reserves.

3. On April 27, 2017 is informed that on the Ordinary Shareholders' Meeting held on April 26, 2017 the following persons were elected as Board members: Mr. Vittorio Corbo Lioi, Mr. Óscar von Chrismar Carvajal, Mr. Roberto Méndez Torres, Ms. Ana Dorrego de Carlos, Mr. Andreu Plaza López, Mr. Juan Pedro Santa María Pérez, Ms. Lucía Santa Cruz Sutil, Mr. Orlando Poblete Iturrate and Mr. Roberto Zahler Mayanz. As well, Ms. Blanca Bustamante Bravo and Mr. Raimundo Monge Zegers were elected as alternate directors.

4. On May 3, is informed that on an extraordinary meeting held on April 28, 2017, the Board agreed to designate Mr. Vittorio Corbo Lioi as Chairman, Mr. Óscar von Chrismar Carvajal as first Vice president and Mr. Roberto Méndez Torres as second Vice president.

OPERATIONS WITH RELATED PARTIES COMMUNICATED AS SIGNIFICANT EVENTS

Operations with related parties are mainly technology contracts with Isban Spain, Produban Mexico, Produban Spain, Produban Brasil and Isban Mexico, for the maintenance of the Bank's systems and the development of certain applications. Santander Group has a common IT architecture and platforms for all the organization at a worldwide and regional level, which implies synergies and higher security on the development of products, in the maintenance of systems and in data processing. All contracts with these companies are first reviewed by the Audit Committee, which watches that these are fair for all involved parties. For this, the committee counts with reports from the Bank's specialized areas and also from independent entities, as well as external advise contracted directly by the committee.

The main services contracted from these Group "factories" are the following:

1. On January 18 is informed that on a meeting held on January 17, 2017 the Board approved the following operation:

   a. With Isban, contract for the provision of technological services for the development of the SME Financing Customer Journey project, Wallet Corporate Solution and Quality Controls for MIS data.

2. On March 17 is informed that on a meeting held on March 16, 2017 the Board approved the following operations:

   a. With Geoban, contract for the development of project Quality Controls for MIS local RDA operational data;

   b. With Isban, contract for the development of the following projects: Santander Te Acompaña; warnings distribution and debugging criteria; Murex improvements; massive transfers in the corporate payment system; Santander Flame and Basel 2017;

c. With Produban, contract for the following projects: Basel 2017 storage; Accounting Reconciliation integrated engine; Santander Flame; additional protection against service denial (Prolexic); protection against Phishing (CyberRisk Surveillance); and Big Data storage and infrastructure expansion.

3. On April 21, 2017 is informed that on a meeting held on April 11, 2017 the Board approved the following operations:

   a. With Isban, contract for the provision of technological services for the following projects: improvements to the Datalake-2017 intake component; Supra Core for Datalake Chile; RDA-Local Risk Appetite 2017; Intranet Support 2017; and Asset Control Platform New Functionalities;

   b. With Produban, contract for the provision of technological services for On Premise storage and IFRS 9 Infrastructure.

4. On May 17 is informed that on a meeting held on May 16, 2017, the Board approved the following operations:

   a. Isban Spain, contracts for the provision of technological services for Delegated Execution and BAU-2017 Transfer; for Declaración Jurada 1848 for Custody; and for AERO Platform Incorporation of Operating Processes;

   b. Santander Analytics S.A., contract for the provision of technological services for Independent Model Construction and Validation.

5. On June 21 is informed that on a meeting held on June 20, 2017 the Board approved the following operations:

   a. Isban Spain, contract for the provision of technological services for the following projects: Kalos 2017 Project; Model Risk; Logos Project; Verum Project; Advisory Improvements Project; Functional Improvements NEO CRIS; Rorac Project; CVA Motor Project; Heracles Project and for Processing Platform.

6. On July 19 is informed that on a meeting held on July 18, 2017 the Board approved the following operations:

   a. Isban, contract for the provision of technological services for Account Statements with Security Key Project, for the implementation of CODCON system, for the implementation of OPERA system, for the implementation of APAMA system, for EMIR Project, for corporate BAU Tallyman Project and for Fundamental Review of Trading (FTRB) Project;

   b. Produban, contract for the provision of technological services for Accord 2017 replacement Project;

   c. Banco Santander S.A., contract for the provision of technological services for Santander Toms Project.

7. On September 27 is informed that on a meeting held on September 26, 2017 the Board approved the following operations:

   a. Isban, contract for the provision of technological services for Recovery Movements Improvement Project, Portfolio Management Project (former Elite Portfolio) Phases II and III, Card Upgrade Project, BBOO TEF and Bilateral Contingency Automation Project, Foreign Currency Massive Payments Project (USD-EUR) and deferred TEF Issuance Project.

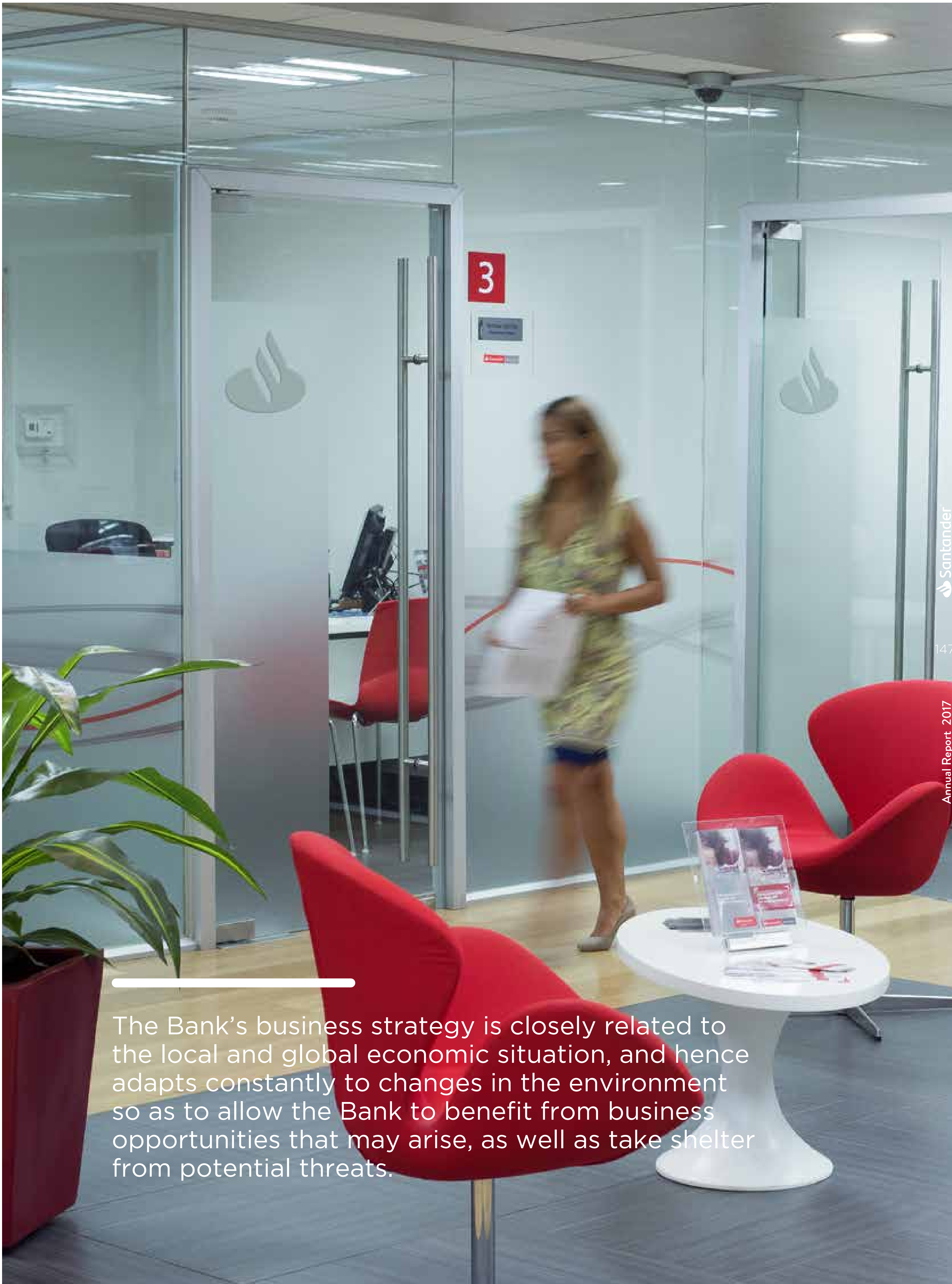
8. On October 18 is informed that on a meeting held on October 17, 2017 the Board approved the following operations:

   a. Isban, contract for the provision of technological services for N1 N2 Support Corporate Payment System Project, Files Projects, Intranet Key Reset Project, Window Frame Handover Project, White and Customer Exception Lists Maintenance Project, Appraisal System New Functionalities Project, Mutual Fund Contract Maintainer Project, State Endorsed Credit (CAE) Project and Fund Segregation Phase III Project.

9. On December 20 is informed that on a meeting held on December 19, 2017 the Board approved the following operations:

   a. Produban Spain, contract for the provision of technological services for Privileged Account–CyberArk Management Project;

   b. Banco Santander S.A., for the purchase of the technological services development local business unit Isban Chile and agreement for services provided by Banco Santander S.A. to different areas of Banco Santander Chile.



The Bank's business strategy is closely related to the local and global economic situation, and hence adapts constantly to changes in the environment so as to allow the Bank to benefit from business opportunities that may arise, as well as take shelter from potential threats.

About this Annual Report

This Annual Report gives an account of Banco Santander Chile's performance on its diverse areas between January 1 and December 31, 2017.

The information published covers the operations of Retail Banking, Middle-market Banking and Santander Global Corporate Banking, and include Santander Group's corporate policies and global figures. The latter are presented in Euros, while figures regarding operations in the country are expressed in Chilean pesos.

In the reported year there were no significant changes in size, structure or in Banco Santander Chile's ownership; as well as in calculation methods and preparation basis or criteria. Those which occurred in previous periods, reflected in figures, have been dully mentioned in tables and charts.

As is explained in chapter "Sustainability at Santander Chile" (pg. 52), this document has been prepared in accordance with the principles and requirements from Global Reporting Initiative's G4 guide, including the Financial Sector Supplement, and corresponds to the "essential" category.

GRI G4 Indicators

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
STRATEGY AND ANALYSIS				
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	14		
G4-2	Provide a description of key impacts, risks, and opportunities.	11, 36, 143		
ORGANIZATIONAL PROFILE				
G4-3	Report the name of the organization.	142, 164		
G4-4	Report the primary brands, products, and services.	4-5, 47-49		
G4-5	Report the location of the organization's headquarters.	164		
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	134		
G4-7	Report the nature of ownership and legal form.	142		
G4-8	Report the markets served (including geographical breakdown, sectors served, and types of customers and beneficiaries).	134		
G4-9	Report the scale of the organization, including: •Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products and services provided	5		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-10	a.Report the total number of employees by employment contract and gender. b.Report the total number of permanent employees by employment type and gender. c.Report the total workforce by employees and supervised workers and by gender. d.Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f.Report any significant variations in employment numbers.	101	Principle 6	
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	101	Principle 3	
G4-12	Describe the organization's supply chain.	120		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	115		No changes regarding these items during 2017.

COMMITMENTS TO EXTERNAL INITATIVES

G4-14	Report whether and how the precautionary approach or principle is addressed by the organization.	57, 70		
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	57		
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: •Holds a position in the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic.	57		

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	a.List all entities included in the organization's consolidated financial statements or equivalent documents. b.Report whether any entity in the organization's consolidated financial statements or equivalent documents is not covered by the report.	Annual Report, 89 States		
G4-18	a.Explain the process for defining the reported content and the Aspect Boundaries. b.Explain how the organization has implemented the Reporting Principles for Defining Report Content.	55		
G4-19	List all material Aspects identified in the process for defining report content.	55		
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	55		
G4-21	For each material Aspect, report the Aspect Boundary outside the organization.	55		
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.			No reformulations during the reported period.
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.			No significant changes during the reported period.

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
STAKEHOLDER ENGAGEMENT				
G4-24	Provide a list of stakeholder groups engaged by the organization.	53		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	53		
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	54		
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	55		
REPORT PROFILE				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.			January 1, 2017 to December 31, 2017.
G4-29	Date of most recent previous report (if any).			April 2017.
G4-30	Reporting cycle (such as annual, biennal).			Annual.
G4-31	Provide the contact point for questions regarding the report or its contents.	164		
GRI CONTENT INDEX				
G4-32	a.Report the 'in accordance' option the organization has chosen. b.Report the GRI Content Index for the chosen option. c.Report the reference to the External Assurance Report, if the report has been externally assured.	a.Pg. 148 b.Pgs. 149-159 c.There was no verification.		
ASSURANCE				
G4-33	a.Report the organization's policy and current practice with regard to seeking external assurance for the report. b.If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c.Report the relationship between the organization and the assurance providers. d.Report whether the highest government body or senior executives are involved in seeking assurance for the organization's sustainability report.			Santander has not conducted any process of external verification.
GOVERNANCE				
GOVERNANCE STRUCTURE AND COMPOSITION				
GR-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	20-21, 26-31, 34-35		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	28-31, 34-35, 67		
G4-38	Report the composition of the highest governance body and its committees.	28-30, 67		
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, ifso, his or her function within the organization's management and the reasons for this arrangement).	29		
G4-40	Describe the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	28, 31, 145		
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	32, 68, 145		
HIGHEST GOVERNANCE BODY'S ROLE IN SETTING PURPOSE, VALUES, AND STRATEGY				
G4-42	Report the highest governance body's senior executive's role in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	28, 34		
G4-44	a.Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b.Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including as a minimum, changes in membership and organizational practices.	12, 28, 29, 31-34		
HIGHEST GOVERNANCE BODY'S ROLE IN RISK MANAGEMENT				
G4-45	a.Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b.Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social impacts, risks, and opportunities.	26-30, 63-64, 70		
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	28-30, 70		
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	29, 30		
REMUNERATION AND INCENTIVES				
G4-51	a.Report the remuneration policies for the highest governance body and senior executives. b.Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	33,34		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-52	Report the processes for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	33, 34		
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	33, 34		
ETHICS AND INTEGRITY				
G4-56	a.Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	35,42-43,46,68-69,71	Principle 10	
ASPECT: ECONOMIC PERFORMANCE				
G4-DMA	Material aspect: Economic performance	72-91		
G4-EC1	Direct economic value generated and distributed	122		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	98	Principle 6	
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	121		
CATEGORY: ENVIRONMENTAL				
G4-DMA	Aspect material: Environmental management.	132		
MATERIALS				
G4-EN1	Materials used by weight or volume.	4, 132	Principles 7 and 8	
ENERGY				
GR-EN3	Energy consumption within the organization.	4, 132	Principles 7 and 8	
G4-EN6	Reduction of energy consumption.	4, 132	Principles 8 and 9	
EMISSIONS				
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	4, 132	Principles 7 and 8	
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	4, 132	Principles 8 and 9	
EFFLUENTS AND WASTE				
G4-EN23	Total weight of waste by type and disposal method.	4, 132	Principle 8	Partially informed, as type and method of treatment is not informed.
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
EMPLOYMENT				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	101	Principle 6	

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations.	100		
LABOR/MANAGEMENT RELATIONS				
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.		Principle 3	Banco Santander does not have a policy related to this aspect. However, important changes in the organization are communicated with anticipation.
OCCUPATIONAL HEALTH AND SAFETY				
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender.	101		
TRAINING AND EDUCATION				
GR-DMA	Material aspect: Human capital development	95		
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	96	Principle 6	
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	95, 96		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	94	Principle 6	
DIVERSITY AND EQUAL OPPORTUNITY				
G4-DMA	Material aspect: Promotion of diversity and inclusion.	99		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender are group, minority group membership, and other indicators of diversity.	101	Principle 6	Partially reported because there is no breakdown of minorities.
SUB-CATEGORY: HUMAN RIGHTS				
NON-DISCRIMINATION				
G4-HR3	Total number of incidents of discrimination and corrective actions taken.		Principle 6	In 2017 no discrimination incidents or related complaints were registered. In addition, Banco Santander counts with two documents that treat these issues: Santander Group's General Human Rights Policy and the General Code of Conduct. Also adheres to the Global Compact Principles, in which are included the commitment to respect and support the protection of fundamental human rights universally recognized.
SUB-CATEGORY: SOCIETY				
ANTI-CORRUPTION				
GR-DMA	Material aspect: Risk management.	58-64		

GRI G4 Indicator	Description	Location	Global Compact Principle	Explanation
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
CUSTOMER HEALTH AND SAFETY				
G4-DMA	Material aspect: Customer satisfaction.	103-104		
PRODUCT AND SERVICE LABELING				
G4-PR5	Results of surveys measuring customer satisfaction.	103-104		
CUSTOMER PRIVACY				
G4-DMA	Material aspect: Cybersecurity and protection of information.	50		
COMPLIANCE				
G4-PR9	Monetary value of significant fine for non-compliance with laws and regulations concerning the provision and use of products and services.			There were no fines on this scope during the year.
FINANCIAL SUPPLEMENT				
PRODUCT PORTFOLIO				
FS1	Policies with specific environmental and social components applied to business lines.	70		
FS2	Procedures for assessing and screening environmental and social risks in business lines.	70, 131, 133		
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.			To raise awareness and spread the content of the policies, a training session was held on October, taught by an external advisor on this issue.
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.			In 2016 the Group's Internal Audit Area conducts a review of the sustainability function to assess, among other aspects, the degree of compliance with social responsibility and environmental policies, which include the review of the Equator Principles as well as other additional procedures for risk evaluation about specific sectors.
ACTIVE OWNERSHIP				
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.			Santander Group does not have formal voting policies regarding social and/or environmental aspects for entities for which it has voting rights or acts as an advisor. Santander Empleados Pensiones fund does have a formal voting policy regarding social and environmental aspects, for shareholder meetings of entities over which it has voting rights.

Financial statements

Santiago, February 27, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Banco Santander Chile:

We have conducted an audit to the attached consolidated financial statements of Banco Santander Chile and its subsidiaries, which include the consolidated financial situation statements as of December 31, 2017 and 2016 and the corresponding consolidated income statements, integral results statements, changes in equity and cash flow statements for the years ended on said dates, as well as the corresponding notes on the consolidated financial statements.

RESPONSIBILITY OF MANAGEMENT OVER THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and reasonable presentation of these consolidated financial statements in accordance to the accounting rules and regulations and instructions given by the Superintendency of Banks and Financial Institutions. This responsibility includes the design, implementation and maintenance of pertinent internal control for the preparation and reasonable presentation of consolidated financial statements that are exempt of material misstatement, whether due to error or fraud.

RESPONSIBILITY OF THE AUDITOR

Our responsibility consists in expressing our opinion about these consolidated financial statements based on our audits. We conduct our audits in accordance to generally accepted audit rules and regulations in Chile. These rules and regulations require that we plan and perform our work with the goal to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the consolidated financial statements. The selected procedures depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. When performing these assessments, the auditor takes into account the pertinent internal control for the preparation and reasonable presentation of the entity's consolidated financial statements, with the purpose of designing appropriate audit procedures given circumstances, but without the purpose of expressing an opinion about the effectiveness of the entity's internal control. In consequence, we do not express such an opinion. An audit also includes evaluating the accounting principles used and the reasonability of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We consider that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Santander Chile and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the two years ended on said dates in conformity with accounting rules and regulations and instructions given by the Superintendency of Banks and Financial Institutions.

PricewaterhouseCoopers

February 26, 2018
Santiago, Chile

Roberto J. Villanueva B.
RUT: 7.060.344-6

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
BANCO SANTANDER CHILE AND SUBSIDIARIES

As of and for the periods ended:

	NOTE	December 31, 2017 MM$	2016 MM$
ASSETS			
Cash and deposits in Banks	4	1,452,922	2,279,389
Cash items in process of collection	4	668,145	495,283
Trading investments	5	485,736	396,987
Investments under resale agreements	6	-	6,736
Financial derivative contracts	7	2,238,647	2,500,782
Interbank loans, net	8	162,599	272,635
Loans and accounts receivable from customers, net	9	26,747,542	26,113,485
Available-for-sale investments	10	2,574,546	3,388,906
Investments held-to-maturity		-	-
Investments in associates and other companies	11	27,585	23,780
Intangible assets	12	63,219	58,085
Property, plant and equipment	13	242,547	257,379
Current taxes	14	-	-
Deferred taxes	14	385,608	372,699
Other assets	15	755,183	840,499
TOTAL ASSETS		35,804,279	37,006,645
LIABILITIES			
Deposits and other demand liabilities	16	7,768,166	7,539,315
Cash items in process of being cleared	4	486,726	288,473
Obligations under repurchase agreements	6	268,061	212,437
Time deposits and other time liabilities	16	11,913,945	13,151,709
Financial derivative contracts	7	2,139,488	2,292,161
Interbank borrowings	17	1,698,357	1,916,368
Issued debt instruments	18	7,093,653	7,326,372
Other financial liabilities	18	242,030	240,016
Current taxes	14	6,435	29,294
Deferred taxes	14	9,663	7,686
Provisions	20	324,329	308,982
Other liabilities	21	745,363	795,785
TOTAL LIABILITIES		32,696,216	34,108,598
EQUITY			
Attributable to equity holders of the Bank:			
Capital	23	3,066,180	2,868,706
Reserves	23	891,303	891,303
Valuation adjustments	23	1,781,818	1,640,112
Retained earnings		(2,312)	6,640
Retained earnings		**395,371**	**330,651**
Retained earnings from previous years		-	-
Income for the year		564,815	472,351
Minus: provision for mandatory dividends	23	(169,444)	(141,700)
Non-controlling interest	**25**	**41,883**	**29,341**
TOTAL EQUITY		3,108,063	2,898,047
TOTAL LIABILITIES AND EQUITY		35,804,279	37,006,645

The attached note between N° 01 and 39 are an integral part of these consolidated statements.

CONSOLIDATED INCOME STATEMENTS
BANCO SANTANDER CHILE AND SUBSIDIARIES

As of and for the periods ended:

	NOTE	December 31, 2017 MM$	2016 MM$
OPERATING INCOME			
Interest income	26	2,058,446	2,137,044
Interest expense	26	(731,755)	(855,678)
Net interest income		**1,326,691**	**1,281,366**
Fee and commission income	27	455,558	431,184
Fee and commission expense	27	(176,495)	(176,760)
Net fee and commission income		**279,063**	**254,424**
Net income (expenses) from financial operations	28	2,796	(367,034)
Net foreign exchange gain (loss)	29	126,956	507,392
Other operating income	34	87,163	18,299
Net operating profit before provisions for loan losses		**1,822,669**	**1,694,447**
Provision for loan losses	30	(299,205)	(343,286)
NET OPERATING PROFIT		**1,523,464**	**1,351,161**
Personnel salaries and expenses	31	(396,967)	(395,133)
Administrative expenses	32	(230,103)	(226,413)
Depreciation and amortization	33	(77,823)	(65,359)
Impairment of property, plant and equipment	33	(5,644)	(234)
Other operating expenses	34	(96,014)	(85,198)
Total operating expenses		**(806,551)**	**(772,337)**
OPERATING INCOME		**716,913**	**578,824**
Income from investment in associates and other companies	11	3,963	3,012
Income before tax		**720,876**	**581,836**
Income tax expenses	14	(143,613)	(107,120)
NET INCOME FOR THE YEAR		**577,263**	**474,716**
Attributable to:			
Equity holders of the Bank		564,815	472,351
Non-controlling interest	25	12,448	2,365
Earnings per share attributable to Equity holders of the Bank:			
Basic earnings	23	2,997	2,507
Diluted earnings	23	2,997	2,507

The attached note between N° 01 and 39 are an integral part of these consolidated statements.

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CONSOLIDATED FINANCIAL STATEMENTS 2017

Banco Santander Chile

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Banco Santander Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of December 31,	
		2017	2016
	NOTE	MCh$	MCh$
ASSETS			
Cash and deposits in banks	4	1,452,922	2,279,389
Cash items in process of collection	4	668,145	495,283
Trading investments	5	485,736	396,987
Investments under resale agreements	6	-	6,736
Financial derivative contracts	7	2,238,647	2,500,782
Interbank loans, net	8	162,599	272,635
Loans and accounts receivables from customers, net	9	26,747,542	26,113,485
Available for sale investments	10	2,574,546	3,388,906
Held to maturity investments		-	-
Investments in associates and other companies	11	27,585	23,780
Intangible assets	12	63,219	58,085
Property, plant, and equipment	13	242,547	257,379
Current taxes	14	-	-
Deferred taxes	14	385,608	372,699
Other assets	15	755,183	840,499
TOTAL ASSETS		**35,804,279**	**37,006,645**
LIABILITIES			
Deposits and other demand liabilities	16	7,768,166	7,539,315
Cash items in process of being cleared	4	486,726	288,473
Obligations under repurchase agreements	6	268,061	212,437
Time deposits and other time liabilities	16	11,913,945	13,151,709
Financial derivative contracts	7	2,139,488	2,292,161
Interbank borrowing	17	1,698,357	1,916,368
Issued debt instruments	18	7,093,653	7,326,372
Other financial liabilities	18	242,030	240,016
Current taxes	14	6,435	29,294
Deferred taxes	14	9,663	7,686
Provisions	20	324,329	308,982
Other liabilities	21	745,363	795,785
TOTAL LIABILITIES		**32,696,216**	**34,108,598**
EQUITY			
Attributable to the equity holders of the Bank		**3,066,180**	**2,868,706**
Capital	23	891,303	891,303
Reserves	23	1,781,818	1,640,112
Valuation adjustments	23	(2,312)	6,640
Retained earnings		**395,371**	**330,651**
Retained earnings from prior years		-	-
Income for the year		564,815	472,351
Minus: Provision for mandatory dividends	23	(169,444)	(141,700)
Non-controlling interest	25	**41,883**	**29,341**
TOTAL EQUITY		**3,108,063**	**2,898,047**
TOTAL LIABILITIES AND EQUITY		**35,804,279**	**37,006,645**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Banco Santander Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR

For the years ended

	NOTE	As of December 31, 2017 MCh$	2016 MCh$
OPERATING INCOME			
Interest income	26	2,058,446	2,137,044
Interest expense	26	(731,755)	(855,678)
Net interest income		**1,326,691**	**1,281,366**
Fee and commission income	27	455,558	431,184
Fee and commission expense	27	(176,495)	(176,760)
Net fee and commission income		**279,063**	**254,424**
Net income (expense) from financial operations	28	2,796	(367,034)
Net foreign exchange gain	29	126,956	507,392
Other operating income	34	87,163	18,299
Net operating profit before provision for loan losses		**1,822,669**	**1,694,447**
Provision for loan losses	30	(299,205)	(343,286)
NET OPERATING PROFIT		**1,523,464**	**1,351,161**
Personnel salaries and expenses	31	(396,967)	(395,133)
Administrative expenses	32	(230,103)	(226,413)
Depreciation and amortization	33	(77,823)	(65,359)
Impairment of property, plant, and equipment	33	(5,644)	(234)
Other operating expenses	34	(96,014)	(85,198)
Total operating expenses		**(806,551)**	**(772,337)**
OPERATING INCOME		**716,913**	**578,824**
Income from investments in associates and other companies	11	3,963	3,012
Income before tax		**720,876**	**581,836**
Income tax expense	14	(143,613)	(107,120)
NET INCOME FOR THE YEAR		**577,263**	**474,716**
Attributable to:			
Equity holders of the Bank		564,815	472,351
Non-controlling interest	25	12,448	2,365
Earnings per share attributable to Equity holders of the Bank:			
(expressed in Chilean pesos)			
Basic earnings	23	2,997	2,507
Diluted earnings	23	2,997	2,507

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Santander

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

	NOTE	As of December 31, 2017 MCh$	2016 MCh$
NET INCOME FOR THE YEAR		***577,263***	***474,716***
OTHER COMPREHENSIVE INCOME - ITEMS WHICH MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Availablefor sale investments	*10*	*(5,520)*	*14,468*
Cash flow hedge	*23*	*(5,850)*	*(6,338)*
Other comprehensive income which may be reclassified subsequently to profit or loss, before tax		***(11,370)***	***8,130***
Income tax related to items which may be reclassified subsequently to profit or loss	*14*	*2,754*	*(1,975)*
Other comprehensive income for the period which may be reclassified subsequently to profit or loss, net of tax		***(8,616)***	***6,155***
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		***-***	***-***
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		***568,647***	***480,871***
Attributable to:			
Equity holders of the Bank		*555,863*	*477,703*
Non-controlling interest	*25*	*12,784*	*3,168*

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

Banco Santander Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

		RESERVES		VALUATION ADJUSTMENTS			RETAINED EARNINGS					
	Capital MCh$	Reserves and other retained earnings MCh$	Effects of merger of companies under common control MCh$	Available for sale investments MCh$	Cash flow hedge MCh$	Income tax effects MCh$	Retained earnings of prior years MCh$	Income for the year MCh$	Provision for mandatory dividends MCh$	Total attributable to equity holders of the Bank MCh$	Non-controlling interest MCh$	Total Equity MCh$
Equity as of December 31, 2015	891,303	1,530,117	(2,224)	(6,965)	8,626	(373)	-	448,878	(134,663)	2,734,699	30,181	2,764,880
Distribution of income from previous period	-	-	-	-	-	-	448,878	(448,878)	-	-	-	-
Equity as of January 1, 2016	891,303	1,530,117	(2,224)	(6,965)	8,626	(373)	448,878	-	(134,663)	2,734,699	30,181	2,764,880
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributions/ withdrawals made	-	-	-	-	-	-	(336,659)	-	134,663	(201,996)	-	(201,996)
Transfer of retained earnings to reserves	-	112,219	-	-	-	-	(112,219)	-	-	-	(4,008)	(4,008)
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(141,700)	(141,700)	-	(141,700)
Subtotals	-	112,219	-	-	-	-	(448,878)	-	(7,037)	(343,696)	(4,008)	(347,704)
Other comprehensive income	-	-	-	13,414	(6,338)	(1,724)	-	-	-	5,352	803	6,155
Income for the year	-	-	-	-	-	-	-	472,351	-	472,351	2,365	474,716
Subtotals	-	-	-	13,414	(6,338)	(1,724)	-	472,351	-	477,703	3,168	480,871
Equity as of December 31, 2016	891,303	1,642,336	(2,224)	6,449	2,288	(2,097)	-	472,351	(141,700)	2,868,706	29,341	2,898,047
Equity as of December 31, 2016	891,303	1,642,336	(2,224)	6,449	2,288	(2,097)	-	472,351	(141,700)	2,868,706	29,341	2,898,047
Distribution of income from previous period	-	-	-	-	-	-	472,351	(472,351)	-	-	-	-
Equity as of January 1, 2017	891,303	1,642,336	(2,224)	6,449	2,288	(2,097)	472,351	-	(141,700)	2,868,706	29,341	2,898,047
Increase or decrease of capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distributions/ withdrawals made	-	-	-	-	-	-	(330,645)	-	-	(330,645)	-	(330,645)
Transfer of retained earnings to reserves	-	141,706	-	-	-	-	(141,706)	-	-	-	(242)	(242)
Provision for mandatory dividends	-	-	-	-	-	-	-	-	(27,744)	(27,744)	-	(27,744)
Subtotals	-	141,706	-	-	-	-	(472,351)	-	(27,744)	(358,389)	(242)	(358,631)
Other comprehensive income	-	-	-	(5,990)	(5,850)	2,888	-	-	-	(8,952)	336	(8,616)
Income for the year	-	-	-	-	-	-	-	564,815	-	564,815	12,448	577,263
Subtotals	-	-	-	(5,990)	(5,850)	2,888	-	564,815	-	555,863	12,784	568,647
Equity as of December 31, 2017	891,303	1,784,042	(2,224)	459	(3,562)	791	-	564,815	(169,444)	3,066,180	41,883	3,108,063

Period	Total attributable to equity holders of the Bank MCh$	Allocated to reserves MCh$	Allocated to dividends MCh$	Percentage distributed %	Number of shares	Dividend per share (in chilean pesos)
Year 2016 (Shareholders Meeting April 2017)	472,351	141,706	330,645	70	188,446,126,794	1.755
Year 2015 (Shareholders Meeting April 2016)	448,878	112,219	336,659	75	188,446,126,794	1.787

Santander

Banco Santander Chile and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended

	NOTE	As of Dece 2017 MCh$
A – CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME FOR THE YEAR		**577,263**
Debits (credits) to income that do not represent cash flows		**(1,198,140)**
Depreciation and amortization	33	77,823
Impairments of property, plant, and equipment	33	5,644
Provision for loan losses	30	382,520
Mark to market of trading investments		1,438
Income from investments in associates and other companies	11	(3,963)
Net gain on sale of assets received in lieu of payment	34	(28,477)
Provision on assets received in lieu of payment	34	3,912
Net gain on sale of property, plant, and equipment	34	(23,229)
Charge off of assets received in lieu of payment	34	30,027
Net interest income	26	(1,326,691)
Net fee and commission income	27	(279,063)
Other debits (credits) to income that do not represent cash flows		(29,903)
Changes in deferred taxes	14	8,178
Increase/decrease in operating assets and liabilities		**219,661**
(Increase) decrease of loans and accounts receivables from customers, net		(629,605)
(Increase) decrease of financial investments		725,611
Decrease (increase) due to resale agreements (assets)		6,736
Decrease (increase) of interbank loans		110,036
(Increase) decrease of assets received or awarded in lieu of payment		10,243
Increase (decrease) of debits in customers checking accounts		127,968
Increase (decrease) of time deposits and other time liabilities		(1,237,764)
Increase (decrease) of obligations with domestic banks		(364,956)
Increase (decrease) of other demand liabilities or time obligations		100,883
Increase (decrease) of obligations with foreign banks		146,947
Increase (decrease) of obligations with Central Bank of Chile		(2)
Increase (decrease) of obligations under repurchase agreements		55,624
Increase (decrease) in other financial liabilities		2,014
Net increase of other assets and liabilities		(166,361)
Redemption of letters of credit		(11,772)
Mortgage bond issuances		-
Senior bond issuances		911,581
Redemption mortgage bonds and payments of interest		(5,736)
Redemption and maturity of of senior bonds and payments of interest		(1,167,656)
Interest received		2,058,446
Interest paid		(731,755)
Dividends received from investments in other companies	11	116
Fees and commissions received	27	455,558
Fees and commissions paid	27	(176,495)
Total cash flow provided by (used in) operating activities		**(401,216)**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

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

	NOTE	As of December 31, 2017 MCh$	2016 MCh$
B – CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchases of property, plant, and equipment	13	(58,771)	(62,356)
Sales of property, plant, and equipment	13	17,940	560
Purchases of investments in associates and other companies	11	(3)	(1,123)
Purchases of intangible assets	12	(32,624)	(27,281)
Total cash flow provided by (used in) investment activities		**(73,458)**	**(90,200)**
C – CASH FLOW FROM FINANCING ACTIVITIES:			
From shareholder´s financing activities		**(345,544)**	**(348,787)**
Redemption of subordinated bonds and payments of interest		(14,899)	(12,128)
Dividends paid		(330,645)	(336,659)
From non-controlling interest financing activities		**(242)**	**(4,008)**
Dividends and/or withdrawals paid		(242)	(4,008)
Total cash flow used in financing activities		**(345,786)**	**(352,795)**
D – NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**(820,460)**	**309,295**
E – EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS		**(31,398)**	**(150,266)**
F – INITIAL BALANCE OF CASH AND CASH EQUIVALENTS		**2,486,199**	**2,327,170**
FINAL BALANCE OF CASH AND CASH EQUIVALENTS	**4**	**1,634,341**	**2,486,199**

Reconciliation of provisions for the Consolidated Statements of Cash Flows for the periods		As of December 31, 2017 MCh$	2016 MCh$
Provision for loan losses for cash flow purposes		382,520	421,584
Recovery of loans previously charged off		(83,315)	(78,298)
Provision for loan losses - net	30	**299,205**	**343,286**

Reconciliation of liabilities arising from financing activities	**December, 31 2016 MCh$**	**Cash Flow MCh$**	**Changes other than cash: Acquisition MCh$**	**Foreign Currency Movement MCh$**	**UF Movement MCh$**	**Fair Value Changes MCh$**	**December, 31 2017 MCh$**
Subordinated Bonds	759,665	-	-	-	13,527	-	773,192
Dividends paid	-	(330,645)	-	-	-	-	(330,645)
Other	-	-	-	-	-	-	-
Total liabilities from financing activities	**759,665**	**(330,645)**	**-**	**-**	**13,527**	**-**	**442,547**

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

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

Banco Santander Spain controls Banco Santander Chile through its holdings in Teatinos Siglo XXI Inversiones Ltda. and Santander Chile Holding S.A., which are controlled subsidiaries of Banco Santander Spain. As of December 31, 2017, Banco Santander Spain owns or controls directly and indirectly 99.5% of Santander Chile Holding S.A. and 100% of Teatinos Siglo XXI Inversiones Ltda. This makes Banco Santander Spain have control over 67.18% of the Bank's shares.

a) Basis of preparation

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

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

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

b) Basis of preparation for the Consolidated Financial Statements

The Consolidated Financial Statements as of December 31, 2017 and 2016 and December 31, 2016 and for the nine-month period ended December 31, 2017 and 2016, incorporate the financial statements of the Bank entities over which the Bank has control (including structured entities); and includes the adjustments, reclassifications and eliminations needed to comply with the accounting and valuation criteria established by IFRS. Control is achieved when the Bank:

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

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

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

- *The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;*
- *The potential voting rights held by the Bank, other vote holders or other parties;*
- *The rights arising from other agreements; and*

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

- *any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.*

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

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

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

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

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

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

i. Entities controlled by the Bank through participation in equity

			Percent ownership share					
			As of December 31,					
			2017			2016		
		Place of Incorporation and operation	Direct	Indirect	Total	Direct	Indirect	Total
Name of the Subsidiary	Main Activity		%	%	%	%	%	%
Santander Corredora de Seguros Limitada	Insurance brokerage	Santiago, Chile	99.75	0.01	99.76	99.75	0.01	99.76
Santander Corredores de Bolsa Limitada	Financial instruments brokerage	Santiago, Chile	50.59	0.41	51.00	50.59	0.41	51.00
Santander Agente de Valores Limitada	Securities brokerage	Santiago, Chile	99.03	-	99.03	99.03	-	99.03
Santander S.A. Sociedad Securitizadora	Purchase of credits and issuance of debt instruments	Santiago, Chile	99.64	-	99.64	99.64	-	99.64

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ii. Entities controlled by the Bank through other considerations

The following companies have been consolidated as of December 31, 2017 and 2016 based on the fact that the activities relevant on them are determined by the Bank (companies complementary to the banking sector) and therefore the Bank exercises control:

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

iii. Associates

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

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

Associates	Main activity	Place of Incorporation and operation	Percentage of ownership share As of December 31, 2017 %	2016 %
Redbanc S.A.	ATM services	Santiago, Chile	33.43	33.43
Transbank S.A.	Debit and credit card services	Santiago, Chile	25.00	25.00
Centro de Compensación Automatizado S.A.	Electronic fund transfer and compensation services	Santiago, Chile	33.33	33.33
Sociedad Interbancaria de Depósito de Valores S.A.	Repository of publically offered securities	Santiago, Chile	29.29	29.29
Cámara de Compensación de Pagos de Alto Valor S.A.	Payments clearing	Santiago, Chile	15.00	14.23
Administrador Financiero del Transantiago S.A.	Administration of boarding passes to public transportation	Santiago, Chile	20.00	20.00
Sociedad Nexus S.A.	Credit card processor	Santiago, Chile	12.90	12.90
Servicios de Infraestructura de Mercado OTC S.A.	Administration of the infrastructure for the financial market of derivative instruments	Santiago, Chile	12.07	12.07

During the year 2017, the entities Rabobank Chile in Liquidation and Banco París, assigned to Banco Santander a portion of its participation in "Sociedad Operadora de la Cámara de Compensación de pagos de Valores S.A.", with which the Bank's participation increased to 15.00%.

In the case of Nexus S.A. and Compensation Chamber for High-Value Payments S.A., Banco Santander Chile has a representative in the Board of Directors of such companies, which is why the Administration has concluded that it exercises significant influence over the same.

In the case of Market Infrastructure Services OTC S.A. The Bank participates, through its executives, actively in the administration and in the organizational process, which is why the Administration has concluded that it exerts significant influence about it.

During the fourth quarter of 2016, Banco Penta assigned to Banco Santander a portion of its interest in the companies "Sociedad Operadora de la Cámara de Compensación de pagos de Alto Valor S.A." y "Servicios de Infraestructura de Mercado OTC S.A." with which the Bank's participation increased to 14.93% and 12.07% respectively.

During the third quarter of 2016, Deutsche Bank assigned to Banco Santander a portion of its interest in the companies "Sociedad Operadora de la Cámara de Compensación de pago de Alto Valor S.A." and "Servicios de Infraestructura de Mercado OTC S.A." with which the Bank's participation increased in that opportunity to 14.84% and 11.93% respectively.

At the Extraordinary Shareholders' Meeting of Transbank S.A. held on April 21, 2016, it was agreed to increase capital of the company through the capitalization of retained earnings, through the issue of paid-up shares, and placement of payment actions for approximately $ 4,000 million. Banco Santander Chile participated proportionally to its participation (25%), for which it subscribed and paid shares for approximately $ 1,000 million.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iv. Share or rights in other companies

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

c) Non-controlling interest

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

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

d) Reporting segments

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

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

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

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

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

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

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

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

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

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

e) Functional and presentation currency

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f) Foreign currency transactions

The Bank performs transactions in foreign currencies, mainly the U.S. dollar. Assets and liabilities denominated in foreign currencies and held by the Bank are translated to Chilean pesos based on the representative market rate published by Reuters at 1:30 p.m. on the month end date. The rate used was Ch$616.85 per US$1 for December, 2017 (Ch$666.00 per US$1 for December, 2016).

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

g) Definitions and classification of financial instruments

i. Definitions

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

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

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

"Hybrid financial instruments" are contracts that simultaneously include a non-derivative host contract together with a financial derivative, known as an embedded derivative, which is not separately transferable and has the effect that some of the cash flows of the hybrid contract vary in a way similar to a stand-alone derivative. In the first semester of 2017 and during 2016, Banco Santander did not keep implicit derivatives in its portfolio.

ii. Classification of financial assets for measurement purposes

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

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

Effective interest method

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

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

Financial assets FVTPL - Trading investments

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

A financial asset is classified as held for trading if:

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

Held to maturity investments

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

Available for sale investments (AFS investments)

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

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

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

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

Loans and accounts receivables from customers

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iii. Classification of financial assets for presentation purposes

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

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

- *Cash items in process of collection: this item includes values of documents in process of transfer and balances from operations that, as agreed, are not settled the same day, and purchase of currencies not yet received.*

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

- *Financial derivative contracts: financial derivative contracts with positive fair values are presented in this item. It includes both independent contracts as well as derivatives that should and can be separated from a host contract, whether they are for trading or accounted for as derivatives held for hedging, as shown in Note 6.*

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

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

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

- *Loans and accounts receivables from customers: these loans are non-derivative financial assets for which fixed or determined amounts are charged, that are not listed on an active market and which the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and rewards incidental to the leased asset, the transaction is presented in loans and accounts receivable from customers while the leased asset is removed from the Bank´s financial statements.*

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

iv. Classification of financial liabilities for measurement purposes

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

Financial liabilities FVTPL

As of December 31, 2017 and 2016, the Bank does not have financial liabilities with changes in results.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other financial liabilities

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

v. Classification of financial liabilities for presentation purposes

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

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

- *Cash items in process of collection: this item includes balances from asset purchase operations that are not settled the same day, and sale of currencies not yet delivered.*

- *Obligations under repurchase agreements: this includes the balances of sales of financial instruments under securities repurchase and loan agreements. The Bank does not record as own portfolio instruments acquired under repurchase agreements.*

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

- *Financial derivative contracts: this includes financial derivative contracts with negative fair values (i.e. a liability of the Bank), whether they are for trading or for hedge accounting, as set forth in Note 6.*

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

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

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

- *Issued debt instruments: there are three types of instruments issued by the Bank: obligations under letters of credit, subordinated bonds and senior bonds placed in the local and foreign market.*

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

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

i. Valuation of financial instruments

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

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

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

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

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

Specifically, the fair value of financial derivatives included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price. If, for exceptional reasons, the quoted price cannot be determined on a given date, the fair value is determined using similar methods to those used to measure over the counter (OTC) derivatives. The fair value of OTC derivatives is the sum of the future cash flows resulting from the instrument, discounted to present value at the date of valuation ("present value" or "theoretical close") using valuation techniques commonly used by the financial markets: "net present value" (NPV) and option pricing models, among other methods. Also, within the fair value of derivatives are included Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA), all with the objective that the fair value of each instrument includes the credit risk of its counterparty and Bank´s own risk. Counterparty Credit Risk (CVA) is a valuation adjustment to derivatives contracted in non-organized markets as a result of exposure to counterparty credit risk. The CVA is calculated considering the potential exposure to each counterparty in future periods. Own-credit risk (DVA) is a valuation adjustment similar to the CVA, but generated by the Bank's credit risk assumed by our counterparties. As of December 31, 2017, the CVA and DVA are Ch $ 8,142 million and Ch $ 15,406 million, respectively.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

ii. Valuation techniques

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

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

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

The main techniques used as of September 30, 2017 and 2016 and as of December 31, 2016 by the Bank's internal models to determine the fair value of the financial instruments are as follows:

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

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

iii. Hedging transactions

The Bank uses financial derivatives for the following purposes:

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

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

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

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

   a. _Changes in the value of assets and liabilities due to fluctuations, among others, in inflation (UF), the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge");_

   b. _Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecasted transactions ("cash flow hedge");_

   c. _The net investment in a foreign operation ("hedge of a net investment in a foreign operation")._

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

   a. _At the date of arrangement the hedge is expected, under normal conditions, to be highly effective ("prospective effectiveness")._

   b. _There is sufficient evidence that the hedge was actually effective during the life of the hedged item or position ("retrospective effectiveness")._

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

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

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

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

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

iv. Derivatives embedded in hybrid financial instruments

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

v. Offsetting of financial instruments

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

vi. Derecognition of financial assets and liabilities

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

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

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

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

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

i) Recognizing income and expenses

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

i. Interest revenue, interest expense, and similar items

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

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

This interest and adjustments are generally referred to as "suspended" and are recorded in they are reported as part of the complementary information thereto and as memorandum accounts (Note 23). This interest is recognized as income, when collected.

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

ii. Commissions, fees, and similar items

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

(1) Fee and commission income and expenses on financial assets and liabilities measured at fair value through profit or loss are recognized when they are earned or paid.
- Those arising from transactions or services that are performed over a period of time are recognized over the life of these transactions or services.
(2) Those relating to services provided in a single transaction are recognized when the single transaction is performed.

iii. Non-financial income and expenses

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

j) Impairment

i. Financial assets:

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

ii. Non-financial assets:

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

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

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

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

k) Property, plant, and equipment

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

i. Property, plant and equipment for own use

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

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

ii. Assets leased out under operating leases

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

l) Leasing

i. Finance leases

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

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

When a consolidated entity is a lessee, it reports the cost of leased assets in the Consolidated Statement of Financial Position based on the nature of the leased asset, and simultaneously records a liability for the same amount (which is the lower of the fair value of the leased asset, and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise price of the purchase option). The depreciation policy for these assets is the same as that for property, plant and equipment for own use.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

ii. Operating leases

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

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

When a consolidated entity is the lessee, the lease expenses, including any incentives granted by the lessor, are charged on a straight line basis to "Other operating expenses" in the Consolidated Statement of Income.

iii. Sale and leaseback transactions

For sale at fair value and operating leasebacks, the profit or loss generated is recorded at the time of sale. In the case of finance leasebacks, the profit or loss generated is amortized over the lease term.

m) Factored receivables

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

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

n) Intangible assets

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

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

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

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

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

o) Cash and cash equivalents

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

The cash flow statement was prepared considering the following definitions:

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

p) Allowances for loan losses

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

The Bank has established allowances to cover probable losses on loans and account receivables in accordance with instructions issued by Superintendency of Banks and Financial Institutions (SBIF) and models of credit risk rating and assessment approved by the Board's Committee, including the amendments introduced by Circular No. 3,573 (and its further modifications) applicable as of January 1, 2016 which establishes a standard method for residential mortgage loans and complements and specifies instructions on provisions and loans classified in the impaired portfolio, and subsequent amendments.

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

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

- *Group assessment - a group assessment is relevant for analyzing a large number of transactions with small individual balances due from individuals or small companies. The Bank groups debtors with similar credit risk characteristics giving to each group a default probability and recovery rate based on a historical analysis. The Bank has implemented standard models for mortgage loans, established in Circular N°3,573 (modified by Circular N°3,584), and internal models for commercial and consumer loans.*

I. Allowances for individual assessment

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

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

The portfolio categories and their definitions are as follows:

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

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

iii. Impaired Portfolio includes debtors and their loans where repayment is considered remote, with a reduced or no likelihood of repayment. This portfolio includes debtors who have stopped paying their loans or that indicate that they will stop paying, as well as those who require forced debt restructuration, reducing the obligation or delaying the term of the capital or interest, and any other debtor who is over 90 days overdue in his payment of interest or capital. The classifications assigned to this portfolio are categories from C1 to C6.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Normal and Substandard Compliance Portfolio

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

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

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

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

Impaired Portfolio

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

The impaired portfolio excludes: a) residential mortgage loans, with payments less than 90 days overdue; and, b) loans to finance higher education according to Law 20,027, provided the breach conditions outlined in Circular No. 3,454 of December 10, 2008 are not fulfilled.

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

II. Allowances for group assessments

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

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

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

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

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

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

Notwithstanding the above, on establishing provisions associated with housing loans, the Bank must recognize minimum provisions according to standard methods established by the SBIF for this type of loan. While this is considered to be a prudent minimum base, it does not relieve the Bank of its responsibility to have its own methodologies of determining adequate provisions to protect the credit risk of the portfolio.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Standard method of residential mortgage loan provisions

As of January 1, 2016 and in accordance with Circular No. 3,573 issued by the SBIF, the Bank began applying the standard method of provisions for residential mortgage loans. According to this method, the expected loss factor applicable to residential mortgage loans will depend on the default of each loan and the relationship between the outstanding principal of each loan and the value of the associated mortgage guarantee (Loans to Value, LTV) at the end of each month.

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

LTV Range	Days overdue at month end	0	1-29	30-59	60-89	Impaired portfolio
LTV≤40%	PNP(%)	1.0916	21.3407	46.0536	75.1614	100
	Severity (%)	0.0225	0.0441	0.0482	0.0482	0.0537
	Expected Loss (%)	0.0002	0.0094	0.0222	0.0362	0.0537
40%< LTV ≤80%	PNP(%)	1.9158	27.4332	52.0824	78.9511	100
	Severity (%)	2.1955	2.8233	2.9192	2.9192	3.0413
	Expected Loss (%)	0.0421	0.7745	1.5204	2.3047	3.0413
80%< LTV ≤90%	PNP(%)	2.5150	27.9300	52.5800	79.6952	100
	Severity (%)	21.5527	21.6600	21.9200	22.1331	22.2310
	Expected Loss (%)	0.5421	6.0496	11.5255	17.6390	22.2310
LTV >90%	PNP(%)	2.7400	28.4300	53.0800	80.3677	100
	Severity (%)	27.2000	29.0300	29.5900	30.1558	30.2436
	Expected Loss (%)	0.7453	8.2532	15.7064	24.2355	30.2436

LTV =Loan capital/Value of guarantee

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

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

III. Additional provisions

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

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

IV. Charge-offs

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

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

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

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

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

q) Provisions, contingent assets, and contingent liabilities

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

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

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

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

Provisions are classified according to the obligation covered as follows:

- _Provision for employee salaries and expenses_
- _Provision for mandatory dividends_
- _Provision for contingent loan risks_
- _Provisions for contingencies_

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) Income taxes and deferred taxes

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

s) Use of estimates

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

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

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

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

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

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

t) Non-current assets held for sale

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

Assets received or awarded in lieu of payment

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

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

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

At the end of each year the Bank performs an analysis to review the "selling costs" of assets received or awarded in lieu of payments which will be applied at this date and during the following year. As of December 31, 2017 the average selling cost has been estimated at 3.4% of the appraisal value (5.1% for December 31, 2016).

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

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

u) Earnings per share

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

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

As of December 31, 2017 and 2016, the Bank did not have any instruments that generated dilution.

v) Temporary acquisition (assignment) of assets and liabilities

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

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

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

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

x) Provision for mandatory dividends

As of December 31, 2017 and 2016, the Bank recorded a provision for minimum mandatory dividends. This provision is made pursuant to Article 79 of the Corporations Act, which is in accordance with the Bank's internal policy, which requires at least 30% of net income for the period is distributed, except in the case of a contrary resolution adopted at the respective shareholders' meeting by unanimous vote of the outstanding shares. This provision is recorded as a deduction from "Retained earnings" – "Provision for mandatory dividends" in the Consolidated Statement of Changes in Equity with offset to Provisions.

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

y) Employee benefits

i. Post-employment benefits – Defined Benefit Plan:

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

Features of the Plan:

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

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

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

Components of defined benefit cost include:

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

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

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

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

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

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

ii. Severance provision:

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

iii. Cash-settled share based compensation

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

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

NOTE 01
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

z) New accounting pronouncements

i. Adoption of new accounting standards and instructions issued both by the Superintendency of Banks and Financial Institutions and the International Accounting Standards Board

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

1. Accounting Standards Issued by the SBIF

Circular No. 3,621. Compendium of Accounting Standards. Chapters B-1 and C-3. Credits guaranteed by the School Infrastructure Guarantee Fund. Complementary instructions - *This circular issued on March 15, 2017 introduces the following modifications:*

• The title of No. 4 of Chapter B-1 is replaced by the following: "4 Warranty, goods delivered under lease, factoring operations and School Infrastructure Guarantee fund".
• The section 4.4 "Guarantee Fund for School Infrastructure" is added to this section, for purposes of determining provisions applicable to the substitution of credit risk of direct credit for the credibility of the referred fund, assigning for this purpose category A1 .
• The following item is added: 1302.1.50 Credits for school infrastructure Law N° 20.845.

This rule is immediately applicable. This change had no impact on the Bank.

Circular No. 3,615. Compendium of Accounting Standards. Chapter C-2. Report on the review of financial information *- The circular issued on December 12, 2016, aims to increase the level of transparency of the Financial information provided by the banks. Therefore, the SBIF has considered it pertinent that as from June 2017, the financial statements referred to June 30 will be subject to a review report of the financial information issued by its external auditors. In accordance with NAGA No. 63, AU930, or its international equivalent, SAS No. 122, Section AU-C 930, which must be sent to the SBIF on the same day of its publication, or the immediately preceding or following bank business day.*

If a bank does not have the necessary information to prepare financial statements with its respective notes within the period established in the law, it shall at least publish and send to the SBIF the Statement of Financial Position and Income Statement, adding a note with the date In which they will be available, although they must be available within the first fortnight of the following month.

In the case of the financial statements referred to as of June 30, the banks must send, by August 15, the review report of their external auditors. A review of the required regulations has been carried out, including the respective conclusion on the consolidated intermediate financial statements reported to the SBIF.

2. Accounting Standards issued by the International Accounting Standards Board

Amendment to IAS 12 Recognition of deferred tax assets related to unrealized losses - *On January 19, 2016, the IASB issued this amendment to clarify the recognition of deferred assets related to debt instruments measured at fair value due to different recognition practices Of deferred assets, it is clarified that:*

- Unrealized losses on debt instruments measured at fair value and measures at cost for tax purposes generate a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the book value of the debt instrument by sale or use.
- The book value of an asset does not limit the estimate of probable taxable profits.
- The estimate of future taxable income excludes tax deductions from the reverse of deductible temporary differences.

This regulation is applicable as of January 1, 2017. This change had no impact for the Bank.

Amendment to IAS 7 Statement of Cash Flow. Disclosure Initiative - *This amendment issued on January 29, 2016 improves the information provided to users of the financial statements related to the entities' financing activities. The purpose of the amendment is to provide disclosures that enable users of the financial statements to assess changes in liabilities generated from financing operations. One way to comply with this new disclosure is to provide a reconciliation between the initial and final balance in the EFE for liabilities generated from financing activities.*
This regulation is applicable from January 1, 2017, with early application allowed. The implementation of this amendment had no material impact on the Bank's consolidated financial statements.

NOTE 01

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Annual improvements, cycle 2014-2016

Amendment to IFRS 12 Disclosures of Interest in Other Entities - *Clarifies the scope of the standard by specifying that the disclosure requirements of the standard, except for paragraphs B10-B16, apply to interest on an entity listed in paragraph 5 (subsidiaries, joint ventures, associates and non-consolidated structured entities) that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current assets held for sale and discontinued operations.*

The amendment to IFRS 12 is for annual periods beginning on or after 1 January 2017. The implementation of this amendment had no material impact on the Bank's consolidated financial statements.

ii. New accounting standards and instructions issued by both the Superintendency of Banks and Financial Institutions and by the International Accounting Standards Board that have not come into effect as of December 31, 2017

As of the closing date of these financial statements, new International Financial Reporting Standards had been published as well as interpretations of them and SBIF rules, which were not mandatory as of September 30, 2017. Although in some cases the application Is permitted by the IASB, the Bank has not made its application on that date.

1. Accounting Standards issued by the Superintendency of Banks and Financial Institutions

As of December 31, 2017, there are no new Accounting Standards issued by the Superintendency of Banks and Financial Institutions.

2. Accounting Standards issued by the International Accounting Standards Board

IFRS 9, Financial Instruments - *On November 12, 2009, the International Accounting Standards Board (IASB) issued IFRS 9, Financial Instruments. This Standard introduces new requirements for the classification and measurement of financial assets. IFRS 9 specifies how an entity should classify and measure its financial assets. Requires that all financial assets are classified in their entirety on the basis of the entity's business model for the management of financial assets and the characteristics of the contractual cash flows of financial assets.*

On October 28, 2010, the IASB published a revised version of IFRS 9, Financial Instruments. The revised Standard retains the requirements for the classification and measurement of financial assets that was published in November 2009, but adds guidelines on the classification and measurement of financial liabilities. Likewise, it has replicated the guidelines on the recognition of financial instruments and the implementation guides related from IAS 39 to IFRS 9. These new guidelines conclude the first phase of the IASB project to replace IAS 39. The other phases, impairment and hedge accounting, have not yet been finalized.

The guidance included in IFRS 9 on the classification and measurement of financial assets has not changed from those established in IAS 39. In other words, financial liabilities will continue to be measured either at amortized cost or at fair value with changes in results. The concept of bifurcation of derivatives incorporated in a contract for a financial asset has not changed Financial liabilities held for trading will continue to be measured at fair value with changes in results, and all other financial assets will be measured at amortized cost unless the value option is applied reasonable using the criteria currently in IAS 39.

Notwithstanding the foregoing, there are two differences with respect to IAS 39:

- The presentation of the effects of changes in fair value attributable to the credit risk of a liability; and
- The elimination of the cost exemption for liabilities derivatives to be settled through the delivery of non-traded equity instruments.

On December 16, 2011, the IASB issued Mandatory Application Date of IFRS 9 and Disclosures of the Transition, deferring the effective date of both the 2009 and 2010 versions to annual periods beginning on or after January 1, 2015 . Prior to the amendments, the application of IFRS 9 was mandatory for annual periods beginning on or after 2013. The amendments change the requirements for the transition from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9. In addition, they also modify IFRS 7 Financial Instruments: Disclosures to add certain requirements in the reporting period in which the date of application of IFRS 9 is included. Finally, on July 24, 2014, it is established that the date Effective application of this rule will be for annual periods beginning on January 1, 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

On November 19, 2013 ASB issued "Amendment to IFRS 9: hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39", which includes a new general hedge accounting model, which is more closely aligned with risk management, providing more useful information to the users of the financial statements. On the other hand, the requirements relating to the fair value option for financial liabilities were changed to address the credit risk itself, this improvement establishes that the effects of changes in the credit risk of a liability should not affect the result of the period a unless the liabilities remain to negotiate; the early adoption of this modification is permitted without the application of the other requirements of IFRS 9. In addition, it conditions the effective date of entry into force upon completion of the IFRS 9 project, allowing its adoption in the same way.

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

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

This regulation is effective as of January 1, 2018. Early application is allowed. The Administration in accordance with what is established by the Superintendency of Banks and Financial Institutions, will not apply this norm in advance or in the future, as long as the aforementioned Superintendency does not provide it as a mandatory standard for all banks.

***IFRS 15, Income from contracts with clients -** On May 28, 2014, the IASB published IFRS 15, which aims to establish principles for reporting useful information to users of financial information about the nature, amount, timing and uncertainty of The income and cash flows generated from an entity's contracts with its customers. IFRS 15 eliminates IAS 11 Construction Contracts, IAS 18 Income, IFRIC 13 Loyalty Programs with Customers, IFRIC 15 Real Estate Construction Agreements, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue - Exchange of Advertising Services.*

This rule is effective as of January 1, 2017, however, the IASB has deferred its entry into force for annual periods beginning on or after January 1, 2018. Advance application is permitted. Management is evaluating the potential impact of adopting this standard.

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

This standard was initially effective as of January 1, 2016, however, on December 17, 2015, the IASB issued "Effective Date of Amendment to IFRS 10 and IAS 28" postponing indefinitely the entry into force of this standard. The Administration will be waiting for the new validity to evaluate the potential effects of this modification.

***IFRS 16 Leases -** On January 13, 2016, the IASB issued this new regulation which replaces IAS 17 Leases, IFRIC 4 Determination of whether an agreement contains a lease, SIC 15 Operating leases - incentives and SIC 27 Evacuation of the essence of Transactions that take the legal form of a lease. The main effects of this rule apply to tenant accounting, mainly because it eliminates the dual accounting model: operational or financial leasing, this means that tenants must recognize "a right to use an asset" and a liability for Lease (the present value of lease futures payments). In the case of the landlord the current practice is maintained - that is, lessors continue to classify leases as financial and operating leases. This regulation is applicable as of January 1, 2019, with early application permitted if IFRS 15 "Customer Contract Revenue" is applied. The Administration is evaluating the potential impact of the adoption of these regulations.*

***Amendment to IFRS 2 Classification and measurement of share-based payment transactions -** This amendment issued on 20 June 2016, addresses matters on which there were consultations and which the IASB decided to address, the matters are:*

- Accounting of payment transactions based on shares settled in cash that include a condition of performance.
- Classification of payment transactions based on shares with balance compensation features.
- Accounting for changes in payment transactions based on shares from cash settled to liquidated in equity instruments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

This amendment is applicable as of January 1, 2018 prospectively, with early application allowed. The Administration is evaluating the potential impact of adopting this regulation.

Amendment to IFRS 4 Application of IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts - *This amendment issued on September 12, 2016 aims to address concerns about the differences between the effective date of IFRS 9 and the next new IFRS 17 insurance contract rule. This amendment provides two options for the issuing entities insurance contracts within the scope of IFRS 4:*

- An option that allows entities to reclassify from profit or loss to other comprehensive income, some of the income or expenses derived from the designated financial assets; This is the so-called superposition approach.
- An optional temporary exemption from the application of IFRS 9 for entities whose main activity consists of the issue of contracts within the scope of IFRS 4; This is the so-called deferment approach.

The entity that opts to apply the overlay approach retroactively to the classification of financial assets will do so when IFRS 9 is applied for the first time, while the entity that chooses to apply the deferral approach will do so for annual periods beginning on or after January 1, 2018. The Administration has evaluated that this rule will not have effects on the Bank's financial statements.

IFRIC 22 Transactions in foreign currency and consideration received / delivered in advance - *This interpretation issued on December 8, 2016, clarifies the accounting for transactions that include the receipt or payment of a anticipated consideration in a foreign currency. The Interpretation covers transactions in foreign currency when an entity recognizes an asset or a non-monetary liability derived from the payment or anticipated receipt of a consideration before that the entity recognizes the related asset, expense or income. Does not apply when an entity measures recognition of the asset, expense or income related to its fair value or to the fair value of the consideration received or paid in a date other than the date of initial recognition of the non-monetary asset or liability. In addition, it is not necessary to apply interpretation to income taxes, insurance contracts or reinsurance contracts.*

The date of the transaction, in order to determine the exchange rate, is the date of the initial recognition of the non-monetary asset paid in advance or liabilities for deferred income. If there are several payments or receipts in advance, a date is established
of transaction for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning at from January 1, 2018. Early application is allowed. The Administration has assessed that this rule will have no effect on the financial statements of the Bank.

Annual improvements, cycle 2014-2016

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - *Eliminates the short-term exemptions contained in paragraphs E3-E7 (transitional provisions of Financial Instruments, Benefit to Employees and Investment Entities) of IFRS 1, and who have fulfilled the intended purpose.*

Amendment to IAS 28 Investments in Associates and Joint Ventures - *Clarifies that the choice to measure at fair value through profit and loss changes (FVTPL) an investment in an associate or joint venture that belongs to an entity that is a venture capital organization, or other Qualified entity, is available for each investment in an associated entity or joint venture on the basis of the investment, after the initial recognition.*

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018. The Administration is evaluating the potential impact of the adoption of this regulation.

IFRS 17 Insurance contracts - *This regulation issued on May 18, 2017, establishes principles for the recognition, measurement, presentation and disclosure of the insurance contracts issued. It also requires similar principles to apply to maintained reinsurance contracts and to investment contracts issued with discretionary participation components. IFRS 17 repeals IFRS 4 Insurance Contracts. IFRS 17 will be applied to annual periods beginning on or after January 1, 2021. Early application is permitted. This standard does not apply directly to the Bank, however, the Bank has participation in insurance business and ensure that this regulation is applied correctly and timely.*

IFRIC 23 Uncertainty over Income Tax Treatments- *This interpretation issued on June 7, 2017 clarifies the accounting for tax uncertainties, which are used to determine income tax, tax basis, tax losses and unused loans, when there is an uncertainty about the treatment necessary by the IAS 12 "Income Taxes". This rule includes four points: a) If an entity accounts for tax uncertainties individually or as a whole, b) The assumptions that an entity makes about the revisions for the tax treatment established by the tax authority, c) How an entity determines a taxable gain or loss, its tax base, tax losses and unused loans and tax rates, and d) How an entity considers the changes made and their circumstances.*

This interpretation will be effective for the annual periods starting on January 1, 2019. The anticipated adoption of this standard is allowed. Management is assessing the potential impact of the adoption of this standard.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Practice declarations – Making materiality judgements, *this declaration has been issued on September, 2017 and corresponds to a guide with regard to how to make materiality judgements. This practice declaration motivates companies to apply judgement in order to prepare financial statements with information that is useful for the investors more than trying to abide with a checklist of IFRS reveleations.*

- *The objective of this is to provide useful financial information for investors as well as to other lenders regarding their decision making when supplying resources to the entity.*
- *This practical declaration is not an IFRS and therefore entities aren't forced to abide by them, although, materiality is an omnipresent principle within IFRS.*

In practical terms this document presents definitions in relation to materiality, users and judgement, as well as providing a 4 step model for the process of materiality.

Steps	***Process***
Step 1 – Identify	• *Identify information that has potential to be material*
Step 2 – Evaluate	• *Evaluate if the identified information in step 1 is material*
Step 3 – Organize	• *Organize the information within the financial statements draft in a way that comunicates the information in a clear and concise manner*
Step 4 – Review	• *Review the financial statements draft to determine if all the material information has been identified and this materiality has been entirely considered from a broad perspective, in order to obtain complete financial statements*

This declaration does not have an effective date because it is not a norm but a practice declaration, although it can be applied immediately. Management will consider this declaration in the preparation of its financial statements starting from this date.

Amendment to IAS 28 Long-Term Participations in Associates and Joint Ventures - *On October 12, 2017, the IASB published this amendment to clarify that an entity would also apply IFRS 9 to a long-term participation in an associate or joint venture to which the participation method does not apply. When applying IFRS 9, the adjustments of the long-term participations arising from the application of this Standard will not be taken into account.*

This amendment is effective retroactively in accordance with IAS 8 for annual periods beginning on or after January 1, 2019, except as specified in paragraphs 45G and 45J. Permit your anticipate app. If an entity applies the changes in a period that begins before, it will reveal that fact. The Bank's Administration is evaluating the potential impact of this modification.

Annual Improvements, cycle 2015-2017 - *This amendment published on December 12, 2017 introduces the following improvements:*

IFRS 3 Business Combinations / IFRS 11 Joint Agreements: *deals with the prior interest in a joint operation, as a business combination in stages.*

IAS 12 Income Tax: *deals with the consequences in income tax of payments of classified financial instruments as heritage.*

IAS 23 Loan costs: *deals with the eligible costs for capitalization.*

This amendment is effective for annual periods beginning on or after January 1, 2019. The Bank's Administration will is evaluating the potential impact of this modification.

SIGNIFICANT EVENTS

I.- As of December 31, 2017, the following significant events have occurred and affected the Bank's operations and Consolidated Financial Statements.

a) Bylaws and The Board

On April 5, 2017, the bylaws of Banco Santander Chile, approved at the Extraordinary Shareholders' Meeting held on January 9, 2017, were published in the Official Gazette, whose minutes were reduced to a public deed on February 14, 2017, in Nancy de la Fuente Hernández's Notary of Santiago. Among others, a consolidated text of the bylaws was established and, after the reforms introduced, its essential clauses are the following:

- *Name: Banco Santander-Chile*
- *Purpose: The execution or conclusion of all acts, contracts, businesses or operations that the laws, especially the General Law of Banks, allow the banks to perform without prejudice to extend or restrict their sphere of action in harmony with the legal provisions in force Or that are established in the future, without the need to amend the present statutes.*
- *Capital: $ 891,302,881,691, divided into 188,446,126,794 nominative shares, with no par value, of the same and only series.*
- *Directory: Corresponds to a Board composed of 9 full members and 2 alternates.*

At the Ordinary Shareholders' Meeting held on April 26, 2017, the Board of Directors was elected for a period of three years, consisting of nine Principal Directors and two Alternate Directors. The following persons were elected:

Principal Directors: Vittorio Corbo Lioi, Oscar von Chrismar Carvajal, Roberto Méndez Torres, Juan Pedro Santa María Pérez, Ana Dorrego de Carlos, Andreu Plaza López, Lucia Santa Cruz Sutil, Orlando Poblete Iturrate and Roberto Zahler Mayanz.

Alternate Directors: Blanca Bustamante Bravo and Raimundo Monge Zegers

b) Use of Profits and Distribution of Dividends

At the Ordinary General Shareholders' Meeting held on April 26, 2017, together with approving the Financial Statements for 2016, it was agreed to distribute 70% of the net profits for the year (which are denominated in the financial statements "Profit attributable to holders Of the Bank "), which amounted to Ch $ 472,351 million. These profits correspond to a dividend of $ 1.75459102 per share.

Likewise, it was approved that the remaining 30% of the profits be destined to increase the Bank's reserves.

c) Appointment of External Auditors

At the Board mentioned above, it was agreed to appoint the firm PricewaterhouseCoopers Consultores, Auditores SpA, as external auditors of the Bank and its subsidiaries for 2017.

SIGNIFICANT EVENTS, continued

d) Issuance of bonds – As of December 31 2017

d.1) Senior bonds year 2017

In the year ended December 31, 2017 the Bank has issued senior bonds int the amount of USD 770,000,000 and AUD 30,000,000 Debt issuance information is included in Note 18.

Serie	Currency	Amount	Term	Issuance rate	Issuance date	Issuance amount	Maturity date
DN	USD	100,000,000	3.0	Libor-USD 3M+0.80%	20-07-2017	100,000,000	27-07-2020
DN	USD	50,000,000	3.0	Libor-USD 3M+0.80%	21-07-2017	50,000,000	27-07-2020
DN	USD	50,000,000	3.0	Libor-USD 3M+0.80%	24-07-2017	50,000,000	27-07-2020
DN	USD	10,000,000	4.0	Libor-USD 3M+0.83%	23-08-2017	10,000,000	23-11-2021
DN	USD	10,000,000	4.0	Libor-USD 3M+0.83%	23-08-2017	10,000,000	23-11-2021
DN	USD	50,000,000	3.0	Libor-USD 3M+0.75%	14-09-2017	50,000,000	15-09-2020
DN	USD	500,000,000	3.0	2.50%	12-12-2017	500,000,000	15-12-2020
Total	**USD**	**770,000,000**				**770,000,000**	
AUD	AUD	30,000,000	10.0	3.96%	05-12-2017	30,000,000	12-12-2027
Total	**AUD**	**30,000,000**				**30,000,000**	

.d.2) Subordinated bonds year 2017

As of December 2017, the Bank did not issue subordinated bonds.

d.3) Mortgage bonds year 2017

As of December 2017, the Bank did not issue mortgage bonds.

SIGNIFICANT EVENTS, continued

d.4) Repurchased bonds year 2017

In the nine months ended December 31, 2017 the Bank has repurchased the following bonds:

Date	Type	Amount	
06-03-2017	Senior	USD	6,900,000
12-05-2017	Senior	UF	1,000,000
16-05-2017	Senior	UF	690,000
17-05-2017	Senior	UF	15,000
26-05-2017	Senior	UF	340,000
01-06-2017	Senior	UF	590,000
02-06-2017	Senior	UF	300,000
05-06-2017	Senior	UF	130,000
19-06-2017	Senior	UF	265,000
10-07-2017	Senior	UF	770,000
21-07-2017	Senior	UF	10,000
28-08-2017	Senior	UF	400,000
29-08-2017	Senior	UF	272,000
03-11-2017	Senior	UF	14,000
29-11-2017	Senior	UF	400,000
06-12-2017	Senior	UF	20,000
12-12-2017	Senior	CLP	10,990,000,000

II.- As of December 31, 2016, the following significant events have occurred and affected the Bank's operations and Consolidated Financial Statements.

a) Directory

At the Ordinary Shareholders' Meeting held on April 26, 2016, the appointment of titular directors, Mr. Andreu Plaza López and Mrs. Ana Dorrego de Carlos was ratified, who were appointed as titular directors at the Ordinary Meeting of the Board of Directors held on October 20, 2015.

At the Ordinary Session of the Board of Directors held on March 15, 2016, Víctor Arbulú Crousillat resigned as director. In view of his resignation and the vacancy left in at a past moment by Mr. Lisandro Serrano Spoerer, on the occasion of his resignation at the Ordinary Session of the Board of Directors held on October 20, 2015, the Board appointed Mr. Andreu Plaza López and Mrs. Ana Dorrego de Carlos. Finally, it is reported that on the occasion of the resignation of Mr. Victor Arbulú Crousillat he has been appointed as a member of the Directors and Audit Committee and in his replacement, Mr. Mauricio Larraín Garcés.

b) Use of Profits and Distribution of Dividends

At the Ordinary General Shareholders' Meeting held on April 26, 2016, Mr. Oscar von Chrismar Carvajal (First Vice-Chairman), Mr. Roberto Méndez Torres (Second Vice-President), titular directors Marco Colodro Hadjes, Lucia Santa Cruz Sutil, Ana Dorrego de Carlos, Mauricio Larraín Garcés, Juan Pedro Santa María, Orlando Poblete Iturrate, Andreu Plaza Lopez and Blanca Bustamante Bravo participated in ameeting with Mr. Vittorio Corbo Lioi as Chairman. In addition, the General Manager Mr. Claudio Melandri Hinojosa and the Manager of Strategic Planning Mr. Raimundo Monge also attend to the meeting.

According to the information presented in the Meeting mentioned above, net income for year 2015 (referred to in the financial statements "Profit attributable to equity holders of the Bank"), amounted to Ch$ 448,878 million. It was approved to distribute 75% of said profits, which, divided by the number of shares issued, correspond to a dividend of $ 1,78649813 per share, which began to be paid as of April 29, 2016.

Likewise, it is approved that the remaining 25% of the profits be destined to increase the Bank's reserves.

c) Appointment of External Auditors

At the Board mentioned above, it was agreed to appoint the firm PricewaterhouseCoopers Consultores, Auditores SpA, as external auditors of the Bank and its subsidiaries for 2016.

NOTE 02
SIGNIFICANT EVENTS, continued

d) Capital increase of Transbank S.A.

At the Extraordinary Shareholders' Meeting of Transbank S.A. Held on April 21, 2016, it was agreed to increase the capital of the company by capitalizing the accumulated profits, through the issuance of shares redeemed for payment, and placement of payment shares for approximately $ 4,000 million. Banco Santander Chile participated proportionally to its participation (25%), reason why it subscribed and paid shares for approximately $ 1 billion.

e) Issuance of bank bonds - As of December 31, 2016:

As of December 31, 2016, the Bank has issued bonds for UF 145,000,000, CLP 200,000,000,000, USD 30,000,000 and JPY 3,000,000,000 and EUR 74,000,000. The detail of the placements made as of December 31, 2016 is included in Note 15.

e.1 Senior Bonds as of December 31, 2016
In the year ended December 31, 2016 the Bank has issued senior bonds int the amount of UF 96,000,000, CLP 100,000,000,000, USD 215,000,000, JPY 3,000,000,000, EUR 104,000,000 y CHF 125,000,000, Debt issuance information is included in Note 18.

Set	Currency	Amount	Term Original (annual)	Yearly Issuance rate	Date of issue	Due date
T1	UF	7,000,000	4.0	2.20%	01-02-2016	01-02-2020
T2	UF	5,000,000	4.5	2.25%	01-02-2016	01-08-2020
T3	UF	5,000,000	5.0	2.30%	01-02-2016	01-12-2020
T4	UF	8,000,000	5.5	2.35%	01-02-2016	01-08-2021
T5	UF	5,000,000	6.0	2.40%	01-02-2016	01-02-2022
T6	UF	5,000,000	6.5	2.45%	01-02-2016	01-08-2022
T7	UF	5,000,000	7.0	2.50%	01-02-2016	01-02-2023
T8	UF	8,000,000	7.5	2.55%	01-02-2016	01-08-2023
T9	UF	5,000,000	8.0	2.60%	01-02-2016	01-02-2024
T10	UF	5,000,000	8.5	2.60%	01-02-2016	01-08-2024
T11	UF	5,000,000	9.0	2.65%	01-02-2016	01-02-2025
T12	UF	5,000,000	9.5	2.70%	01-02-2016	01-08-2025
T13	UF	5,000,000	10.0	2.75%	01-02-2016	01-02-2026
T14	UF	18,000,000	11.0	2.80%	01-02-2016	01-02-2027
T15	UF	5,000,000	12.5	3.00%	01-02-2016	01-08-2028
Total	**UF**	**96,000,000**				
T16	CLP	100,000,000,000	5.5	5.20%	01-02-2016	01-08-2021
Total	**CLP**	**100,000,000,000**				
DN	USD	10,000,000	5.0	Libor-USD 3M+1.05%	02-06-2016	09-06.2021
DN	USD	10,000,000	5.0	Libor-USD 3M+1.22%	08-06-2016	17-06-2021
DN	USD	10,000,000	5.0	Libor-USD 3M+1.20%	01-08-2016	16-08-2021
DN	USD	185,000,000	5.0	Libor-USD 3M+1.20%	10-11-2016	28-11-2021
Total	**USD**	**215,000,000**				
JPY	JPY	3,000,000,000	5.0	0.115%	22-06-2016	29-06-2021
Total	**JPY**	**3,000,000,000**				
EUR	EUR	20,000,000	8.0	0.80%	04-08-2016	19-08-2024
EUR	EUR	54,000,000	12.0	1.307%	05-08-2016	17-08-2028
EUR	EUR	30,000,000	3.0	0.25%	09-12-2016	20-12-2019
Total	**EUR**	**104,000,000**				
CHF	CHF	125,000,000	8.5	0.35%	14-11-2016	30-05-2025
Total	**CHF**	**125,000,000**				

NOTE 02
SIGNIFICANT EVENTS, continued

e.2 Subordinated Bonds as of December 31, 2016

As of December 2016, the Bank did not issue subordinated bonds.

e.3 Mortgage bonds as of December 31, 2016

As of December 2016, the Bank did not issue mortgage bonds.

e.4 Repurchased bonds

As of 2016 the Bank has repurchased the following bonds:

Fecha	Tipo	Monto	
13-01-2016	Senior	USD	600,000
27-01-2016	Senior	USD	960,000
08-03-2016	Senior	USD	481,853,000
08-03-2016	Senior	USD	140,104,000
10-05-2016	Senior	USD	10,000,000
29-11-2016	Senior	USD	6,895,000

NOTE 03
REPORTING SEGMENTS

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

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

In order to achieve compliance with the strategic objectives established by senior management and adapt to changing market conditions, from time to time, the Bank makes adjustments in its organization, modifications that in turn impact to a greater or lesser extent, in the way in which it is managed or managed. Thus, the present disclosure provides information on how the Bank is managed as of December 31, 2017. Regarding the information corresponding to the year 2016, it has been prepared with the current criteria at the closing of these financial statements in order to achieve the duecomparability of the figures.

The Bank has the reportable segments noted below:

Retail Banking

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

Middle-market

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

Global Corporate Banking

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

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

Corporate Activities ("Other")

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

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 business segment, for the periods ending as of December 31, 2017 and 2016:

	December 31, 2017						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions , net (2)	Provision for loan losses	Support expenses (3)	Segment`s net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Retail Banking	**19,233,169**	**970,332**	**206,449**	**20,595**	**(290,156)**	**(534,970)**	**372,250**
Middle-market	**6,775,734**	**264,663**	**36,280**	**13,751**	**(19,312)**	**(91,882)**	**203,500**
Commercial Banking	26,008,903	1,234,995	242,729	34,346	(309,468)	(626,852)	575,750
Global Corporate Banking	**1,633,796**	**100,808**	**27,626**	**50,714**	**4,008**	**(62,685)**	**120,471**
Other	**83,215**	**(9,112)**	**8,708**	**44,692**	**6,255**	**(15,356)**	**35,187**
Total	**27,725,914**	**1,326,691**	**279,063**	**129,752**	**(299,205)**	**(704,893)**	**731,408**
Other operating income							87,163
Other operating expenses							(101,658)
Income from investments in associates and other companies							3,963
Income tax expense							(143,613)
Net income for the year							**577,263**

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

NOTE 03
REPORTING SEGMENTS, continued

	December 31, 2016						
	Loans and accounts receivable from customers (1)	Net interest income	Net fee and commission income	Financial transactions, net (2)	Provision for loan losses	Support expenses (3)	Segment`s net contribution
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Retail Banking	**18,604,936**	**931,105**	**196,845**	**21,141**	**(321,614)**	**(529,909)**	**297,568**
Middle-market	**6,396,376**	**244,960**	**30,851**	**19,577**	**(25,558)**	**(83,412)**	**186,418**
Commercial Banking	25,001,312	1,176,065	227,696	40,718	(347,172)	(613,321)	483,986
Global Corporate Banking	**2,121,513**	**95,105**	**25,077**	**55,927**	**(2,773)**	**(53,935)**	**119,401**
Other	**83,606**	**10,196**	**1,651**	**43,713**	**6,659**	**(19,649)**	**42,570**
Total	**27,206,431**	**1,281,366**	**254,424**	**140,358**	**(343,286)**	**(686,905)**	**645,957**
Other operating income							18,299
Other operating expenses							(85,432)
Income from investments in associates and other companies							3,012
Income tax expense							(107,120)
Net income for the period							**474,716**

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

NOTE 04
CASH AND CASH EQUIVALENTS

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

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Cash and deposit in banks		
Cash	613,361	570,317
Deposit in the Central Bank of Chile	441,683	507,275
Deposit in domestic banks	393	1,440
Deposit in foreign banks	397,485	1,200,357
Subtotal	**1,452,922**	**2,279,389**
Cash in process of collection, net	181,419	206,810
Cash and cash equivalents	**1,634,341**	**2,486,199**

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

b) Operations in process of settlement:

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

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Assets		
Documents held by other banks (document to be cleared)	199,619	200,109
Funds receivable	468,526	295,174
Subtotal	**668,145**	**495,283**
Liabilities		
Funds payable	486,726	288,473
Subtotal	**486,726**	**288,473**
Cash in process of collection, net	**181,419**	**206,810**

NOTE 05
TRADING INVESTMENTS

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

	As of December 31, 2017 MCh$	As of December 31, 2016 MCh$
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	272,272	158,686
Chilean Central Bank Notes	-	-
Other Chilean Central Bank and Government securities	209,370	237,325
Subtotal	**481,642**	**396,011**
Other Chilean securities		
Time deposits in Chilean financial institutions	-	-
Mortgage finance bonds of Chilean financial institutions	-	-
Chilean financial institutions bonds	-	-
Chilean corporate bonds	-	976
Other Chilean securities	-	-
Subtotal	**-**	**976**
Foreign financial securities		
Foreign Central Banks and Government securities	-	-
Other foreign financial instruments	-	-
Subtotal	**-**	**-**
Investments in mutual funds		
Funds managed by related entities	4,094	-
Funds managed by third parties	-	-
Subtotal	**4,094**	**-**
Total	**485,736**	396,987

As of December 31, 2017 and 2016, there were no trading investments sold under contracts to resell to clients and financial institutions.

NOTE 06
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS

a) Rights arising from agreements

The Bank purchases financial instruments agreeing to resell them at a future date. As December 31, 2017 and 2016, rights associated with instruments acquired under contracts to resell are as follows.

	As December 31,							
	2017				2016			
	From 1 day and less tan 3 month MCh$	More tan 3 months and less than 1 year MCh$	More than 1year MCh$	Total MCh$	From 1 day and less than3 month MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$
Securities from the Chilean Govemment and the Chilean Central Bank:								
Chilean Central Bank Bonds	-	-	-	-	3,260	-	-	3,260
Chilean Central Bank Notes	-	-	-	-	-	-	-	-
Other securities from the Govemment and the Chilean Central Bank	-	-	-	-	3,476	-	-	3,476
Subtotal	-	-	-	-	6,736	-	-	6,736
Instruments from other domestic institutions:								
Timedeposits in Chilean fiancial institutions	-	-	-	-	-	-	-	-
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institutions bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Foreign financial securities:								
Foreign govemment or central bank securities	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Investments in mutual funds:								
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by other	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
Total	-	-	-	-	6,736	-	-	6,736

NOTE N°06
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATION UNDER REPURCHASE AGREEMENTS, continued

b) Obligations arising from repurchase agreements

The bank raisesfunds by selling financial intruments and committing its elf to buy them back at future dates, plus interest at a predetermined rate. As of December 31, 2017 and 2016,obligation related to intrumend sold under repurchase agreements are as follow:

	As of December 31,							
	2017				2016			
	From 1 day and less tan 3 month MCh$	More tan 3 months and less than 1 year MCh$	More than 1year MCh$	Total MCh$	From 1 day and less than3 month MCh$	More than 3 months and less than 1 year MCh$	More than 1 year MCh$	Total MCh$
Securities from the Chilean Govemment and the Chilean Central Bank:								
Chilean Central Bank Bonds	-	-	-	-	-	-	-	-
Chilean Central Bank Notes	-	-	-	-	155,044	-	-	155,044
Other securities from the Govemment and the Chilean Central Bank	241,995	-	-	241,995	-	-	-	-
Subtotal	**241,995**	**-**	**-**	**241,995**	**155,044**	**-**	**-**	**155,044**
Instruments from other domestic institutions:								
Timedeposits in Chilean fiancial institutions	1,118	38	-	1,156	56,898	495	-	57,393
Mortgage finance bonds of Chilean financial institutions	-	-	-	-	-	-	-	-
Chilean financial institutions bonds	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-
Subtotal	**1,118**	**38**	**-**	**1,156**	**56,898**	**495**	**-**	**57,393**
Foreign financial securities:								
Foreign govemment or central bank securities	24,910	-	-	24,910	-	-	-	-
Other foreign Chilean securities	-	-	-	-	-	-	-	-
Subtotal	**24,910**	**-**	**-**	**24,910**	**-**	**-**	**-**	**-**
Investments in mutual funds:								
Funds managed by related entities	-	-	-	-	-	-	-	-
Funds managed by other	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**268,023**	**38**	**-**	**268,061**	**211,942**	**495**	**-**	**212,437**

NOTE N°06
INVESTMENTS UNDER RESALE AGREEMENTS AND OBLIGATION UNDER REPURCHASE AGREEMENTS, continued

c) *Below is the detail by portfolio of collateral associated with repurchase agreements as of December 31, 2017 and 2016, value at fair value:*

	As of December 31,					
	2017			2016		
	Available for sale portfolio MCh$	Trading portfolio MCh$	Total MCh$	Available for sale portfolio MCh$	Trading for sale portfolio MCh$	Total MCh$
Securities from the Chilean Govemment and the Chilean Central Bank:						
Chilean Central Bank Bonds	-	-	-	-	-	-
Chilean Central Bank Notes	-	-	-	155,044	-	155,044
Other securities from the Govemment and the Chilean Central Bank	241,995	-	241,995	-	-	-
Subtotal	**241,995**	**-**	**241,995**	**155,044**	**-**	**155,044**
Other Chilean securites:						
Time deposits in Chilean financial institutions	1,156	-	1,156	57,393	-	57,393
mortgage finance bond of Chilean financial institutions	-	-	-	-	-	-
Chilean financial institution bonds	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-
Subtotal	**1,156**	**-**	**1,156**	**57,393**	**-**	**57,393**
Foreign financial securities:						
Foreign Central Bank and Government securities	24,910	-	24,910	-	-	-
Other Foreign financial instruments	-	-	-	-	-	-
Subtotal	**24,910**	**-**	**24,910**	**-**	**-**	**-**
Investment in mutual funds:						
Fondos administrados por entidades relacionadas	-	-	-	-	-	-
Fondos administrados por terceros	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**
Total	**268,061**	**-**	**268,061**	**212,437**	**-**	**212,437**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

a) As of December 31, 2017 and 2016, the Bank holds the following portfolio of derivative instruments:

	As of December 31, 2017					
	Notional amount				Fair value	
	Up to 3 Months MCh$	More than 3 months to 1 year MCh$	More than 1 year MCh$	Total MCh$	Assets MCh$	Liabilities MCh$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	-	162,985	1,554,171	**1,717,156**	23,003	1,424
Cross currency swaps	-	715,701	5,362,772	**6,078,473**	15,085	65,724
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	-	**878,686**	**6,916,943**	**7,795,629**	**38,088**	**67,148**
Cash flow hedge derivatives						
Currency forwards	801,093	218,982	-	**1,020,075**	39,233	59
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	421,428	1,637,604	6,672,566	**8,731,598**	36,403	128,355
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**1,222,521**	**1,856,586**	**6,672,566**	**9,751,673**	**75,636**	**128,414**
Trading derivatives						
Currency forwards	17,976,683	10,679,327	3,091,393	**31,747,403**	412,994	502,555
Interest rate swaps	9,069,964	14,389,389	46,342,779	**69,802,132**	467,188	392,366
Cross currency swaps	2,963,641	7,503,144	47,111,371	**57,578,156**	1,241,632	1,042,120
Call currency options	190,386	37,099	49,853	**277,338**	1,322	1,950
Call interest rate options	-	-	-	-	-	-
Put currency options	192,722	28,616	50,470	**271,808**	1,787	4,935
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**30,393,396**	**32,637,575**	**96,645,866**	**159,676,837**	**2,124,923**	**1,943,926**
Total	**31,615,917**	**35,372,847**	**110,235,375**	**177,224,139**	**2,238,647**	**2,139,488**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

	As of December 31, 2016					
	Notional amount				Fair value	
	Up to 3 months MCh$	More than 3 months to 1 year MCh$	More than 1 year MCh$	Total MCh$	Assets MCh$	Liabilities MCh$
Fair value hedge derivatives						
Currency forwards	-	-	-	-	-	-
Interest rate swaps	74,086	514,454	1,402,870	**1,991,410**	38,977	211
Cross currency swaps	424,086	505,902	1,239,490	**2,169,478**	32,640	32,868
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**498,172**	**1,020,356**	**2,642,360**	**4,160,888**	**71,617**	**33,079**
Cash flow hedge derivatives						
Currency forwards	915,879	639,939	-	**1,555,818**	10,216	3,441
Interest rate swaps	-	-	-	-	-	-
Cross currency swaps	897,480	2,613,706	4,260,194	**7,771,380**	43,591	68,894
Call currency options	-	-	-	-	-	-
Call interest rate options	-	-	-	-	-	-
Put currency options	-	-	-	-	-	-
Put interest rate options	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-
Subtotal	**1,813,359**	**3,253,645**	**4,260,194**	**9,327,198**	**53,807**	**72,335**
Trading derivatives						
Currency forwards	15,840,731	11,240,251	3,358,765	**30,439,747**	185,618	209,955
Interest rate swaps	6,889,665	12,512,285	49,747,459	**69,149,409**	627,047	526,695
Cross currency swaps	3,966,443	7,589,201	53,148,109	**64,703,753**	1,562,068	1,449,550
Call currency options	73,943	20,994	2,664	**97,601**	521	5
Call interest rate options	-	-	-	**-**	-	-
Put currency options	52,143	7,892	2,664	**62,699**	104	542
Put interest rate options	-	-	-	**-**	-	-
Interest rate futures	-	-	-	**-**	-	-
Other derivatives	-	-	-	**-**	-	-
Subtotal	**26,822,925**	**31,370,623**	**106,259,661**	**164,453,209**	**2,375,358**	**2,186,747**
Total	**29,134,456**	**35,644,624**	**113,162,215**	**177,941,295**	**2,500,782**	**2,292,161**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b) Hedge accounting

Fair value hedge

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

The hedged items and hedge instruments under fair value hedges as of December 31, 2017 and 2016, classified by term to maturity are as follows:

As of December 31, 2017	Notional Amount				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Credits and accounts receivable from customers					
Mortgage loan	587,412	801,230	106,910	-	**1,495,552**
Available for sale investments					
Yankee bonds	-	-	6,169	64,769	**70,938**
Mortgage financing bonds	-	-	4,738	-	**4,738**
American treasury bonds	-	-	-	129,539	**129,539**
Chilean General treasury bonds	-	21,377	762,727	-	**784,104**
Central bank bonds (BCP)	128,289	218,640	443,357	-	**790,286**
Time deposits and other demand liabilities					
Time deposits	137,985	-	-	-	**137,985**
Issued debt instruments					
Senior bonds	25,000	1,399,686	670,488	2,287,313	**4,382,487**
Subordinated bonds	-	-	-	-	-
Obligations with Banks:					
Interbank loans	-	-	-	-	**-**
Total	**878,686**	**2,440,933**	**1,994,389**	**2,481,621**	**7,795,629**
Hedging instrument					
Cross currency swaps	715,701	1,512,238	1,813,221	2,037,313	**6,078,473**
Interest rate swaps	162,985	928,695	181,168	444,308	**1,717,156**
Total	**878,686**	**2,440,933**	**1,994,389**	**2,481,621**	**7,795,629**

As of December 31, 2016	Notional Amount				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Credits and accounts receivable from customers					
Mortgage loan	-	-	-	-	-
Available for sale investments					
Yankee bond	-	-	6,660	56,610	**63,270**
Mortgage finance bonds	-	-	5,651	-	**5,651**
American treasury bonds	-	-	33,300	366,300	**399,600**
Chilean General treasury bonds	-	-	-	-	**-**
Central bank bonds (BCP)	-	-	-	-	-
Time deposits and other demand liabilities					
Time deposits	993,659	-	-	-	**993,659**
Issued debt instruments					
Senior bonds	524,869	652,046	1,000,905	520,888	**2,698,708**
Subordinated bonds	-	-	-	-	**-**
Obligations with Banks:					
Interbank loans	-	-	-	-	**-**
Total	**1,518,528**	**652,046**	**1,046,516**	**943,798**	**4,160,888**
Hedging instrument					
Cross currency swaps	929,988	437,046	531,556	270,888	**2,169,478**
Interest rate swaps	588,540	215,000	514,960	672,910	**1,991,410**
Total	**1,518,528**	**652,046**	**1,046,516**	**943,798**	**4,160,888**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

Cash flow hedges

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

The notional values of the hedged items as of December 31, 2017 and 2016, and the period when the cash flows will be generated are as follows:

	As of December 31, 2017				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	1,153,348	583,061	1,335,141	2,353,871	**5,425,421**
Commercial loans	644,608	-	-	-	**644,608**
Available for sale investments					
Time deposits (ASI)	-	-	25,290	132,572	**157,862**
Yankee bond	-	-	242,819	-	**242,819**
Chilean Central Bank bonds	-	-	-	-	**-**
Time deposits and other time liabilities					
Time deposits	-	-	-	-	**-**
Issued debt instruments					
Senior bonds (variable rate)	120,520	647,550	302,454	-	**1,070,524**
Senior bonds (fixed rate)	241,183	121,619	224,401	300,874	**888,077**
Interbank borrowings					
Interbank loans	919,448	402,914	-	-	**1,322,362**
Total	**3,079,107**	**1,755,144**	**2,130,105**	**2,787,317**	**9,751,673**
Hedging instrument					
Cross currency swaps	2,059,032	1,755,144	2,130,105	2,787,317	**8,731,598**
Currency forwards	1,020,075	-	-	-	**1,020,075**
Total	**3,079,107**	**1,755,144**	**2,130,105**	**2,787,317**	**9,751,673**

	As of December 31, 2016				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Loans and accounts receivables from customers					
Mortgage loan	1,083,972	312,546	900,746	956,803	**3,254,067**
Commercial loans	972,360	-	-	-	**972,360**
Available for sale investments					
Time deposits (ASI)	-	-	126,140	406,881	**533,021**
Yankee bond	20,754	-	-	-	**20,754**
Chilean Central Bank bonds	26,196	-	-	-	**26,196**
Time deposits and other time liabilities					
Time deposits	285,090	-	-	-	**285,090**
Issued debt instruments					
Senior bonds (variable rate)	854,414	399,451	285,355	-	**1,539,220**
Senior bonds (fixed rate)	140,765	108,409	243,121	105,600	**597,895**
Interbank borrowings					
Interbank loans	1,683,453	415,142	-	-	**2,098,595**
Total	**5,067,004**	**1,235,548**	**1,555,362**	**1,469,284**	**9,327,198**
Hedging instrument					
Cross currency swaps	3,511,186	1,235,548	1,555,362	1,469,284	**7,771,380**
Currency forwards	1,555,818	-	-	-	**1,555,818**
Total	**5,067,004**	**1,235,548**	**1,555,362**	**1,469,284**	**9,327,198**

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

An estimate of the periods in which flows are expected to be produced is as follows:

b.1) Forecasted cash flows for interest rate risk:

	As of December 31, 2017				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	308,737	60,515	13,780	2,594	385,626
Outflows	(60,733)	(43,507)	(7,757)	(878)	(112,875)
Net flows	**248,004**	**17,008**	**6,023**	**1,716**	**272,751**
Hedging instrument					
Inflows	60,733	43,507	7,757	878	112,875
Outflows (*)	(308,737)	(60,515)	(13,780)	(2,594)	(385,626)
Net flows	**(248,004)**	**(17,008)**	**(6,023)**	**(1,716)**	**(272,751)**

(*) Only includes cash flow forecast portion of the hedge instruments used to cover interest rate risk.

	As of December 31, 2016				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	159,439	83,193	32,647	3,748	279,027
Outflows	(72,631)	(45,857)	(18,040)	-	(136,528)
Net flows	**86,808**	**37,336**	**14,607**	**3,748**	**142,499**
Hedging instrument					
Inflows	72,631	45,857	18,040	-	136,528
Outflows (*)	(159,439)	(83,193)	(32,647)	(3,748)	(279,027)
Net flows	**(86,808)**	**(37,336)**	**(14,607)**	**(3,748)**	**(142,499)**

(*) Only includes cash flow forecast portion of the hedge instruments used to cover interest rate risk.

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

b.2) Forecasted cash flows for inflation risk:

	As of December 31, 2017				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	20,300	29,008	103,544	286,471	439,323
Outflows	(1,645)	-	-	-	(1,645)
Net flows	**18,655**	**29,008**	**103,544**	**286,471**	**437,678**
Hedging instrument					
Inflows	1,645	-	-	-	1,645
Outflows	(20,300)	(29,008)	(103,544)	(286,471)	(439,323)
Net flows	**(18,655)**	**(29,008)**	**(103,544)**	**(286,471)**	**(437,678)**

	As of December 31, 2016				
	Within 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 6 years MCh$	Over 6 years MCh$	Total MCh$
Hedged item					
Inflows	22,586	11,896	56,107	115,753	**206,342**
Outflows	(4,900)	-	-	-	**(4,900)**
Net flows	**17,686**	**11,896**	**56,107**	**115,753**	**201,442**
Hedging instrument					
Inflows	4,900	-	-	-	**4,900**
Outflows	(22,586)	(11,896)	(56,107)	(115,753)	**(206,342)**
Net flows	**(17,686)**	**(11,896)**	**(56,107)**	**(115,753)**	**(201,442)**

b.3) Forecasted cash flows for exchange rate risk:

As of December 31, 2017 and 2016, the Bank did not have cash flow hedges for exchange rate risk.

c) The accumulated effect of the mark to market adjustment of cash flow hedges produced by hedge instruments used in hedged cash flow was recorded in the Consolidated Statement of Changes in Equity, specifically within Other comprehensive income, as of December 31, 2017 and 2016, and is as follows:

	As of December 31,	
Hedged item	2017 MCh$	2016 MCh$
Interbank loans	(4,779)	(6,019)
Time deposits and other time liabilities	-	(294)
Issued debt instruments	(8,683)	(8,169)
Available for sale investments	(364)	12,833
Loans and accounts receivable from customers	10,264	3,937
Net flows	**(3,562)**	**2,288**

Since the inflows and outflows for both the hedged element and the hedging instrument mirror each other, the hedges are nearly 100% effective, which means that the fluctuations of fair value attributable to risk components are almost completely offset. During the year, the bank did not have any cash flow hedges of forecast transactions.

NOTE 07
DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING, continued

d) *Below is a presentation of income generated by cash flow hedges amount that were reclassified from other comprehensive income to income for the year:*

	As of December 31,	
	2017	2016
	MCh$	MCh$
Bond hedging derivatives	-	(77)
Interbank loans hedging derivatives	-	-
Cash flow hedge net income	**-**	**(77)**

e) *Net investment hedges in Foreign operation:*

As of December 31, 2017 and 2016, the Bank does not have any Foreign net investment hedges in its hedge accounting portfolio.

NOTE 08
INTERBANK LOANS

a) As of December 31, 2017 and 2016, balances of "Interbank loans" are as follows:

	As of December 31, 2017 MCh$	As of December 31, 2016 MCh$
Domestic banks		
Loans and advances to banks	-	-
Deposits in the Central Bank of Chile - not available	-	-
Non-transferable Chilean Central Bank Bonds	-	-
Other Central Bank of Chile loans	-	-
Interbank loans	-	23
Overdrafts in checking accounts	-	-
Non-transferable domestic bank loans	-	-
Other domestic bank loans	-	51
Allowances and impairment for domestic bank loans	-	-
Foreign interbank loans		
Interbank loans – Foreign	162,685	272,733
Overdrafts in checking accounts	-	-
Non-transferable foreign bank deposits	-	-
Other foreign bank loans	-	-
Provisions and impairment for foreign bank loans	(86)	(172)
Total	**162,599**	**272,635**

b) The amount of provisions and impairment of interbank loans in each period is shown below:

	As of December 31,					
	2017			2016		
	Domestic banks MCh$	Foreign banks MCh$	Total MCh$	Domestic banks MCh$	Foreign banks MCh$	Total MCh$
Balance as of January 1	**-**	**172**	**172**	**-**	**16**	**16**
Charge-offs	-	-	**-**	-	-	**-**
Provisions established	251	56	**307**	1	238	**239**
Provisions released	(251)	(142)	**(393)**	(1)	(82)	**(83)**
Total	**-**	**86**	**86**	**-**	**172**	**172**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

a) Loans and accounts receivable from customers

As of December 31, 2017 and 2016, the composition of the loan portfolio is as follows:

As of December 31, 2017	Assets before allowances				Allowances established			
	Normal portfolio MCh$	Substandard portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	Assets net balance MCh$
Commercial loans								
Commercial loans	8,998,957	369,830	621,869	**9,990,656**	148,482	168,736	**317,218**	9,673,438
Foreign trade loans	1,464,754	44,830	64,929	**1,574,513**	54,628	1,444	**56,072**	1,518,441
Checking accounts debtors	174,162	6,189	15,345	**195,696**	3,037	11,740	**14,777**	180,919
Factoring transactions	441,437	3,279	5,174	**449,890**	5,335	1,207	**6,542**	443,348
Student Loans	77,226	-	11,064	**88,290**	-	5,922	**5,922**	82,368
Leasing transactions	1,242,713	113,629	100,662	**1,457,004**	19,532	12,793	**32,325**	1,424,679
Other loans and account receivable	113,672	1,318	37,603	**152,593**	12,778	17,231	**30,009**	122,584
Subtotal	**12,512,921**	**539,075**	**856,646**	**13,908,642**	**243,792**	**219,073**	**462,865**	**13,445,777**
Mortgage loans								
Loans with mortgage finance bonds	22,620	-	1,440	**24,060**	-	123	**123**	23,937
Mortgage mutual loans	110,659	-	4,419	**115,078**	-	594	**594**	114,484
Other mortgage mutual loans	8,501,072	-	456,685	**8,957,757**	-	68,349	**68,349**	8,889,408
Subtotal	**8,634,351**	-	**462,544**	**9,096,895**	-	**69,066**	**69,066**	**9,027,829**
Consumer loans								
Installment consumer loans	2,613,041	-	297,701	**2,910,742**	-	240,962	**240,962**	2,669,780
Credit card balances	1,341,098	-	23,882	**1,364,980**	-	33,401	**33,401**	1,331,579
Leasing transactions	4,638	-	77	**4,715**	-	62	**62**	4,653
Other consumer loans	271,790	-	5,465	**277,255**	-	9,331	**9,331**	267,924
Subtotal	**4,230,567**	-	**327,125**	**4,557,692**	-	**283,756**	**283,756**	**4,273,936**
Total	**25,377,839**	**539,075**	**1,646,315**	**27,563,229**	**243,792**	**571,895**	**815,687**	**26,747,542**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

As of December 31, 2016	Assets before allowances				Allowances established			Assets net balance MCh$
	Normal portfolio MCh$	Substandard Portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Group allowances MCh$	Total MCh$	
Commercial loans								
Commercial loans	8,946,709	327,996	578,952	**9,853,657**	178,648	148,703	**327,351**	9,526,306
Foreign trade loans	1,622,422	131,900	75,582	**1,829,904**	63,767	901	**64,668**	1,765,236
Checking accounts debtors	162,470	4,262	12,736	**179,468**	3,130	6,854	**9,984**	169,484
Factoring transactions	288,292	3,771	4,688	**296,751**	5,363	620	**5,983**	290,768
Student Loans	89,988	-	5,805	**95,793**	-	8,818	**8,818**	86,975
Leasing transactions	1,325,583	69,302	90,238	**1,485,123**	19,710	5,546	**25,256**	1,459,867
Other loans and account receivable	103,508	1,678	21,583	**126,769**	5,355	11,664	**17,019**	106,750
Subtotal	**12,538,972**	**538,909**	**789,584**	**13,867,465**	**275,973**	**183,106**	**459,079**	**13,408,386**
Mortgage loans								
Loans with mortgage finance bonds	31,368	-	1,211	**32,579**	-	18	**18**	32,561
Mortgage mutual loans	115,400	-	4,534	**119,934**	-	203	**203**	119,731
Other mortgage mutual loans	8,074,900	-	391,943	**8,466,843**	-	60,820	**60,820**	8,406,023
Subtotal	**8,221,668**	-	**397,688**	**8,619,356**	**-**	**61,041**	**61,041**	**8,558,315**
Consumer loans								
Installment consumer loans	2,468,692	-	253,673	**2,722,365**	-	249,545	**249,545**	2,472,820
Credit card balances	1,418,409	-	29,709	**1,448,118**	-	41,063	**41,063**	1,407,055
Leasing transactions	5,062	-	55	**5,117**	-	72	**72**	5,045
Other consumer loans	266,056	-	5,147	**271,203**	-	9,339	**9,339**	261,864
Subtotal	**4,158,219**	-	**288,584**	**4,446,803**	**-**	**300,019**	**300,019**	**4,146,784**
Total	**24,918,859**	**538,909**	**1,475,856**	**26,933,624**	**275,973**	**544,166**	**820,139**	**26,113,485**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

b) Portfolio characteristics

As of December 31, 2017 and 2016, the portfolio before allowances is as follows, by customer's economic activity:

	Domestic loans (*)		Foreign interbank loans (**)		Total loans		Distribution percentage	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$	2017 %	2016 %
Commercial loans								
Manufacturing	1,218,232	1,180,886	-	-	1,218,232	1,180,886	4.39	4.34
Mining	302,037	340,554	-	-	302,037	340,554	1.09	1.25
Electricity, gas, and water	336,048	442,936	-	-	336,048	442,936	1.21	1.63
Agriculture and livestock	1,114,597	1,096,659	-	-	1,114,597	1,096,659	4.02	4.03
Forest	98,941	96,806	-	-	98,941	96,806	0.36	0.36
Fishing	215,994	296,592	-	-	215,994	296,592	0.78	1.09
Transport	697,948	787,510	-	-	697,948	787,510	2.52	2.89
Communications	168,744	196,934	-	-	168,744	196,934	0.61	0.72
Construction	1,977,417	1,792,485	-	-	1,977,417	1,792,485	7.13	6.59
Commerce	3,131,870	3,120,400	162,685	272,733	3,294,555	3,393,133	11.88	12.47
Services	467,747	482,900	-	-	467,747	482,900	1.69	1.77
Other	4,179,067	4,032,877	-	-	4,179,067	4,032,877	15.07	14.84
Subtotal	**13,908,642**	**13,867,539**	**162,685**	**272,733**	**14,071,327**	**14,140,272**	**50.75**	**51.98**
Mortgage loans	**9,096,895**	**8,619,356**	**-**	**-**	**9,096,895**	**8,619,356**	**32.81**	**31.68**
Consumer loans	**4,557,692**	**4,446,803**	**-**	**-**	**4,557,692**	**4,446,803**	**16.43**	**16.34**
Total	**27,563,229**	**26,933,698**	**162,685**	**272,733**	**27,725,914**	**27,206,431**	**100.00**	**100.00**

(*) Includes domestic interbank loans for Ch$0 million as of December 31, 2017 (Ch$74 million as of December 31, 2016), see Note 8.

(**) Includes foreign interbank loans for Ch$162,685 million as of December 31, 2017 (Ch$272,733 million as of December 31, 2016), see Note 8.

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

c) Impaired portfolio (*)

i) As of Diciembre 31, 2017 and 2016, the impaired portfolio is as follows:

	As of December 31,							
	2017				2016			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Individually impaired portfolio	427,890	-	-	**427,890**	439,707	-	-	**439,707**
Non-performing loans (collectively evaluated)	368,522	161,768	103,171	**633,461**	316,838	147,572	99,721	**564,131**
Other impaired portfolio	217,091	300,776	223,955	**741,822**	172,624	250,116	188,863	**611,603**
Total	**1,013,503**	**462,544**	**327,126**	**1,803,173**	**929,169**	**397,688**	**288,584**	**1,615,441**

(*) The impaired portfolio corresponds to the sum of the loans classified as substandard in categories B3 and B4, and the portfolio in default.

ii) The impaired portfolio with or without guarantee as of December 31, 2017 and 2016 is as follows:

	As of December 31,							
	2017				2016			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	582,557	413,716	34,260	**1,030,533**	519,821	357,320	35,134	**912,275**
Unsecured debt	430,946	48,828	292,866	**772,640**	409,348	40,368	253,450	**703,166**
Total	**1,013,503**	**462,544**	**327,126**	**1,803,173**	**929,169**	**397,688**	**288,584**	**1,615,441**

iii) The portfolio of non-performing loans (due for 90 days or longer) as of December 31, 2017 and 2016 is as follows:

	As of December 31,							
	2017				2016			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
Secured debt	167,909	141,413	8,896	**318,218**	159,965	129,632	8,940	**298,537**
Unsecured debt	200,613	20,355	94,275	**315,243**	156,873	17,940	90,781	**265,594**
Total	**368,522**	**161,768**	**103,171**	**633,461**	**316,838**	**147,572**	**99,721**	**564,131**

iv) Reconciliation of loans (with arrears equal to or greater tan 90 days), with past due loans as of December 31, 2017 and 2016, is as follows:

	As of December 31,							
	2017				2016			
	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$	Commercial MCh$	Mortgage MCh$	Consumer MCh$	Total MCh$
with arrears equal to or greater than 90 days	362,968	159,265	92,541	**614,774**	311,755	145,084	84,458	**541,297**
with arrears up to 89 days, classified in past due portfolio	5,554	2,503	10,630	**18,687**	5,083	2,488	15,263	**22,834**
Total	**368,522**	**161,768**	**103,171**	**633,461**	**316,838**	**147,572**	**99,721**	**564,131**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

d) Allowances

The changes in allowances balances during 2017 and 2016 are as follows:

Activity during 2017	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of December 31, 2016	**275,973**	**183,106**	**61,041**	**300,019**	**820,139**
Allowances established	60,023	99,407	22,163	157,595	**339,188**
Allowances released	(55,925)	(20,491)	(11,427)	(46,089)	**(133,932)**
Allowances released due to charge-off	(36,279)	(42,949)	(2,711)	(127,769)	**(209,708)**
Balance as of December 31, 2017	**243,792**	**219,073**	**69,066**	**283,756**	**815,687**

Activity during 2016	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Balance as of December 31, 2015	**277,099**	**168,551**	**51,160**	**257,869**	**754,679**
Allowances established	72,330	73,105	30,046	178,886	**354,367**
Allowances released	(37,073)	(14,432)	(17,634)	(18,512)	**(87,651)**
Allowances released due to charge-off	(36,383)	(44,118)	(2,531)	(118,224)	**(201,256)**
Balance as of December 31, 2016	**275,973**	**183,106**	**61,041**	**300,019**	**820,139**

In addition to credit risk allowances, there are allowances held for:

i) Country risk to cover the risk taken when holding or committing resources with any foreign country. These allowances are established according to country risk classifications as set forth in Chapter 7-13 of the Updated Compilation of Rules, issued by the SBIF. The balances of allowances as of December 31, 2017 and 2016 are Ch$599 million and Ch$386 million, respectively, which are presented in liabilities of the Consolidated Statement of Financial Position.

ii) According to SBIF's regulations (compendium of Accounting Standards), the Bank has established allowances related to the undrawn available credit lines and contingent loans. The balances of allowances as of December 31, 2017 and 2016 are Ch$15,103 million and Ch$13,927 million, respectively, and are presented in liabilities of the Consolidated Statement of Financial Position

e) Allowances established

The following chart shows the balance of provisions established, associated with credits granted to customers and banks:

	As of December 31,	
	2017 MCh$	2016 MCh$
Customers loans	339,188	354,367
Interbank loans	307	239
Total	**339,495**	**354,606**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

f) Portfolio by its impaired and non-impaired status

	As of December 31, 2017											
	Non-impaired				Impaired				Total portfolio			
	Commercial	Mortgage	Consumer	Total non-impaired	Commercial	Mortgage	Consumer	Total impaired	Commercial	Mortgage	Consumer	Total portfolio
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Current portfolio	12,737,508	8,357,733	4,012,489	**25,107,730**	449,895	158,770	110,184	**718,849**	13,187,403	8,516,503	4,122,673	**25,826,579**
Overdue for 1-29 days	103,908	180,294	132,136	**416,338**	110,834	74,072	46,283	**231,189**	214,742	254,366	178,419	**647,527**
Overdue for 30-89 days	53,723	96,324	85,941	**235,988**	89,806	70,437	78,118	**238,361**	143,529	166,761	164,059	**474,349**
Overdue for 90 days or more	-	-	-	**-**	362,968	159,265	92,541	**614,774**	362,968	159,265	92,541	**614,774**
Total portfolio before allowances	**12,895,139**	**8,634,351**	**4,230,566**	**25,760,056**	**1,013,503**	**462,544**	**327,126**	**1,803,173**	**13,908,642**	**9,096,895**	**4,557,692**	**27,563,229**
Overdue loans (less than 90 days) presented as portfolio percentage	1.22%	3.20%	5.15%	**2.53%**	19.80%	31.24%	38.03%	**26.04%**	2.58%	4.63%	7.51%	**4.07%**
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	35.81%	34.43%	28.29%	**34.09%**	2.61%	1.75%	2.03%	**2.23%**

NOTE 09
LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS, continued

	As of December 31, 2016											
	Non-impaired				Impaired				Total portfolio			
	Commercial	Mortgage	Consumer	Total non-impaired	Commercial	Mortgage	Consumer	Total impaired	Commercial	Mortgage	Consumer	Total portfolio
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Current portfolio	12,765,961	7,944,260	3,957,566	**24,667,787**	463,176	133,816	100,670	**697,662**	13,229,137	8,078,076	4,058,236	**25,365,449**
Overdue for 1-29 days	97,302	69,227	113,031	**279,560**	35,777	12,984	32,536	**81,297**	133,079	82,211	145,567	**360,857**
Overdue for 30-89 days	75,033	208,181	87,622	**370,836**	118,461	105,804	70,920	**295,185**	193,494	313,985	158,542	**666,021**
Overdue for 90 days or more	-	-	-	**-**	311,755	145,084	84,458	**541,297**	311,755	145,084	84,458	**541,297**
Total portfolio before allowances	**12,938,296**	**8,221,668**	**4,158,219**	**25,318,183**	**929,169**	**397,688**	**288,584**	**1,615,441**	**13,867,465**	**8,619,356**	**4,446,803**	**26,933,624**
Overdue loans (less than 90 days) presented as portfolio percentage	1.33%	3.37%	4.83%	**2.57%**	16.60%	29.87%	35.85%	**23.31%**	2.35%	4.60%	6.84%	**3.81%**
Overdue loans (90 days or more) presented as portfolio percentage	-	-	-	-	33.55%	36.48%	29.27%	**33.51%**	2.25%	1.68%	1.90%	**2.01%**

NOTE 10
AVAILABLE FOR SALE INVESTMENTS

As of December 31, 2017 and 2016, details of instruments defined as available for sale investments are as follows:

	As of December 31	
	2017	**2016**
	MCh$	**MCh$**
Chilean Central Bank and Government securities		
Chilean Central Bank Bonds	816,331	468,386
Chilean Central Bank Notes	330,952	1,222,283
Other Chilean Central Bank and Government securities	1,115,518	52,805
Subtotal	**2,262,801**	**1,743,474**
Other Chilean securities		
Time deposits in Chilean financial institutions	2,361	893,000
Mortgage finance bonds of Chilean financial institutions	22,312	25,488
Chilean financial institution bonds	-	-
Chilean corporate bonds	-	-
Other Chilean securities	3,000	-
Subtotal	**27,673**	**918,488**
Foreign financial securities		
Foreign Central Banks and Government securities	132,822	387,146
Other foreign financial securities	151,250	339,798
Subtotal	**284,072**	**726,944**
Total	**2,574,546**	**3,388,906**

As of December 31, 2017 and 2016, the item Chilean Central Bank and Government securities item includes securities sold under repurchase agreements to clients and financial institutions for Ch$241,995 million and Ch$155,044 million, respectively. Under the same line, there are instruments that guarantee margins for operations of derivatives through Comder Contraparte Central S.A. for an amount of $ 42,910 million and $ 18,627 million as of December 31 of 2017 and 2016, respectively.

As of December 31, 2017 and 2016, the item Other Chilean Securities includes securities sold to customers and financial institutions under repurchase agreements totaling Ch$1,156 million and Ch$57,393 million, respectively.

The instruments of Foreign Institutions include instruments sold under repurchase agreements with customers and financial institutions for a total of $ 24,910 and $ 0 million as of December 31, 2017 and 2016, respectively. Under the same line, there are instruments that guarantee margins for derivative transactions through the London Clearing House (LCH) for an amount of $ 48,106 million and $ 0 million as of December 31, 2017 and 2016, respectively. In order to comply with the initial margin specified in the European EMIR standard, instruments in guarantee with Euroclear are maintained for an amount of $ 33,711 million and $ 0 million as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 available for sale investments included a net unrealized profit of Ch$1,855, million, recorded as a "Valuation adjustment" in Equity, distributed between a profit of Ch$459 million attributable to equity holders of the Bank and a profit of Ch$1,396 million attributable to non-controlling interest.

As of December 31, 2016 available for sale investments included a net unrealized loss of Ch$7,375 million, recorded as a "Valuation adjustment" in Equity, distributed between a profit of Ch$6,449 million attributable to equity holders of the Bank and a profit of Ch$926 million attributable to non-controlling interest.

NOTE N°10
AVAILABLE FOR SALE INVESTMENTS, continued

Gross profits and losses realized on the sale of available for sale investments as of december 31, 2017 and 2016, are as follow.

	As of December 31,	
	2017	2016
	MCh$	MCh$
Sale of avaiilable for sale investments generating realized profits	6,469,344	6,522,549
Realized profits	4,867	12,333
Sale of available for sale investments generating realized losses	466,732	346,906
Realized losses	3	132

The Bank evaluated those instruments with unrealized losses as of December 31, 2017 and 2016 and concluded they were not impaired. This review consisted of evaluation the economic reason for any declines, the credit rating of the securities issuers and the bank's intention and ability to hold the securities until the unrealized kiss us recovered. Based ib this analysis, the Bank believes that there were no significant or prolonged declines nor changes in credit risk which would cause impairment in its investment portfolio, since most of the decline in fair value of these instruments was caused by market conditions which the Bank considers to be temporary. All of the instruments that have unrealized losses as of December 31, 2017 and 2016, were not in a continuos unrealized loss position for more than one year.

NOTE N°10
AVAILABLE FOR SALE INVESTMENTS, continued

The following charts show the available for sale investments cumulative unrealized profit and loss, as of December 31, 2017 and 2016:

As of December 31, 2017

	Less than 12 month				More than 12 month				Total			
	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$	Amortized cost MCh$	Fair value MCh$	Unrealized profit MCh$	Unrealized loss MCh$
Chilean central bank and government securities												
Chilean central bank fond	814,626	816,331	4,209	(3,216)	-	-	-	-	814,626	816,331	4,209	(3,216)
Chilean central bank notes	330,922	330,952	30	(1)	-	-	-	-	330,922	330,952	30	(1)
Other Chilean central bank and government securites	1,117,931	1,115,519	2,371	(4,785)	-	-	-	-	1,117,931	1,115,519	2,371	(4,785)
Subtotal	**2,263,479**	**2,262,802**	**6,610**	**(8,002)**	-	-	-	-	**2,263,479**	**2,262,802**	**6,610**	**(8,002)**
Other Chilean secyruties												
Time deposits in Chilean financial institutions	2,362	2,361	-	-	-	-	-	-	2,362	2,361	-	-
Mortgage finance bonds of Chilean financial institutions	21,867	22,312	445	-	-	-	-	-	21,867	22,312	445	-
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	3,000	3,000	-	-	-	-	-	-	3000	3,000	-	-
Subtotal	**27,229**	**27,673**	**445**	**-**	-	-	-	-	**27,229**	**27,673**	**445**	**-**
Foreign financial securities												
Foreign central bank and goverment securities	25,675	25,549	-	(126)	-	-	-	-	25,675	25,549	-	(126)
Other Foreign securities	258,801	258,522	1,097	(1,376)	-	-	-	-	258,801	258,522	1,097	(1,376)
Subtotal	**284,476**	**284,071**	**1,097**	**(1,502)**	-	-	-	-	**284,476**	**284,071**	**1,097**	**(1,502)**
					-	-	-	-				
Total	**2,575,184**	**2,574,546**	**8,152**	**(9,504)**	-	-	-	-	**2,575,184**	**2,574,546**	**8,152**	**(9,504)**

NOTE N°10
AVAILABLE FOR SALE INVESTMENTS, continued

As of December 31, 2016

	Menor a 12 meses				Mayor a 12 meses				Total			
	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss	Amortized cost	Fair value	Unrealized profit	Unrealized loss
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Chilean central bank and government securities												
Chilean central bank fond	461,793	468,386	6,612	(19)	-	-	-	-	461,793	468,386	6,612	(19)
Chilean central bank notes	1,222,263	1,222,283	23	(3)	-	-	-	-	1,222,263	1,222,283	23	(3)
Other Chilean central bank and government securites	52,411	52,805	394	-	-	-	-	-	52,411	52,805	394	-
Subtotal	**1,736,467**	**1,743,474**	**7,029**	**(22)**	-	-	-	-	**1,736,467**	**1,743,474**	**7,029**	**(22)**
Other Chilean secyruties												
Time deposits in Chilean financial institutions	892,956	893,000	108	(64)	-	-	-	-	892,956	893,000	108	(64)
Mortgage finance bonds of Chilean financial institutions	25,021	25,488	469	(2)	-	-	-	-	25,021	25,488	469	(2)
Chilean financial institution bonds	-	-	-	-	-	-	-	-	-	-	-	-
Chilean corporate bonds	-	-	-	-	-	-	-	-	-	-	-	-
Other Chilean securities	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	**917,977**	**918,488**	**577**	**(66)**	-	-	-	-	**917,977**	**918,488**	**577**	**(66)**
Foreign financial securities												
Foreign central bank and goverment securities	387,077	387,146	69	-	-	-	-	-	387,077	387,146	69	-
Other Foreign securities	340,010	339,798	655	(867)	-	-	-	-	340,010	339,798	655	(867)
Subtotal	**727,087**	**726,944**	**724**	**(867)**	-	-	-	-	**727,087**	**726,944**	**724**	**(867)**
					-	-	-	-				
Total	**3,381,531**	**3,388,906**	**8,330**	**(955)**	-	-	-	-	**3,381,531**	**3,388,906**	**8,330**	**(955)**

NOTE 11
INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

a) *The Consolidated Statements of Financial Position reflect investments in associates and other companies amounting to Ch$ 27,585 million as of December 31, 2017, Ch$ 23,780 million as of December 2016, as show in the following table:*

	Ownership interest As of December 31,		Investment: Investment value As of December 31,		Investment: Profit and loss As of December 31,	
	2017	2016	2017	2016	2017	2016
	%	%	MCh$	MCh$	MCh$	MCh$
Company						
Redbanc S.A.	33.43	33.43	2,537	2,184	353	373
Transbank S.A.	25.00	25.00	14,534	12,510	2,024	1,302
Centro de Compensación Automatizado	33.33	33.33	1,589	1,353	236	248
Sociedad Interbancaria de Depósito de Valores S.A.	29.29	29.29	1,087	938	235	195
Cámara de Compensación de Pagos de Alto Valor S.A. (1, 2 y 3)	15.00	14.93	909	866	66	98
Administrador Financiero del Transantiago S.A.	20.00	20.00	3,098	2,781	317	230
Sociedad Nexus S.A.	12.90	12.90	1,911	1,469	442	247
Servicios de Infraestructura de Mercado OTC S.A. (1 y 2)	12.07	12.07	1,489	1,378	115	132
Subtotal			**27,154**	**23,479**	**3,788**	**2,825**
Shares or rights in other companies						
Bladex			136	136	25	26
Stock Exchanges			287	157	150	161
Otras			8	8	-	-
Total			**27,585**	**23,780**	**3,963**	**3,012**

(1) During the third quarter of 2016, transaction was materialized through which Banco Penta ceded to Banco Santander a portion of its participation in societies “Company operator of the Alto Valor S.A clearing house” and “services of market infrastructure OTC S.A.” with which the bank’s participation has increased to 14.84% and 11.93% respectively.

(2) During the last quarter of 2016, transaction was materialized through which Banco Penta ceded to Banco Santander a portion of its participation in the companies “company operator of the Alto Valor S.A learing house” and “ services of market infrastructure OTC S.A” with which the bank’s participation has increased to 14.93% and 12.07% respectively.

(3) During the year 2017, the entities Rabobank Chile in Liquidation and Banco París, assigned to Banco Santander a portion of its participation in "Sociedad Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A." at 0.01% and 0.06% respectively, with which the Bank's participation increased to 15.00%.

b) *Investments in associates and other companies do not have market prices.*

c) *Summary of financial information of the partners between exercises 2017 and 2016:*

	2017 Assets MCh$	2017 Liabilities MCh$	2017 Equity MCh$	2017 Net Income MCh$	2016 Assets MCh$	2016 Liabilities MCh$	2016 Equity MCh$	2016 Net Income MCh$
Centro de Compensación Automatizado S.A.	6,871	2,174	3,989	708	5,508	1,523	3,241	744
Redbanc S.A.	21,235	13,751	6,428	1,056	19,927	13,505	5,307	1,115
Transbank S.A.	822,487	765,683	48,709	8,095	710,475	660,957	44,309	5,209
Sociedad Interbancaria de Depósito de Valores S.A.	3,720	60	2,858	802	3,204	103	2,435	666
Sociedad Nexus S.A.	32,669	18,888	10,354	3,427	30,038	19,229	8,898	1,911
Servicios de Infraestructura de Mercado OTC S.A.	17,913	6,414	10,963	536	29,258	18,258	9,906	1,094
Administrador Financiero del Transantiago S.A.	51,304	35,814	13,907	1,583	54,253	40,345	12,758	1,150
Cámara de Compensación de Pagos de Alto Valor S.A.	6,338	500	5,399	439	6,099	627	4,815	657
Totales	**962,537**	**843,284**	**102,607**	**16,646**	**858,762**	**754,547**	**91,669**	**12,546**

NOTE 11
INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES, continued

d) *Restriction on the ability of partners to transfer funds to investors.*

There are no significant restriction in relation to the ability of the associates to transfer funds in the form of dividends in Cash or reimvursements of loans or advances, to the bank.

e) *Activity with respect to investments in other companies during 2017 and 2016, is as follow:*

	As of December 31,	
	2017 MCh$	2016 MCh$
Opening balance as of January 1,	**23,780**	**20,309**
Acquisition of investments (*)	3	1,123
Sale of investments	-	-
Participation in income (*)	3,962	3,012
Dividends received	(116)	(217)
Other equity adjustment	(44)	(447)
Total	**27,585**	**23,780**

(*) See letter a), reference (1)

NOTE 12
INTANGIBLE ASSETS

a) As of December 31, 2017 and 2016 the composition of intangible assets is as follows:

	Years of useful life	Average remaining useful life	Net opening balance as of January 1, 2017 MCh$	As of December 31, 2017 Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	1	1,656	10,932	(9,732)	1,200
Software development	3	2	56,429	314,115	(252,096)	62,019
Subtotal			**58,085**	**325,047**	**(261,828)**	**63,219**
Fully amortized assets			**-**	**(200,774)**	**200,774**	**-**
Total			**58,085**	**124,273**	**(61,054)**	**63,219**

	Years of useful life	Average remaining useful life	Net opening balance as of January 1, 2016 MCh$	As of December 31, 2016 Gross balance MCh$	Accumulated amortization MCh$	Net balance MCh$
Licenses	3	2	2,060	10,932	(9,276)	1,656
Software development	3	2	49,077	286,781	(230,352)	56,429
Subtotal			**51,137**	**297,713**	**(239,628)**	**58,085**
Fully amortized assets			-	(200,774)	200,774	-
Total			**51,137**	**96,939**	**(38,854)**	**58,085**

b) The changes in the value of intangible assets during the periods December 31, 2017 and 2016 is as follows:

b.1) Gross balance

Gross balances	Licenses MCh$	Software development MCh$	Fully amortized assets MCh$	Total MCh$
Balances as of January 1, 2017	**10,932**	**286,781**	**(200,774)**	**96,939**
Acquisitions	-	32,624	**-**	**32,624**
Disposals and impairment	-	(5,290)	**-**	**(5,290)**
Other	-	-	**-**	**-**
Balances as of December 31, 2017	**10,932**	**314,115**	**(200,774)**	**124,273**
Balances as of January 1, 2016	**10,932**	**259,500**	**(181,267)**	**89,165**
Acquisitions	-	27,281	**-**	**27,281**
Disposals and impairment	-	-	**-**	**-**
Other	-	-	(19,507)	**(19,507)**
Balances as of December 31, 2016	**10,932**	**286,781**	**(200,774)**	**96,939**

NOTE 12
INTANGIBLE ASSETS, continued

b.2) Accumulated amortization

Accumulated amortization	**Licenses MCh$**	**Software development MCh$**	**Fully amortized assets MCh$**	**Total MCh$**
Balances as of January 1, 2017	**(9,276)**	**(230,352)**	**200,774**	**(38,854)**
Amortization for the period	(456)	(21,744)	**-**	**(22,200)**
Other changes	-	-	**-**	**-**
Balances as of December 31 , 2017	**(9,732)**	**(252,096)**	**200,774**	**(61,054)**
Balances as of January 1, 2016	**(8,872)**	**(210,423)**	**181,267**	**(38,028)**
Amortization for the period	(404)	(19,929)	**-**	**(20,333)**
Other changes	-	-	**19,507**	**19,507**
Balances as of December 31, 2016	**(9,276)**	**(230,352)**	**200,774**	**(38,854)**

c) *The Bank has no restriction on intangible assets as of December 31, 2017 and 2016. Additionally, the intangible assets have not been pledged as guarantee to secure compliance with financial liabilities. Also, the Bank has no debt related to Intangible assets as of those dates.*

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT

a) As of December 31, 2017 and 2016 the property, plant and equipment balances is as follows:

	Net opening balance as of January 1, 2017 MCh$	As of December 31, 2017 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and building	169,809	274,079	(114,727)	159,352
Equipment	66,506	193,689	(130,173)	63,516
Ceded under operating leases	4,230	4,888	(667)	4,221
Other	16,834	60,822	(45,364)	15,458
Subtotal	**257,379**	**533,478**	**(290,931)**	**242,547**
Fully depreciated assets	-	(59,045)	59,045	-
Total	**257,379**	**474,433**	**(231,886)**	**242,547**

	Net opening balance as of January 1, 2016 MCh$	As of December 31, 2016 Gross balance MCh$	Accumulated depreciation MCh$	Net balance MCh$
Land and building	158,434	264,016	(94,207)	169,809
Equipment	59,908	168,124	(101,618)	66,506
Ceded under operating leases	4,238	4,888	(658)	4,230
Other	18,079	55,973	(39,139)	16,834
Subtotal	**240,659**	**493,001**	**(235,622)**	**257,379**
Fully depreciated assets	-	(39,958)	39,958	-
Total	**240,659**	**453,043**	**(195,664)**	**257,379**

b) The changes in the value of property, plant and equipment during 2017 and 2016 is as follows:

b.1) Gross balance

2017	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2017	**264,016**	**168,124**	**4,888**	**55,973**	**(39,958)**	**453,043**
Additions	27,592	26,278	-	4,901	-	**58,771**
Disposals	(17,529)	(359)	-	(52)	-	**(17,940)**
Impairment due to damage (*)	-	(354)	-	-	-	**(354)**
Other	-	-	-	-	(19,087)	**(19,087)**
Balances as of December 31, 2017	**274,079**	**193,689**	**4,888**	**60,822**	**(59,045)**	**474,433**

(*) Banco Santander Chile has had to recognize in its financial statements as of December 31, 2017 deterioration by 354 Millions, corresponding to ATM claims. Compensation charged for insurance concepts involved, amounted to $1,238 billion, which are presented within the heading "Other income and operational expenses" (note 34)

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT, continued

2016	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2016	**237,449**	**137,621**	**4,888**	**51,482**	**(26,258)**	**405,182**
Additions	26,567	30,965	-	4,824	-	**62,356**
Disposals	-	(228)	-	(333)	-	**(561)**
Impairment due to damage (*)	-	(234)	-	-	-	**(234)**
Other	-	-	-	-	(13,700)	**(13,700)**
Balances as of December 31, 2016	**264,016**	**168,124**	**4,888**	**55,973**	**(39,958)**	**453,043**

(*)Banco Santander Chile has had to recognize in its financial statements as of December 31, 2016 deterioration by 234 Millions, corresponding to ATM claims. Compensation charged for insurance concepts involved, amounted to $1,530 billion, which are presented within the heading "Other income and operational expenses" (note 34)

b.2) Accumulated depreciation

2017	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2017	**(94,207)**	**(101,618)**	**(658)**	**(39,139)**	**39,958**	**(195,664)**
Depreciation in the period	(20,744)	(28,592)	(9)	(6,276)	-	**(55,622)**
Sales and disposals in the period	224	38	-	51	-	**313**
Transfers	-	-	-	-	-	**-**
Others	-	-	-	-	19,087	**19,087**
Balances as of December 31, 2017	**(114,727)**	**(130,173)**	**(667)**	**(45,364)**	**59,045**	**(231,886)**

2016	Land and buildings MCh$	Equipment MCh$	Operating leases MCh$	Other MCh$	Fully depreciated assets MCh$	Total MCh$
Balances as of January 1, 2016	**(79,015)**	**(77,713)**	**(650)**	**(33,403)**	**26,258**	**(164,523)**
Depreciation in the period	(15,192)	(23,976)	(8)	(5,849)	-	**(45,025)**
Sales and disposals in the period	-	71	-	113	-	**184**
Transfers	-	-	-	-	-	**-**
Others	-	-	-	-	13,700	**13,700**
Balances as of December 31, 2016	**(94,207)**	**(101,618)**	**(658)**	**(39,139)**	**39,958**	**(195,664)**

NOTE 13
PROPERTY, PLANT, AND EQUIPMENT, continued

c) Operational leases - Lessor

As of December 31, 2017 and 2016, the future minimum lease cash inflows under non-cancellable operating leases are as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Due within 1 year	567	506
Due after 1 year but within 2 years	749	1,029
Due after 2 years but within 3 years	480	502
Due after 3 years but within 4 years	348	473
Due after 4 years but within 5 years	308	344
Due after 5 years	1,792	2,067
Total	**4,244**	**4,921**

d) Operational leases - Lessee

Some of the Bank's premises and equipment are under operating leases. Future minimum rental payments under non-cancellable leases are as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Due within 1 year	26,059	26,455
Due after 1 year but within 2 years	21,343	24,903
Due after 2 years but within 3 years	18,091	20,582
Due after 3 years but within 4 years	15,736	17,321
Due after 4 years but within 5 years	12,734	14,569
Due after 5 years	51,502	53,694
Total	**145,465**	**157,524**

e) *As of December 31, 2017 and 2016 the Bank has no finance leases which cannot be unilaterally cancelled.*

f) *The Bank has no restriction on property, plant and equipment as of December 31, 2017 and 2016. Additionally, the property, plant, and equipment have not been provided as guarantees to secure compliance with financial liabilities. The Bank has no debt in connection with property, plant and equipment.*

NOTE 14
CURRENT AND DEFERRED TAXES

a) Current taxes

As of December 31, 2017 and 2016, the Bank recognizes taxes payable (recoverable), which is determined based on the currently applicable tax legislation. This amount is recorded net of recoverable taxes, and is shown as follows:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Summary of current tax liabilities (assets)		
Current tax (assets)	-	-
Current tax liabilities	6,435	29,294
Total tax payable (recoverable)	**6,435**	**29,294**
(Assets) liabilities current taxes detail (net)		
Income tax (*)	145,112	145,963
Less:		
Provisional monthly payments	(136,562)	(113,700)
Credit for training expenses	(1,768)	(1,972)
Land taxes leasing	-	-
Grant credits	(968)	(1,079)
Other	621	82
Total tax payable (recoverable)	**6,435**	**29,294**

(*) As of December 31, 2017 and 2016 the tax rates were 25.5% and 24.0%

b) Effect on income

The effect tax expense has on income for the years ended December 31, 2017 and 2016 is comprised of the following items:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Income tax expense		
Current tax	145,112	145,963
Credits (debits) for deferred taxes		
Origination and reversal of temporary differences	(8,178)	(39,180)
Valuation provision	5,955	-
Subtotal	**142,889**	**106,783**
Tax for rejected expenses (Article No.21)	610	336
Other	114	1
Net income tax expense	**143,613**	**107,120**

NOTE 14
CURRENT AND DEFERRED TAXES, continued

c) Effective tax rate reconciliation

The reconciliation between the income tax rate and the effective rate in calculating the tax expense as of December 31, 2017 and 2016 is as follows:

	As of December 31,			
	2017		2016	
	Tax rate %	Amount MCh$	Tax rate %	Amount MCh$
Tax calculated over profit before tax	25.50	183,823	24.00	139,641
Permanent differences (1)	(3.25)	(23,399)	(5.64)	(32,817)
Penalty tax (rejected expenses)	0.08	610	0.06	336
Rate change effect (2)	(2.86)	(20,600)	0.01	86
Other	0.44	3,179	(0.02)	(126)
Effective rates and expenses for income tax	**19.91**	**143,613**	**18.41**	**107,120**

(1) It mainly corresponds to the permanent differences originated by the Monetary Correction of the Tax Own Capital.
(2) The publication of law 20,780 of September 29, 2014 increased the tax rate from the current 25.5% in the year 2017 to 27% for the year 2018 and onwards permanently.

d) Effect of deferred taxes on other comprehensive income

A summary of the separate effect of deferred tax on other comprehensive income, showing the asset and liability balances, for the periods ended December 31, 2017 and 2016 follows:

	As of December 31,	
	2017 MCh$	2016 MCh$
Deferred tax assets		
Available for sale investments	368	3,266
Cash flow hedges	908	-
Total deferred tax assets recognized through other comprehensive income	**1,276**	**3,266**
Deferred tax liabilities		
Available for sale investments	(841)	(5,036)
Cash flow hedges	-	(549)
Total deferred tax liabilities recognized through other comprehensive income	**(841)**	**(5,585)**
Net deferred tax balances in equity	**435**	**(2,319)**
Deferred taxes in equity attributable to equity holders of the bank	791	(2,097)
Deferred tax in equity attributable to non-controlling interests	(356)	(222)

NOTE 14
CURRENT AND DEFERRED TAXES, continued

e) Effect of deferred taxes on income

Below are effects of deferred taxes on assets, liabilities and income allocated for differences:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Deferred tax assets		
Interests and adjustments	8,645	9,473
Non-recurring charge-offs	11,651	9,891
Assets received in lieu of payment	4,073	4,625
Exchange rate adjustment	882	-
Property, plant and equipment	4,410	4,570
Provision for loan losses	172,386	174,929
Provision for expenses	73,518	67,073
Derivatives	-	-
Leased assets	98,090	71,834
Subsidiaries tax losses	5,277	9,467
	151	-
Investment valuation	-	-
Other	5,249	17,571
Total deferred tax assets	**384,332**	**369,433**
Deferred tax liabilities		
Valuation of investments	(1,911)	(1,802)
Depreciation	(532)	-
Anticipated Expenses	(5,955)	-
Other	(424)	(299)
Total deferred tax liabilities	**(8,822)**	**(2,101)**

f) Summary of deferred tax assets and liabilities

A summary of the effect of deferred taxes on equity and income follows:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Deferred tax assets		
Recognized through other comprehensive income	1,276	3,266
Recognized through profit or loss	384,332	369,433
Total deferred tax assets	**385,608**	**372,699**
Deferred tax liabilities		
Recognized through other comprehensive income	(841)	(5,585)
Recognized through profit or loss	(8,822)	(2,101)
Total deferred tax liabilities	**(9,663)**	**(7,686)**

NOTE 14
CURRENT AND DEFERRED TAXES, continued

g) Supplementary information related to the circular issued by internal tax service and the superintendency of bank and financial institutions

g.1) Receivables and accounts receivable

	As of December 31,							
	2017				2016			
		Assets at tax value				Assets at tax value		
			Overdue Wallet				Overdue Wallet	
	Assets at financial value MCh$	Total MCh$	with Warranty MCh$	without Warranty MCh$	Assets at financial value MCh$	Total MCh$	with Warranty MCh$	without Warranty MCh$
Owed by banks	162,685	162,684	-	-	272,807	272,806	-	-
Comercial Placements	12,001,748	12,024,895	88,495	157,106	12,085,591	12,110,670	84,148	133,424
Consume Placements	4,552,977	4,592,105	1,327	20,041	4,441,686	4,474,490	1,918	24,924
Home mortgage Placements	9,096,895	9,106,216	64,525	1,245	8,619,356	8,630,284	74,761	1,401
Total	**25,814,305**	**25,885,900**	**154,347**	**178,392**	**25,419,440**	**25,488,250**	**160,827**	**159,749**

g.2) Provision on overdue portfolio without guarantees

	Balance to 01.01.2017 MCh$	Punishment against provisions MCh$	Provisions constituted MCh$	Provisions free MCh$	Balance to 31.12.2017 MCh$
Comercial Placements	133,424	(92,904)	581,141	(464,555)	157,106
Consume Placements	24,924	(235,208)	237,298	(6,973)	20,041
Home mortgage Placements	1,401	(9,740)	41,657	(32,073)	1,245
Total	**159,749**	**(337,852)**	**860,096**	**(503,601)**	**178,392**

	Balance to 01.01.2017 MCh$	Punishment against provisions MCh$	Provisions constituted MCh$	Provisions free MCh$	Balance to 31.12.2017 MCh$
Comercial Placements	189,169	(81,393)	129,392	(103,744)	133,424
Consume Placements	24,004	(190,918)	230,511	(38,673)	24,924
Home mortgage Placements	9,413	(7,311)	41,116	(41,817)	1,401
Total	**222,586**	**(279,622)**	**401,019**	**(184,234)**	**159,749**

NOTE 14
CURRENT AND DEFERRED TAXES, continued

g.3) Direct punishments and recoveries

	As of December 31,	
	2017 MCh$	2016 MCh$
Direct Punishment Art. 31 No. 4, second paragraph	(42,713)	(28,559)
Condonations that originated liberation of provisions	-	-
Recoveries or renegotiations of credits written off	83,315	8,425
Total	**40,602**	**(20,134)**

g.4) Application Article 31 No. 4 paragraphs I and II

	As of December 31,	
	2017 MCh$	2016 MCh$
Punishment according to first paragraph	-	-
Condonations according to third paragraph	(6,362)	6,084
Total	**(6,362)**	**6,084**

NOTE 15
OTHER ASSETS

Other assets include the following:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Assets for leasing (1)	**48,099**	**44,840**
Assets received or awarded in lieu of payment (2)		
Assets received in lieu of payment	11,677	19,825
Assets awarded at judicial sale	24,800	26,895
Provision on assets received in lieu of payment or awarded	(1,440)	(7,558)
Subtotal	**35,037**	**39,162**
Other assets		
Guarantee deposits (margin accounts) (3)	323,767	396,289
Gold investments	478	446
VAT credit	9,570	8,941
Income tax recoverable	1,381	22,244
Prepaid expenses	116,512	148,288
Assets recovered from leasing for sale	4,235	6,040
Pension plan assets	921	1,637
Accounts and notes receivable	59,574	56,624
Notes receivable through brokerage and simultaneous transactions	68,272	60,632
Other receivable assets	53,500	15,082
Other assets	33,837	40,274
Subtotal	**672,047**	**756,497**
Total	**755,183**	**840,499**

(1) Correspondence to the assets available to be delivered under the financial lease modality.

(2) The goods received in payment correspond to the goods received as payment of debts due from the customers. The set of goods that remain acquired in this way must not exceed 20% of the Bank's effective equity at any time. These assets currently represent 0.30% (0.54% as of December 31, 2016) of the Bank's effective equity.

The assets awarded in judicial auction, correspond to assets that have been acquired at judicial auction in payment of debts previously contracted with the Bank. The assets acquired at judicial auction are not subject to the above mentioned margin. These properties are assets available for sale. For most assets, the sale can be completed within one year from the date the asset is received or acquired. In case the good is not sold within a year, it must be punished.

Additionally, a provision is recorded for the difference between the initial award value plus the additions and their estimated realizable value, when the former is higher.

(3) Corresponds to a guarantee associated with a specific derivative contract. These guarantees operate when the valuation of the derivatives exceeds thresholds defined in the contract values and may be for or against the Bank.

NOTE 16
TIME DEPOSITS AND OTHER TIME LIABILITIES

As of December 31, 2017 and 2016, the composition of the item time deposits and other liabilities is as follows:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Deposits and other demand liabilities		
Checking accounts	6,272,656	6,144,688
Other deposits and demand accounts	590,221	564,966
Other demand liabilities	905,289	829,661
Total	**7,768,166**	**7,539,315**
Time deposits and other time liabilities		
Time deposits	11,792,466	13,031,319
Time savings account	116,179	116,451
Other time liabilities	5,300	3,939
Total	**11,913,945**	**13,151,709**

NOTE 17
INTERBANK BORROWINGS

As of December 31, 2017 and 2016 the line item interbank borrowings is as follow:

	As of December 31	
	2017	2016
	MCh$	MCh$
Loans obtained from the Central Bank of Chile		
Other obligations with the Central Bank of Chile	5	7
Loans from financial institutions in the country	480	365,436
Loans from financial institutions abroad		
Sumitomo Mitsui Banking Corporation	259,199	233,060
Wells Fargo Bank N.A.	235,058	113,631
Bank Of America N.A. Us Foreig	228,309	-
Standard Chartered Bank	225,966	101,874
Mizuho Bank Ltd. NY.	215,967	0
Citibank N.A.	191,471	183,193
The Bank of Nova Scotia	86,419	39,967
The Toronto-Dominion Bank	62,743	-
Corporación Andina De Fomento	31,075	-
Barclays Bank PLC London	30,886	33,279
Hsbc Bank Plc Ny	30,875	33,214
The Bank of New York Mellon	30,839	82,594
Hsbc Bank Plc	30,838	-
European Investment Bank	12,629	13,980
Banco Santander – Hong Kong	8,341	6,165
Banco Santander Brasil S.A.	5,225	5,175
Bank Austria A.G.	2,317	-
Bank of China	823	311
Shanghai Pudong Development	714	205
Bank of Tokio Mitsubishi	453	430
Keb Hana Bank	396	301
Shinhan Bank	394	354
Thai Military Bank Public Comp	377	425
Hua Nan Commercial Bank Ltd.	349	83
Mizuho Corporate Bank	331	411,753
Banco Santander Central Hispano	312	-
Agricultural Bank of China	295	327
Banco De Occidente	282	-
Banco Do Brasil S.A.	268	120
Unicredito Italiano	264	-
Bank of East Asia, Limited	241	54
Canara Bank	224	91
Hong Kong and Shanghai Banking	222	889
International Commercial Bank	221	-
Banque Generale Du Luxembourg	207	138
Kookmin Bank	201	317
Zhejiang Commercial Bank Ltd.	175	-
Banca Monte dei Paschi di Siena	162	309
Taiwan Cooperative Bank	159	-
Deutsche Bank A.G.	157	-
Yapi Ve Kredi Bankasi A.S.	155	73
J.P. Morgan Chase Bank N.A.	154	49
Banco Commerzbank	145	47
Bank of Taiwan	136	183
Industrial And Commercial Bank	119	-
Bank Of Nova Scotia	112	-
State Bank of India	110	289
Woori Bank	105	153
Bancolombia S.A.	94	31
Bank of Communications	93	393
Cassa Di Risparmio Di Parma E	93	132
China Construcción Bank	90	1,044
Metropolitan Bank Limited	87	26
Banca Delle Marche Spa	76	31
Australia And New Zealand Bank	62	21
Abanca Corporacion Bancaria SA	60	0
Casa Di Risparmo De Padova E.R.	56	76
Societe Generale	56	0
Hanvit Bank	55	76
Banca Popolare Dell'Emilia Rom	53	26
Banco Bradesco S.A.	50	113
Punjab National Bank	47	-
Citic Industrial Bank	39	-
Hang Seng Bank Ltd.	39	-
Subtotal	1.697.470	1.265.002

NOTE 17
INTERBANK BORROWINGS, continued

	As of December 31	
	2017	2016
	MCh$	MCh$
Loans from financial institutions abroad, continued		
Hsbc Bank Usa	38	-
First Union National Bank	35	226
Habib Bank Limited	34	105
Banco Caixa Geral.	33	-
Banco Internacional S.A.	33	-
Banca Commerciale Italiana S.P.	31	-
Bank of Montreal	30	201
Kasikornbank Public Company Li.	25	-
Citibank N.A. Turkiye Merkez S.	23	158
Liu Chong Hing Bank Limited	21	-
Banco Popular Espanol S.A.	19	56
Taiwan Business Bank	19	-
Fortis Bank S.A./N.V. Brussels	15	12
Chang Hwa Commercial Bank Ltd.	14	17
Banco De Sabadell S.A.	10	-
Icici Bank Limited	8	25
Bank Of China Guangdong Branch	8	14
Banco Popolare Soc Coop	6	5
Bank of America	-	213,200
NTT Docomo Inc.	-	33,149
Zurcher Kantonal Bank	-	20,021
Banque Bruxelles Lambert S.A.	-	5,797
Banque Cantonale Vaudoise	-	5,714
Denizbank A.S.	-	347
Banco Santander – Madrid	-	322
Unicrédito Italiano	-	302
Taipei Bank	-	260
ING Bank N.V. - Vienna	-	228
Westpac Banking Corporation	-	226
BNP Paribas S.A.	-	218
Oriental Bank Of Commerce	-	132
Kotak Mahindra Bank Limited	-	129
Caixabank S.A.	-	93
Development Bank of Singapore	-	80
Hsbc France (formerly Hsbc Ccf)	-	74
Banco General S.A.	-	62
Banco de Crédito del Perú	-	58
United Bank of India	-	39
Hsbc Bank Canada	-	47
Finans Bank A.S.	-	46
Bangkok Bank Public Company Li.	-	42
Banco Bolivariano C.A.	-	38
Banco Bilbao Vizcaya Argentaria	-	34
Hsbc Bank Brasil S.A. - Banco	-	34
Banca Popolare Di Vicenza Scpa	-	31
Bayerische Hypo- Und Vereinsba	-	27
Banco Itau	-	25
China Merchants Bank	-	22
Banca Lombarda E Piemontese S.	-	21
Hsbc Bank Middle East	-	21
Cassa Di Risparmio In Bologna	-	20
Export-Import Bank of Thailand	-	20
Fifth Third Bank	-	15
Hdfc Bank Limited	-	13
Union Bank of India	-	10
Intesa Sanpaolo Spa	-	7
Deutsche Bank S.A.	-	6
Industrial Bank of Korea	-	5
Other	-	4,169
Subtotal	**1,697,872**	**1,550,925**
Total	**1,698,357**	**1,916,368**

NOTE 17
INTERBANK BORROWINGS, continued

a) Obligation with Central Bank of Chile

Debts to the Central Bank of Chile include credit lines for renegotiation of loans and other borrowings. These credit lines were provided by the Central Bank of Chile for renegotiation of loans due to the need to refinance debt as a result of the economic recession and crisis of the banking system in the eaerly 1980s.

The outstanding amounts owed to the Central Bank of Chile under these credit lines are as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Totals Line of credit for renegotiation with Central Bank of Chile	5	7

b) Loans from domestic financial institutions

these obligations maturities are as follows:

	As of December,	
	2017	2016
	MCh$	MCh$
Due Within 1 year	480	365,436
Due Within 1 y 2 years	-	-
Due Within 2 y 3 years	-	-
Due Within 3 y 4 years	-	-
Due Within 5 years	-	-
Total loans from domestic financial institutions	**480**	**365,436**

c) Foreign obligations

	As of December	
	2017	2016
	MCh$	MCh$
Due Within 1 year	1,477,318	525,521
Due Within 1 y 2 years	185,519	725,315
Due Within 2 y 3 years	35,035	186,352
Due Within 3 y 4 years	-	80,473
Due Within 5 years	-	33,264
Total loans from foreign financial institutions	**1,697,872**	**1,550,925**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES

As of December 31, 2017 and 2016, the composition of this item is as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Other financial liabilities		
Obligations to public sector	59,470	61,490
Other domestic obligations	175,389	175,028
Foreign obligations	7,171	3,498
Subtotal	**242,030**	**240,016**
Issued debt instruments		
Mortgage finance bonds	34,479	46,251
Senior bonds	6,186,760	6,416,274
Mortgage Bonds	99,222	104,182
Subordinated bonds	773,192	759,665
Subtotal	**7,093,653**	**7,326,372**
Total	**7,335,683**	**7,566,388**

Debts classified as current are either demand obligations or will mature in one year or less. All other debts are classified as non-current. The Bank's debts, both current and non-current, are summarized below:

	As of December 31, 2017		
	Current MCh$	Non-current MCh$	Total MCh$
Mortgage finance bonds	8,691	25,788	34,479
Senior bonds	337,166	5,849,594	6,186,760
Mortgage Bonds	4,541	94,681	99,222
Subordinated bonds	3	773,189	773,192
Issued debt instruments	**350,401**	**6,743,252**	**7,093,653**
Other financial liabilities	**212,825**	**29,205**	**242,030**
Total	**563,226**	**6,772,457**	**7,335,683**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

	As of December 31, 2016		
	Current MCh$	Non-current MCh$	Total MCh$
Mortgage finance bonds	11,236	35,015	46,251
Senior bonds	1,135,713	5,280,561	6,416,274
Mortgage Bonds	4,318	99,864	104,182
Subordinated bonds	4	759,661	759,665
Issued debt instruments	**1,151,271**	**6,175,101**	**7,326,372**
Other financial liabilities	**158,488**	**81,528**	**240,016**
Total	**1,309,759**	**6,256,629**	**7,566,388**

a) Mortgage finance bonds

These bonds are used to finance mortgage loans. Their principal amounts are amortized on a quarterly basis. The range of maturities of these bonds is between five and twenty years. Loans are indexed to UF and create a yearly interest rate of 5.39% as of December 31, 2017 (5.53% as of December 31, 2016).

	As of December 31,	
	2017 MCh$	2016 MCh$
Due within 1 year	8,691	11,236
Due after 1 year but within 2 years	6,744	8,673
Due after 2 years but within 3 years	6,096	6,928
Due after 3 years but within 4 years	5,155	6,246
Due after 4 years but within 5 years	4,101	5,278
Due after 5 years	3,692	7,890
Total mortgage finance bonds	**34,479**	**46,251**

b) Senior bonds

The following table shows senior bonds by currency:

	As of December 31,	
	2017 MCh$	2016 MCh$
Santander bonds in UF	3,542,006	3,588,373
Santander bonds in USD	1,045,465	909,354
Santander bonds in CHF	268,281	568,549
Santander bonds in Ch$	1,135,527	1,037,515
Santander bonds in AUD	14,534	60,890
Santander bonds in JPY	126,059	179,426
Santander bonds in EUR	54,888	72,167
Total senior bonds	**6,186,760**	**6,416,274**

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

i. Placement of senior bonds:

During 2017 the Bank has placed bonds for UF 10,000,000, CLP 160,000,000,000, USD 770,000,000 and AUD 30,000,000 detailed as follows:

Series	Currency	Amount placed	Term (years)	Issuance rate	Issue date	Series Maximum amount	Maturity date
T9	UF	5,000,000	7.0	2.60% annually	02-01-2016	5,000,000	02-01-2024
T13	UF	5,000,000	9.0	2.75% annually	02-01-2016	5,000,000	02-01-2026
Total	**UF**	**10,000,000**					
SD	CLP	60,000,000,000	5.0	5.50% annually	06-01-2014	200,000,000,000	06-01-2019
T16	CLP	100,000,000,000	6.0	5.20% annually	02-01-2016	100,000,000,000	08-01-2021
Total	**CLP**	**160,000,000,000**					
DN	USD	100,000,000	3.0	Libor-USD 3M+0.80%	20-07-2017	100,000,000	27-07-2020
DN	USD	50,000,000	3.0	Libor-USD 3M+0.80%	21-07-2017	50,000,000	27-07-2020
DN	USD	50,000,000	3.0	Libor-USD 3M+0.80%	24-07-2017	50,000,000	27-07-2020
DN	USD	10,000,000	4.0	Libor-USD 3M+0.83%	23-08-2017	10,000,000	23-11-2021
DN	USD	10,000,000	4.0	Libor-USD 3M+0.83%	23-08-2017	10,000,000	23-11-2021
DN	USD	50,000,000	3.0	Libor-USD 3M+0.75%	14-09-2017	50,000,000	15-09-2020
DN	USD	500,000,000	3.0	2,.50%	12-12-2017	500,000,000	15-12-2020
Total	**USD**	**770,000,000**					
AUD	AUD	30,000,000	10.0	3.96%	05-12-2017	30,000,000	12-12-2027
Total	**AUD**	**30,000,000**				30,000,000	

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2017 the Bank repurchased the following bonds.

Date	Type	Currency	Amount
06-03-2017	Senior	USD	6,900,000
12-05-2017	Senior	UF	1,000,000
16-05-2017	Senior	UF	690,000
17-05-2017	Senior	UF	15,000
26-05-2017	Senior	UF	340,000
01-06-2017	Senior	UF	590,000
02-06-2017	Senior	UF	300,000
05-06-2017	Senior	UF	130,000
19-06-2017	Senior	UF	265,000
10-07-2017	Senior	UF	770,000
21-07-2017	Senior	UF	10,000
28-08-2017	Senior	UF	200,000
28-08-2017	Senior	UF	200,000
29-08-2017	Senior	UF	2,000
29-08-2017	Senior	UF	270,000
03-11-2017	Senior	UF	14,000
29-11-2017	Senior	UF	400,000
06-12-2017	Senior	UF	20,000
12-12-2017	Senior	CLP	10,990,000,000

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2016 the Bank has placed bonds for UF 62,000,000, CLP 590,000,000,000, JPY 3,000,000,000, USD 215,000,000, EUR 104,000,000, and CHF 125,000,000 detailed as follows:

Series	Currency	Amount Placed	Term	Issuance rate	Issue date	Maximum amount	Maturity date
R1	UF	15,000,000	5.5	2.50%	09-01-2015	15,000,000	03-01-2021
R2	UF	10,000,000	7.5	2.60%	09-01-2015	10,000,000	03-01-2023
R3	UF	10,000,000	10.5	3.00%	09-01-2015	10,000,000	03-01-2026
R5	UF	7,000,000	7.0	2.55%	12-01-2015	7,000,000	12-01-2022
R6	UF	7,000,000	9.0	2.65%	12-01-2015	7,000,000	12-01-2024
P9	UF	3,000,000	10.5	2.60%	03-01-2015	5,000,000	09-01-2025
T2	UF	5,000,000	4.5	2.25%	02-01-2016	5,000,000	08-01-2020
T5	UF	5,000,000	6.0	2.40%	02-01-2016	5,000,000	02-01-2022
Total	**UF**	**62,000,000**					
R4	CLP	100,000,000,000	5.5	5.50%	09-01-2015	100,000,000,000	03-01-2021
P4	CLP	50,000,000,000	5.0	4.80%	03-01-2015	150,000,000,000	03-01-2020
SD	CLP	140,000,000,000	5.0	5.50%	06-01-2014	200,000,000,000	06-01-2019
SC	CLP	200,000,000,000	10.0	5.95%	06-01-2014	200,000,000,000	06-01-2024
P3	CLP	50,000,000,000	7.0	5.50%	01-01-2015	50,000,000,000	01-01-2022
P1	CLP	50,000,000,000	10.0	5.80%	01-01-2015	50,000,000,000	01-01-2025
Total	**CLP**	**590,000,000,000**					
JPY	JPY	3,000,000,000	5.0	0.115%	06-22-2016	3,000,000,000	06-29-2021
Total	**JPY**	**3,000,000,000**					
DN	USD	10,000,000	5.0	Libor-USD 3M+1.05%	06-02-2016	10,000,000	06-09-2021
DN	USD	10,000,000	5.0	Libor-USD 3M+1.22%	06-08-2016	10,000,000	06-17-2021
DN	USD	10,000,000	5.0	Libor-USD 3M+1.20%	08-01-2016	10,000,000	08-16-2021
DN	USD	185,000,000	5.0	Libor-USD 3M+1.20%	11-10-2016	185,000,000	11-28-2021
Total	**USD**	**215,000,000**					
EUR	EUR	54,000,000	12.0	1.307%	08-05-2016	54,000,000	08-17-2028
EUR	EUR	20,000,000	8.0	0.80%	08-04-2016	20,000,000	08-19-2024
EUR	EUR	30,000,000	3.0	0.25%	12-09-2016	30,000,000	12-20-2019
Total	**EUR**	**104,000,000**					
CHF	CHF	125,000,000	8.5	0.35%	11-14-2016	125,000,000	05-30-2025
Total	**CHF**	**125,000,000**					

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

During 2016, the Bank repurchased the following bonds:

Date	Type	Amount	
01-13-2016	Senior	USD	600,000
01-27-2016	Senior	USD	960,000
03-08-2016	Senior	USD	418,853,000
03-08-2016	Senior	USD	140,104,000
05-10-2016	Senior	USD	10,000,000
11-29-2016	Senior	USD	6,895,000

ii. Maturities of senior bonds are as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Due within 1 year	337,166	1,135,713
Due after 1 year but within 2 years	866,936	321,509
Due after 2 years but within 3 years	832,978	816,919
Due after 3 years but within 4 years	1,177,081	663,289
Due after 4 years but within 5 years	902,647	754,768
Due after 5 years	2,069,952	2,724,076
Total senior bonds	**6,186,760**	**6,416,274**

c) Mortgage bonds

Detail of mortgage bonds per currency is as follows:

	As of December 31,	
	2017 MCh$	2016 MCh$
Mortgage bonds in UF	99,222	104,182
Total mortgage bonds	**99,222**	**104,182**

i. Placement of Mortgage bonds

During 2017 and 2016, the Bank has not placed any mortgage bonds.

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

ii. Maturities of mortgage bonds is as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Due within 1 year	4,541	4,318
Due after 1 year but within 2 years	7,291	6,932
Due after 2 years but within 3 years	7,526	7,156
Due after 3 years but within 4 years	7,769	7,386
Due after 4 years but within 5 years	8,019	7,626
Due after 5 years	64,076	70,764
Total mortgage bonds	**99,222**	**104,182**

d) Subordinated bonds

Detail of subordinated bonds per currency is as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Subordinated bonds denominated in Ch$	3	4
Subordinated bonds denominated in USD	-	-
Subordinated bonds denominated in UF	773,189	759,661
Total subordinated bonds	**773,192**	**759,665**

i. Placement of subordinated bonds

During 2017 and 2016, the Bank has not placed any mortgage bonds.

The maturity of subordinated bonds considered long-term is as follows:

	As of December 31, 2016	
	2017	2016
	MCh$	MCh$
Due within 1 year	3	4
Due after 1 year but within 2 years	-	-
Due after 2 years but within 3 years	-	-
Due after 3 years but within 4 years	-	-
Due after 4 years but within 5 years	-	-
Due after 5 years	773,189	759,661
Total subordinated bonds	**773,192**	759,665

NOTE 18
ISSUED DEBT INSTRUMENTS AND OTHER FINANCIAL LIABILITIES, continued

e) Other financial liabilities

The composition of other financial liabilities, by maturity, is detailed below:

	As of December 31	
	2017	2016
	MCh$	MCh$
Non-current portion:		
Due after 1 year but within 2 years	23,401	33,777
Due after 2 year but within 3 years	4,181	24,863
Due after 3 year but within 4 years	194	5,794
Due after 4 year but within 5 years	210	1,973
Due after 5 years	1,219	15,121
Non-current portion subtotal	**29,205**	**81,528**
Current portion:		
Amounts due to credit card operators	173,271	151,620
Acceptance of letters of credit	2,780	2,069
Other long-term financial obligations, short-term portion	36,774	4,799
Current portion subtotal	**212,825**	**158,488**
Total other financial liabilities	**242,030**	**240,016**

NOTE 19
MATURITY OF FINANCIAL ASSETS AND LIABILITIES

As of December 31, 2017 and 2016, the detail of the maturities of assets and liabilities is as follows:

As of December 31, 2017	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Financial Assets										
Cash and deposits in banks	1,452,922	-	-	-	**1,452,922**	-	-	-	-	**1,452,922**
Cash items in process of collection	668,145	-	-	-	**668,145**	-	-	-	-	**668,145**
Trading investments	-	72,983	4,024	68,277	**145,284**	110,824	90,507	139,121	**340,452**	**485,736**
Investments under resale agreements	-	-	-	-	**-**	-	-	-	-	**-**
Financial derivatives contracts	-	135,780	198,876	410,415	**745,071**	385,428	371,090	737,058	**1,493,576**	**2,238,647**
Interbank loans (1)	-	6,064	152,911	3,710	**162,685**	-	-	-	**-**	**162,685**
Loans and accounts receivables from customers (2)	769,823	2,206,734	2,288,372	4,348,975	**9,613,904**	5,187,501	2,938,326	9,823,498	**17,949,325**	**27,563,229**
Available for sale investments	-	58,850	11,788	102,600	**173,238**	556,289	975,372	869,647	**2,401,308**	**2,574,546**
Held to maturity investments	-	-	-	-	**-**	-	-	-	-	**-**
Guarantee deposits (margin accounts)	323,767	-	-	-	**323,767**	-	-	-	-	**323,767**
Total financial assets	**3,214,657**	**2,480,411**	**2,655,971**	**4,933,977**	**13,285,016**	**6,240,042**	**4,375,295**	**11,569,324**	**22,184,661**	**35,469,677**
Financial Liabilities										
Deposits and other demand liabilities	7,768,166	-	-	-	**7,768,166**	-	-	-	-	**7,768,166**
Cash items in process of collection	486,726	-	-	-	**486,726**	-	-	-	-	**486,726**
Obligations under repurchase agreements	-	268,061	-	-	**268,061**	-	-	-	-	**268,061**
Time deposits and other time liabilities	121,479	5,120,171	4,201,271	2,299,018	**11,741,939**	106,833	2,811	62,362	**172,006**	**11,913,945**
Financial derivatives contracts	-	144,410	196,444	356,288	**697,142**	378,582	358,358	705,406	**1,442,346**	**2,139,488**
Interbank borrowings	4,130	46,013	397,419	1,030,241	**1,477,803**	220,554	-	-	**220,554**	**1,698,357**
Issued debts instruments	-	21,043	55,119	274,239	**350,401**	1,727,571	2,104,771	2,910,910	**6,743,252**	**7,093,653**
Other financial liabilities	177,663	701	2,583	31,879	**212,826**	27,581	404	1,219	**29,204**	**242,030**
Guarantees received (margin accounts)	408,313	-	-	-	**408,313**	-	-	-	-	**408,313**
Total financial liabilities	**8,966,477**	**5,600,399**	**4,852,836**	**3,991,665**	**23,411,377**	**2,461,121**	**2,466,344**	**3,679,897**	**8,607,362**	**32,018,739**

(1) Interbank loans are presented on a gross basis. The amount of allowances is Ch$86 million.
(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions amounts according to type of loan are detailed as follows: Commercial loans Ch$462,865 million, Mortgage loans Ch$69,066 million, Consumer loans Ch$283,756 million.

NOTE 19
MATURITY OF FINANCIAL ASSETS AND LIABILITIES, continued

As of December 31, 2016	Demand MCh$	Up to 1 month MCh$	Between 1 and 3 months MCh$	Between 3 and 12 months MCh$	Subtotal up to 1 year MCh$	Between 1 and 3 years MCh$	Between 3 and 5 years MCh$	More than 5 years MCh$	Subtotal More than 1 year MCh$	Total MCh$
Assets										
Cash and deposits in banks	2,279,389	-	-	-	**2,279,389**	-	-	-	-	**2,279,389**
Cash items in process of collection	495,283	-	-	-	**495,283**	-	-	-	-	**495,283**
Trading investments	-	52,443	13,252	118,845	**184,540**	75,378	106,808	30,261	**212,447**	**396,987**
Investments under resale agreements	-	6,736	-	-	**6,736**	-	-	-	-	**6,736**
Financial derivatives contracts	-	82,243	120,653	292,801	**495,697**	531,094	357,833	1,116,158	**2,005,085**	**2,500,782**
Interbank loans (1)	-	12,859	135,756	124,143	**272,758**	44	-	5	**49**	**272,807**
Loans and accounts receivables from customers (2)	717,306	2,393,216	2,108,001	4,488,993	**9,707,516**	4,937,271	2,909,140	9,379,697	**17,226,108**	**26,933,624**
Available for sale investments	-	1,581,682	250,222	314,842	**2,146,746**	37,974	379,976	824,210	**1,242,160**	**3,388,906**
Held to maturity investments	-	-	-	-	**-**	-	-	-	**-**	**-**
Guarantee deposits (margin accounts)	396,289	-	-	-	**396,289**	-	-	-	-	**396,289**
Total assets	**3,888,267**	**4,129,179**	**2,627,884**	**5,339,624**	**15,984,954**	**5,581,761**	**3,753,757**	**11,350,331**	**20,685,849**	**36,670,803**
Liabilities										
Deposits and other demand liabilities	7,539,315	-	-	-	**7,539,315**	-	-	-	-	**7,539,315**
Cash items in process of collection	288,473	-	-	-	**288,473**	-	-	-	-	**288,473**
Obligations under repurchase agreements	-	212,437	-	-	**212,437**	-	-	-	-	**212,437**
Time deposits and other time liabilities	121,527	6,105,767	4,193,906	2,537,299	**12,958,499**	118,101	13,913	61,196	**193,210**	**13,151,709**
Financial derivatives contracts	-	92,335	122,565	263,893	**478,793**	494,539	346,948	971,881	**1,813,368**	**2,292,161**
Interbank borrowings	4,557	373,423	115,769	1,154,063	**1,647,812**	233,542	35,014	-	**268,556**	**1,916,368**
Issued debts instruments	-	43,141	185,425	922,705	**1,151,271**	1,168,117	1,444,593	3,562,391	**6,175,101**	**7,326,372**
Other financial liabilities	153,049	1,461	1,161	2,817	**158,488**	58,641	7,766	15,121	**81,528**	**240,016**
Guarantees received (margin accounts)	480,926	-	-	-	**480,926**	-	-	-	-	**480,926**
Total liabilities	**8,587,847**	**6,828,564**	**4,618,826**	**4,880,777**	**24,916,014**	**2,072,940**	**1,848,234**	**4,610,589**	**8,531,763**	**33,447,777**

(1) Interbank loans are presented on a gross basis. The amount of allowances is Ch$172 million.
(2) Loans and accounts receivables from customers are presented on a gross basis. Provisions on loans amounts according to customer type: Commercial loans Ch$459,079 million, Mortgage loans Ch$61,041 million, Consumer loans Ch$300,019 million.

NOTE 20
PROVISIONS

a) *As of December 31, 2017 and 2016, the detail for the provisions is as follows:*

	As of December 31, 2017 MCh$
Provision for employee salaries and expenses	*97,576*
Provision for mandatory dividends	*169,444*
Provision for contingent loan risks:	
Provision for lines of credit of immediate disponibility	*15,103*
Other provisions for contingent loans	*14,304*
Provision for contingencies	*27,303*
Provision for foreign bank loans	*599*
Total	***324,329***

b) *Below is the activity regarding provisions during the year ended December 31, 2017 and 2016*

	Provision					
	Benefits and remunerations to the staff MCh$	Risk of credits quotas MCh$	Contingent MCh$	Additional MCh$	Minimum dividends MCh$	Risk country MCh$
Balances as of January 1, 2017	**72,592**	**28,900**	**65,404**	**-**	**141,700**	**386**
Provision established	106,687	9,168	8,645	-	169,444	464
Application of provisions	(81,703)	-	(389)	-	(141,700)	-
Provisions relased	-	(8,661)	(46,357)	-	-	(251)
Reclasification	-	-	-	-	-	-
Other	-	-	-	-	-	-
Balances as of December 31, 2017	**97,576**	**29,407**	**27,303**	**-**	**169,444**	**599**
Balances as of January 1, 2016	**64,861**	**29,746**	**64,463**	**35,000**	**134,663**	**385**
Provision established	80,298	8,294	85,877	-	141,700	319
Application of provisions	(72,567)	-	(135)	(35,000)	(134,663)	-
Provisions relased	-	(9,140)	(84,801)	-	-	(318)
Reclasification	-	-	-	-	-	-
Other	-	-	-	-	-	-
Balances as of December 31, 2016	**72,592**	**28,900**	**65,404**	**-**	**141,700**	**386**

NOTE 20
PROVISIONS, continued

c) *Provisions for personal salaries and expenses*

	As of December 31,	
	2017	2016
	MCh$	MCh$
Provision for seniority compensation	17,874	10,376
Provision for stock-based personal benefits	-	-
Provision for performance bonds	53,947	38,510
Provision for vacation	23,039	21,800
Provision for other personal benefits	2,716	1,906
Total	**97,576**	**72,592**

d) *Compensation year of services*

	As of December 31,	
	2017	2016
	MCh$	MCh$
Balances as of January, 2017	**10,376**	**11,550**
Increase in the provision	29,545	16,091
Payments made	(22,047)	(17,265)
Advance payments	-	-
Released of provisions	-	-
Other movements	-	-
Total	**17,874**	**10,376**

e) *Movement of the provision for compliance bonds*

	As of December 31,	
	2017	2016
	MCh$	MCh$
Balances as of January 1, 2017	**38,510**	**31,528**
Provisions constituted	55,961	49,229
Provisioning application	(40,524)	(42,247)
Release of provisions	-	-
Other movements	-	-
Total	**53,947**	**38,510**

f) *Movement of holyday provition*

	As of December 31,	
	2017	2016
	MCh$	MCh$
Balances as of January 1, 2017	**21,800**	**21,053**
Provisions constituted	11,263	12,028
Provisioning application	(10,024)	(11,281)
Release of provisions	-	-
Other movements	-	-
Total	**23,039**	**21,800**

NOTE 21
OTHER LIABILITIES

Other liabilities consist of:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Accounts and notes payable	196,965	154,159
Income received in advance	601	509
Guarantees received (margin accounts) (1)	408,313	480,926
Notes payable through brokerage and simultaneous transactions	17,799	27,745
Other payable obligations	58,921	80,100
Withheld VAT	1,887	1,964
Accounts payable by insurance companies	13,873	21,644
Other liabilities	47,004	28,738
Total	**745,363**	**795,785**

(1) Guarantee deposits (margin accounts) correspond collaterals associated with derivative financial contracts to mitigate the counterparty credit risk and are mainly established in cash. These guarantees operate when mark to market of derivative financial instruments exceed the levels of threshold agreed in the contracts, wich could result the the Bank deliver or receive collateral.

NOTE 22
CONTINGENCIES AND COMMITMENTS

a) Lawsuits and legal procedures

At the date these financial statements were issued, the Bank and its affiliates were subject to certain legal actions in the normal course of their business. As of December 31, 2017, the Banks and its subsidiaries have provisions for this item of Ch$1,214.2 million and Ch$0 million, respectively (Ch$1,194 million and Ch$ 48 million as of December 31, 2016) which is included in "Provisions" in the Consolidated Statement of Financial Position as provisions for contingencies.

As of December 31, 2017, the following legal situations are pending:

Santander Corredores de Bolsa Limitada

Judgment "Echeverría with Santander Corredora" (currently Santander Corredores de Bolsa Ltda.), followed before the 21st Civil Court of Santiago, Case C-21.366-2014, on compensation for damages for faults in the purchase of shares. With regard to its actual situation as of December 31, 2017, Santander Corredores de Bolsa Limitada requested the Court to declare the proceeding abandoned due to the pending actions of the plaintiff, a situation that is pending for the Court to resolve.

Santander Corredora de Seguros Limitada

There are lawsuits amounting to UF3,790 corresponding to processes mainly for goods delivered in leasing. Our lawyers have not estimated additional material losses for these trials.

b) Contingent loans

To meet customer needs, the Bank acquired several irrevocable commitments and contingent liabilities, although these obligations should not be recognized in the Consolidated Statement of Financial Position, these contain credit risks and are therefore part of the Bank's overall risk.

The following table shows the Bank`s contractual obligations to issue loans:

	As of December 31,	
	2017 MCh$	**2016 MCh$**
Letters of credit issued	201,699	158,800
Foreign letters of credit confirmed	75,499	57,686
Performance guarantees	1,823,793	1,752,610
Personal guarantees	81,577	125,050
Subtotal	**2,182,568**	**2,094,146**
Available on demand credit lines	8,135,489	7,548,820
Other irrevocable credit commitments	260,691	260,266
Total	**10,578,748**	**9,903,232**

NOTE 22
CONTINGENCIES AND COMMITMENTS, continued

c) Held securities

The Bank holds securities in the normal course of its business as follows:

	As of December 31,	
	2017 MCh$	2016 MCh$
Third party operations		
Collections	175,200	163,303
Transferred financial assets managed by the Bank	33,278	42,054
Assets from third parties managed by the Bank and its affiliates	1,660,804	1,586,405
Subtotal	**1,869,282**	**1,791,762**
Custody of securities		
Securities held in custody	383,002	390,155
Securities held in custody deposited in other entity	760,083	687,610
Issued securities held in custody	22,046,700	18,768,572
Subtotal	**23,189,785**	**19,846,337**
Total	**25,059,067**	**21,638,099**

During 2017, the Bank classified the portfolios managed by private banking in "Assets from third parties managed by the Bank and its affiliates". At the end of December 2017, the balance for this was Ch$1,660,768 million (Ch$1,586,370 million at December 31, 2016).

d) Guarantees

Banco Santander Chile has an integral bank policy of coverage of Official Loyalty N ° 4505199 in force with the company Compañía de Seguros Chilena Consolidada SA, Coverage USD 50,000,000 per claim with an annual limit of USD 100,000,000, which covers both the Bank and its subsidiaries, with an expiration date of June 30, 2018.

Santander Agente de Valores Limitada

In order to ensure the correct and full compliance of all its obligations as securities agent in accordance with the provisions of articles N° 30 and following of Law N° 18,045, on Stock Market, the company constituted a guarantee for UF4,000 with insurance policy N° 216113821 taken with the Insurance Company of Crédito Continental SA and whose maturity is December 19, 2017.

Santander Corredores de Bolsa Limitada

i) As of December 31, 2017, the Company has comprehensive guarantees in the Santiago Stock Exchange to cover simultaneous operations carried out through its own portfolio, for a total of Ch$ 25,218,779 (Ch$ 22,491,827 as of December 31, 2016).

ii) Additionally, as of December 31, 2017, the Company holds a guarantee in CCLV Contraparte Central S.A., in cash, for an amount of Ch$ 5,000,000 (Ch$ 6,010,000 as of December 31, 2016).

iii) In order to ensure the correct and full compliance of all its obligations as Brokerage Broker, in accordance with the provisions of articles 30 and following of Law N°18,045 on Securities Market, the Company has delivered fixed-income securities to the Santiago Stock Exchange for a present value of Ch$ 1,014,400 as of December 31, 2017 (Ch$ 1,008,987 as of December 31, 2016).

iv) As of December 31, 2017, the Company has a guarantee voucher N° B011364 from Banco Santander Chile to comply with the provisions of general rule N° 120 of the Commission for the Financial Market (Ex-SVS) with respect to the placement, transfer and redemption of the Morgan Stanley funds in the amount of USD $ 300,000, which covers the participants who acquire quotas of foreign open funds Morgan Stanley Sicav and whose maturity is 23 February 2018.

NOTE 22
CONTINGENCIES AND COMMITMENTS, continued

Santander Corredora de Seguros Limitada

i) In accordance with those established in Circular N° 1,160 of the Superintendency of Securities and Insurance, the company has contracted an insurance policy to respond to the correct and full compliance with all obligations arising from its operations as an intermediary in the hiring insurance.

ii) The insurance policy for insurance brokers N ° 4461903, which covers UF 500, and the professional liability policy for insurance brokers N° 4462082 for an amount equivalent to UF 60,000, were contracted with the Compañía de Seguros Generales Chilena Consolidada S.A. both are valid from April 15, 2016 to April 14, 2018.

iii) The Company maintains a guarantee slip with Banco Santander Chile to guarantee the faithful fulfillment of the public bidding rules of the tax and deductibility insurance plus ITP 2/3 of the mortgage portfolio for the housing of Banco Santander Chile. The amount amounts to UF 10,000 for each portfolio respectively, both with an expiration date as of July 31, 2019. For the same reason, the Company maintains a guarantee voucher in compliance with the public tender for fire and earthquake insurance, the amount of which amounts to UF 200 and UF 3,000 with the same financial institution, both with an expiration date as of December 31, 2018.

NOTE 23
EQUITY

a) Capital

As of December 31, 2017 and 2016 the Bank had 188,446,126,794 shares outstanding, all of which are subscribed for and paid in full, amounting to Ch$ 891,303 million. All shares have the same rights, and have no preferences or restrictions.

The movement in shares during 2017 and 2016 is as follows:

	Shares As of December 31,	
	2017	**2016**
Issued as of January 1	188,446,126,794	188,446,126,794
Issuance of paid shares	-	-
Issuance of outstanding shares	-	-
Stock options exercised	-	-
Issued as period end	**188,446,126,794**	**188,446,126,794**

As of December 31, 2017 and 2016 the Bank does not own any of its shares in treasury, nor do any of the consolidated companies.

As of December 31, 2017 the shareholder composition is as follows:

Corporate Name or Shareholder`s Name	Shares	ADRs (*)	Total	% share holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank of New York Mellon	-	31,238,866,071	31,238,866,071	16.58
Banks on behalf of third parties	13,892,691,988	-	13,892,691,988	7.37
Pension funds (AFP) on behalf of third parties	6,896,552,755	-	6,896,552,755	3.66
Stock brokers on behalf of third parties	3,762,310,365	-	3,762,310,365	2.00
Other minority holders	6,062,704,347	-	6,062,704,347	3.21
Total	**157,207,260,723**	**31,238,866,071**	**188,446,126,794**	**100.00**

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

NOTE 23
EQUITY, continued

As of December 31, 2016 the shareholder composition is as follows:

Corporate Name or Shareholder`s Name	Shares	ADRs (*)	Total	% of equity holding
Santander Chile Holding S.A.	66,822,519,695	-	66,822,519,695	35.46
Teatinos Siglo XXI Inversiones Limitada	59,770,481,573	-	59,770,481,573	31.72
The Bank of New York Mellon	-	34,800,933,671	34,800,933,671	18.47
Banks on behalf of third parties	12,257,100,312	-	12,257,100,312	6.50
Pension fund (AFP) on behalf of third parties	6,990,857,997	-	6,990,857,997	3.71
Stock brokers on behalf of third parties	3,071,882,351	-	3,071,882,351	1.63
Other minority holders	4,732,351,195	-	4,732,351,195	2.51
Total	**153,645,193,123**	**34,800,933,671**	**188,446,126,794**	**100.00**

(*) American Depository Receipts (ADR) are certificates issued by a U.S. commercial bank to be traded on the U.S. securities markets.

b) Reserves

During the year 2017, on the occasion of the shareholders' meeting held in April, it was agreed to capitalize 30% of profits for reserves in 2016, equivalent to $ 141,706 million ($ 112,219 million for 2016).

c) Dividends

The distribution of dividends has been disclosed in the Consolidated Statements of Changes in Equity.

d) Diluted earnings per share and basic earnings per share

As of December 31, 2017 and 2016, the composition of diluted earnings per share and basic earnings per share are as follows:

	As of December 31,	
	2017 MCh$	2016 MCh$
a) Basic earnings per share		
Total attributable to equity holders of the Bank	564,815	472,351
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Basic earnings per share (in Ch$)	2.997	2.507
b) Diluted earnings per share		
Total attributable to equity holders of the Bank	564,815	472,351
Weighted average number of outstanding shares	188,446,126,794	188,446,126,794
Assumed conversion of convertible debt	-	-
Adjusted number of shares	188,446,126,794	188,446,126,794
Diluted earnings per share (in Ch$)	2.997	2.507

As of December 31, 2017 and 2016, the Bank does not own instruments with dilutive effects.

NOTE 23
EQUITY, continued

e) Other comprehensive income of available for sale investments and cash flow hedges:

	As of December 31,	
	2017 MCh$	**2016 MCh$**
Available for sale investments		
As of January 1,	7,375	(7,093)
Gain (losses) on the re-valuation of available for sale investments, before tax	(10,384)	2,267
Reclassification from other comprehensive income to net income for the year	-	-
Net income realized	4,864	12,201
Subtotal	**(5,520)**	**14,468**
Total	**1,855**	**7,375**
Cash flow hedges		
As of January 1,	2,288	8,626
Gains (losses) on the re-valuation of cash flow hedges, before tax	(5,850)	(6,261)
Reclassification and adjustments on cash flow hedges, before tax	-	(77)
Amounts removed from equity and included in carrying amount of non-financial asset (liability) whose acquisition or assignment was hedged as a highly probable transaction	-	-
Subtotal	**(5,850)**	**(6,338)**
Total	**(3,562)**	**2,288**
Other comprehensive income, before tax	**(1,707)**	**9,663**
Income tax related to other comprehensive income components		
Income tax relating to available for sale investments	(473)	(1,770)
Income tax relating to cash flow hedges	908	(549)
Total	**435**	**(2,319)**
Other comprehensive income, net of tax	**(1,272)**	**7,344**
Attributable to:		
Equity holders of the Bank	(2,312)	6,640
Non-controlling interest	1,040	704

The Bank expects that the results included in "Other comprehensive income" will be reclassified to profit or loss when the specific conditions have been met.

NOTE 24
CAPITAL REQUIREMENTS (BASEL)

In accordance with Chilean General Banking Law, the Bank must maintain a minimum ratio of effective equity to risk-weighted consolidated assets of 8% net of required allowances, and a minimum ratio of basic equity to consolidated total assets of 3%, net of required allowances. However, as a result of the Bank's merger in 2002, the SBIF has determined that the Bank's combined effective equity cannot be lower than 11% of its risk-weighted assets. Effective net equity is defined for these purposes as basic equity (capital and reserves) plus subordinated bonds, up to a maximum of 50% of basic equity.

Assets are allocated to different risk categories, each of which is assigned a weighting percentage according to the amount of capital required to be held for each type of asset. For example, cash, deposits in banks and financial instruments issued by the Central Bank of Chile have a 0% risk weighting, meaning that it is not necessary to hold equity to back these assets according to current regulations. Property, plant and equipment have a 100% risk weighting, meaning that a minimum capital equivalent to 11% of these assets must be held. All derivatives traded off the exchanges are also assigned a risk weighting, using a conversion factor applied to their notional values, to determine the amount of their exposure to credit risk. Off-balance-sheet contingent credits are also included for weighting purposes, as "Credit equivalents."

According to Chapter 12-1 of the SBIF's Recopilación Actualizada de Normas [Updated Compilation of Rules] effective January 2010, the SBIF changed existing regulation with the enforcement of Chapter B-3 from the Compendium of Accounting Standards, which changed the risk exposure of contingent allocations from 100% exposure to the following:

Type of contingent loan	Exposure
a) Pledges and other commercial commitments	100%
b) Foreign letters of credit confirmed	20%
c) Letters of credit issued	20%
d) Guarantees	50%
e) Interbank guarantee letters	100%
f) Available lines of credit	35%
g) Other loan commitments:	
- Higher education loans Law No. 20,027	15%
- Other	100%
h) Other contingent loans	100%

NOTE 24
CAPITAL REQUIREMENTS (BASEL), continued

The levels of basic capital and effective net equity as of December 31, 2017 and 2016, are as follows:

	Consolidated assets		Risk-weighted assets	
	As of December 31,		As of December 31,	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$
Balance-sheet assets (net of allowances)				
Cash and deposits in banks	1,452,922	2,279,389	-	-
Cash in process of collection	668,145	495,283	300,302	80,623
Trading investments	485,736	396,987	25,031	24,709
Investments under resale agreements	-	6,736	-	6,736
Financial derivative contracts (*)	1,014,070	1,285,157	718,426	943,727
Interbank loans, net	162,599	272,635	162,598	80,200
Loans and accounts receivables from customers, net	26,747,542	26,113,485	23,102,177	22,655,553
Available for sale investments	2,574,546	3,388,906	147,894	263,016
Investments in associates and other companies	27,585	23,780	27,585	23,780
Intangible assets	63,219	58,085	63,219	58,085
Property, plant, and equipment	242,547	257,379	242,547	257,379
Current taxes	-	-	-	-
Deferred taxes	385,608	372,699	38,561	37,270
Other assets	755,184	840,499	722,617	585,739
Off-balance-sheet assets				
Contingent loans	4,133,897	3,922,023	2,360,877	2,221,018
Total	**38,713,600**	**39,713,043**	**27,911,834**	**27,237,835**

(*) "Financial derivative contracts" are presented at their "Credit Equivalent Risk" value as established in Chapter 12-1 of the Updated Compilation of Rules issued by the SBIF.

The ratios of basic capital and effective net equity at the close of each period are as follows:

	Ratio			
	As of December 31,		As of December 31,	
	2017 MCh$	2016 MCh$	2017 %	2016 %
Basic capital	3,066,180	2,868,706	7.92	7.22
Effective net equity	3,881,252	3,657,707	13.91	13.43

NOTE 25
NON-CONTROLLING INTEREST

a) It reflects the net amount of equity of dependent entities attributable to capital instruments which do not belong, directly or indirectly, to the Bank, including the portion of the income for the period that has been attributed to them.

The non-controlling interest included in the equity and the income from the subsidiaries is summarized as follows:

As of December 31, 2017	Non-controlling interest	Equity	Income	Other comprehensive income			Comprehensive income
				Available for sale investments	Deferred tax	Total other comprehensive income	
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Subsidiaries:							
Santander Agente de Valores Limitada	0.97	389	132	-	-	-	132
Santander S.A. Sociedad Securitizadora	0.36	1	-	-	-	-	-
Santander Corredores de Bolsa Limitada	49.00	21,000	702	470	(134)	336	1,038
Santander Corredora de Seguros Limitada	0.25	167	4	-	-	-	4
Subtotal		**21,557**	**838**	**470**	**(134)**	**336**	**1,174**
Entities controlled through other considerations:							
Bansa Santander S.A. (1)	100.00	17,401	10,869	-	-	-	10,869
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	2,925	741	-	-	-	741
Subtotal		**20,326**	**11,610**	**-**	**-**	**-**	**11,610**
Total		**41,883**	**12,448**	**470**	**(134)**	**336**	**12,784**

(1) In September 2017, the company Bansa Santander S.A., held a legal assignment of rights by leasing contract, which resulted in a result of $ 20,663 million before taxes ($ 15,197 million net of taxes).
According to indicated in note 1 ii) Bansa Santander S.A. it is an entity controlled by the Bank for reasons other than its participation in the equity, therefore the result of this company is assigned entirely to the non-controlling interest.

NOTE 25
NON-CONTROLLING INTEREST, continued

As of December 31, 2016	Non-controlling interest	Equity	Income	Other comprehensive income			
				Available for sale investments	Deferred tax	Total other comprehensive income	Comprehensive income
	%	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Subsidiaries:							
Santander Agente de Valores Limitada	0.97	492	116	-	-	-	116
Santander S.A. Sociedad Securitizadora	0.36	2	-	-	-	-	-
Santander Corredores de Bolsa Limitada	49.41	19,966	1,130	1,054	(251)	803	1,933
Santander Corredora de Seguros Limitada	0.25	164	7	-	-	-	7
Subtotal		**20,624**	**1,253**	**1,054**	**(251)**	**803**	**2,056**
Entities controlled through other considerations:							
Bansa Santander S.A.	100.00	6,533	529	-	-	-	529
Santander Gestión de Recaudación y Cobranzas Limitada	100.00	2,184	583	-	-	-	583
Subtotal		**8,717**	**1,112**	**-**	**-**	**-**	**1,112**
Total		**29,341**	**2,365**	**1,054**	**(251)**	**803**	**3,168**

NOTE 25
NON-CONTROLLING INTEREST, continued

b) A summary of the financial information of subsidiaries included in the consolidation with non-controlling interests (before consolidation or conforming adjustments) is as follows:

	As of December 31,							
	2017				2016			
	Assets MCh$	Liabilities MCh$	Capital MCh$	Net Income MCh$	Assets MCh$	Liabilities MCh$	Capital MCh$	Net Income MCh$
Santander Corredora de Seguros Limitada	76,177	9,803	64,937	1,437	75,000	10,065	62,276	2,659
Santander Corredores de Bolsa Limitada	88,711	45,855	41,424	1,432	86,473	45,724	38,356	2,393
Santander Agente de Valores Limitada	44,910	4,732	26,569	13,609	54,486	3,666	38,851	11,969
Santander S.A. Sociedad Securitizadora	400	50	432	(82)	509	77	512	(80)
Santander Gestión de Recaudación y Cobranzas Ltda.	10,826	7,901	2,184	741	8,547	6,363	1,602	582
Bansa Santander S.A.	25,535	8,134	6,533	10,868	31,301	24,768	6,004	529
Total	**246,559**	**76,475**	**142,079**	**28,005**	**256,316**	**90,663**	**147,601**	**18,052**

NOTE 26
INTEREST INCOME

This item refers to interest earned in the period from the financial assets whose return, whether implicitly or explicitly, is determined by applying the effective interest rate method, regardless of the value at fair value, as well as the effect of hedge accounting.

a) For the periods ended December 31, 2017 and 2016, the income from interest income, not including income from hedge accounting, is attributable to the following items:

	As of December 31,							
	2017				2016			
Items	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$	Interest MCh$	Inflation adjustments MCh$	Prepaid fees MCh$	Total MCh$
Resale agreements	939	-	-	**939**	1,488	-	-	**1,488**
Interbank loans	969	-	-	**969**	295	-	-	**295**
Commercial loans	752,013	85,389	10,525	**847,927**	742,432	130,904	7,659	**880,995**
Mortgage loans	320,041	149,303	414	**469,758**	304,116	228,081	7,012	**539,209**
Consumer loans	612,932	363	4,738	**618,033**	604,152	660	4,318	**609,130**
Investment instruments	74,000	5,797	-	**79,797**	75,808	2,916	-	**78,724**
Other interest income	12,172	1,538	-	**13,710**	11,136	2,445	-	**13,581**
Interest income less income from hedge accounting	**1,773,066**	**242,390**	**15,677**	**2,031,133**	**1,739,427**	**365,006**	**18,989**	**2,123,422**

b) As indicated in section i) of Note 1, suspended interest relates to loans with payments over 90 days overdue, which are recorded in off-balance sheet accounts until they are effectively received.

As of December 31, 2017 and 2016, the suspended interest and adjustments income consists of the following:

	As of December 31,					
	2017			2016		
Items	Interest MCh$	Inflation adjustments MCh$	Total MCh$	Interest MCh$	Inflation adjustments MCh$	Total MCh$
Commercial loans	12,709	7,703	**20,412**	13,060	9,029	**22,089**
Mortgage loans	2,871	4,999	**7,870**	4,785	486	**5,271**
Consumer loans	5,084	377	**5,461**	2,924	6,635	**9,559**
Total	**20,664**	**13,079**	**33,743**	**20,769**	**16,150**	**36,919**

NOTE 26
INTEREST INCOME, continued

c) *For the period ended December 31, 2017 and 2016, the expenses from interest expense, excluding expense from hedge accounting, are as follows:*

	As of December 31,					
	2017			2016		
Items	Interest MCh$	Inflation adjustments MCh$	Total MCh$	Interest MCh$	Inflation adjustments MCh$	Total MCh$
Demand deposits	(13,851)	(695)	**(14,546)**	(16,003)	(1,043)	**(17,046)**
Repurchase agreements	(6,514)	-	**(6,514)**	(2,822)	-	**(2,822)**
Time deposits and liabilities	(341,821)	(20,509)	**(362,330)**	(399,720)	(38,946)	**(438,666)**
Interbank borrowings	(26,805)	-	**(26,805)**	(19,803)	-	**(19,803)**
Issued debt instruments	(220,027)	(76,170)	**(296,197)**	(197,973)	(105,452)	**(303,425)**
Other financial liabilities	(2,946)	(303)	**(3,249)**	(3,008)	(781)	**(3,789)**
Other interest expense	(5,236)	(4,973)	**(10,209)**	(5,211)	(8,874)	**(14,085)**
Interest expense less expenses from hedge accounting	**(617,200)**	**(102,650)**	**(719,850)**	**(644,540)**	**(155,096)**	**(799,636)**

d) *For the periods ended December 31, 2017 and 2016, the income and expense from interest is as follows:*

	As of December 31,	
Items	2017 MCh$	2016 MCh$
Interest income less income from hedge accounting	2,031,133	2,123,422
Interest expense less expense from hedge accounting	(719,850)	(799,636)
Net Interest income (expense) from hedge accounting	**1,311,283**	**1,323,786**
Hedge accounting (net)	15,408	(42,420)
Total net interest income	**1,326,691**	**1,281,366**

NOTE 27
FEES AND COMMISSIONS

Fees and commissions includes the value of fees earned and paid during the year, except those which are an integral part of the financial instrument`s effective interest rate:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Fee and commission income		
Fees and commissions for lines of credits and overdrafts	7,413	5,754
Fees and commissions for guarantees and letters of credit	33,882	35,911
Fees and commissions for card services	201,791	195,566
Fees and commissions for management of accounts	31,901	31,540
Fees and commissions for collections and payments	44,312	31,376
Fees and commissions for intermediation and management of securities	10,090	9,304
Insurance brokerage fees	-	-
Office banking	36,430	40,882
Fees for other services rendered	15,669	14,145
Other fees earned	43,123	38,038
Fee and commission income	30,947	28,668
Total	**455,558**	**431,184**

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
Fee and commission expense		
Compensation for card operations	(149,809)	(143,509)
Fees and commissions for securities transactions	(858)	(946)
Office banking	(15,283)	(14,671)
Other fees	(10,545)	(17,634)
Total	**(176,495)**	**(176,760)**
Net fees and commissions income	**279,063**	**254,424**

The fees earned in transactions with letters of credit are presented on the Consolidated Statement of Income in the item “Interest income”.

NOTE 28
NET INCOME (EXPENSE) FROM FINANCIAL OPERATIONS

Includes the amount of the adjustments from the financial instruments variation, except those attributable to the interest accrued by the application of the effective interest rate method of the value adjustments of the assets, as well as the results obtained in their sale.

For the periods ended December 31, 2017 and 2016, the detail of income from financial operations is as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Profit and loss from financial operations		
Trading derivatives	(18,974)	(395,209)
Trading investments	10,008	18,229
Sale of loans and accounts receivables from customers		
Current portfolio	3,020	1,469
Charged-off portfolio	3,020	2,720
Available for sale investments	8,956	14,598
Repurchase of issued bonds	(742)	(8,630)
Other profit and loss from financial operations	(2,492)	(211)
Total	**2,796**	**(367,034)**

NOTE 29
NET FOREIGN EXCHANGE INCOME

Net foreign exchange income includes the income earned from foreign currency trading, differences arising from converting monetary items in a foreign currency to the functional currency, and those generated by non-monetary assets in a foreign currency at the time of their sale.

For the period ended December 31, 2017 and 2016, net foreign exchange income is as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Net foreign exchange gain (loss)		
Net gain (loss) from currency exchange differences	113,115	116,117
Hedging derivatives	22,933	399,875
Income from assets indexed to foreign currency	(9,190)	(8,745)
Income from liabilities indexed to foreign currency	98	145
Total	**126,956**	**507,392**

NOTE 30
PROVISIONS FOR LOAN LOSSES

a) *The movement in provisions for loan losses for the periods ended Diciembre 31, 2017 and 2016 is as follows:*

As of December 31, 2017	Interbank loans Individual	Loans and accounts receivable from customers: Commercial loans		Mortgage loans	Consumer loans	Contingent loans		Additional Provisions	Total
		Individual	Group	Group	Group	Individual	Group		
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$		MCh$
Charged-off of loans	-	(15,699)	(49,274)	(17,426)	(94,443)	-	-	-	(176,842)
Provisions established	(307)	(60,023)	(99,407)	(22,163)	(157,595)	(8,079)	(4,224)	-	(351,798)
Total provisions and charge-offs	(307)	(75,722)	(148,681)	(39,589)	(252,038)	(8,079)	(4,224)	-	(528,640)
Provisions released (*)	393	55,925	20,491	11,427	46,089	10,135	1,660	-	146,120
Recovery of loans previously charged-off	-	10,902	21,499	10,942	39,972	-	-	-	83,315
Net charge to income	86	(8,895)	(106,691)	(17,220)	(165,977)	2,056	(2,564)	-	(299,205)

As of December 31, 2016	Interbank loans Individual	Loans and accounts receivable from customers: Commercial loans		Mortgage loans	Consumer loans	Contingent loans			Total
		Individual	Group	Group	Group	Individual	Group		
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$		MCh$
Charged-off of loans	-	(11,222)	(60,750)	(16,928)	(101,658)	-	-	-	(190,558)
Provisions established	(239)	(72,330)	(73,105)	(30,046)	(178,886)	(8,592)	(2,909)	-	(366,107)
Total provisions and charge-offs	(239)	(83,552)	(133,855)	(46,974)	(280,544)	(8,592)	(2,909)	-	(556,665)
Provisions released (*)	83	37,073	14,432	17,634	18,512	6,963	5,384	35,000	135,081
Recovery of loans previously charged-off	-	11,142	16,043	10,041	41,072	-	-	-	78,298
Net charge to income	(156)	(35,337)	(103,380)	(19,299)	(220,960)	(1,629)	2,475	35,000	(343,286)

NOTE 30
PROVISIONS FOR LOAN LOSSES, continued

b) The detail of Charge-off of individually significant loans, is as follows:

As of December 31, 2017	Loans and accounts receivable from customers				
	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Charge-off of loans	51,978	92,619	20,168	222,163	**386,928**
Provision applied	(36,279)	(43,345)	(2,742)	(127,720)	**(210,086)**
Net charge offs of individually significant loans	**15,699**	**49,274**	**17,426**	**94,443**	**176,842**

As of December 31, 2016	Loans and accounts receivables from customers				
	Commercial loans		Mortgage loans	Consumer loans	
	Individual MCh$	Group MCh$	Group MCh$	Group MCh$	Total MCh$
Charge-off of loans	47,605	104,868	19,459	219,882	**391,814**
Provision applied	(36,383)	(44,118)	(2,531)	(118,224)	**(201,256)**
Net charge offs of individually significant loans	**11,222**	**60,750**	**16,928**	**101,658**	**190,558**

NOTE 31
PERSONNEL SALARIES AND EXPENSES

a) Composition of personnel salaries and expenses:

For the periods ended December 31, 2017 and 2016, the composition of personnel salaries and expenses is as follows:

	As of December 31,	
	2017 MCh$	2016 MCh$
Personnel compensation	250,962	249,703
Bonuses or gratuities	76,011	77,649
Stock-based benefits	2,752	331
Seniority compensation:	26,120	26,263
Pension plans	2,039	(150)
Training expenses	2,867	2,835
Day care and kindergarden	2,505	3,072
Health and welfare funds	5,644	5,583
Other personnel expenses	28,897	29,847
Total	**396,967**	**395,133**

Benefits based on equity instruments (settled in cash)

The Bank provides certain executives of the Bank and its affiliates with a benefit of payments based on shares, which are settled in cash in accordance with the requirements of IFRS 2. The Bank measures the services received and the liability incurred, at fair value.

Until the settlement of the liability, the Bank determines the fair value of the liability at the end of each reporting period, as well as on the settlement date, recognizing any change in fair value in profit or loss for the year.

The balance corresponding to profits based on equity instruments, as of December 31, 2017 and 2016 was $ 1,923 million and $ 331 million, respectively.

NOTE 32
ADMINISTRATIVE EXPENSES

For the periods ended December 31, 2017 and 2016, the composition of administrative expenses is as follows:

	As of December 31,	
	2017	**2016**
	MCh$	**MCh$**
General administrative expenses	**139,418**	**138,974**
Maintenance and repair of property, plant and equipment	21,359	19,901
Office lease	26,136	28,098
Equipment lease	96	280
Insurance premiums	3,354	3,842
Office supplies	6,862	5,747
IT and communication expenses	39,103	37,351
Lighting, heating, and other utilities	5,468	4,863
Security and valuables transport services	12,181	14,793
Representation and personnel travel expenses	4,262	5,440
Judicial and notarial expenses	974	952
Fees for technical reports and auditing	9,379	7,631
Other general administrative expenses	10,244	10,076
Outsourced services	**57,400**	**55,757**
Data processing	34,880	36,068
Archive service	3,324	4,427
Valuation service	2,419	3,489
Outsourced staff	6,878	5,404
Other	9,899	6,369
Board expenses	**1,290**	**1,371**
Marketing expenses	**18,877**	**17,844**
Taxes, payroll taxes, and contributions	**13,118**	**12,467**
Real estate taxes	1,443	1,435
Patents	1,646	1,618
Other taxes	24	93
Contributions to SBIF	10,005	9,321
Total	**230,103**	**226,413**

NOTE 33
DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) *The values of depreciation and amortization during December 31, 2017 and 2016 are detailed below:*

	As December 31,	
	2017 MCh$	2016 MCh$
Depreciation and amortization		
Depreciation of property, plant, and equipment	(55,623)	(45,025)
Amortizations of intangible assets	(22,200)	(20,334)
Total depreciation and amortization	**(77,823)**	**(65,359)**
Impairments		
Impairment of property, plant and equipment	(354)	(234)
Impairment of intangible assets	(5,290)	-
Total Impairments	**(5,644)**	**(234)**
Totales	**(83,467)**	**(65,593)**

As of December 31, 2017, the impairment amount of fixed assets amounts to $ 354 million ($ 234 million as of December 31, 2016), mainly due to ATM incidents. And the amount of impairment in intangible assets amounts to $ 5,290 due to the obsolescence of computer projects.

b) *The changes in book value due to depreciation and amortization for the nine month period ended December 31, 2017 and 2016 are as follows:*

	Depreciation and amortization 2017		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 1, 2017	**(235,622)**	**(239,628)**	**(475,250)**
Depreciation and amortization for the period	(55,623)	(22,200)	**(77,823)**
Sales and disposals in the period	313	-	**313**
Other	-	-	**-**
Balance as of December 31, 2017	**(290,932)**	**(261,828)**	**(552,760)**

	Depreciation and amortization 2016		
	Property, plant, and equipment MCh$	Intangible assets MCh$	Total MCh$
Balances as of January 1, 2016	**(190,781)**	**(219,294)**	**(410,075)**
Depreciation and amortization for the period	(45,025)	(20,334)	**(65,359)**
Sales and disposals in the period	184	-	**184**
Other	-	-	**-**
Balance as of December 31, 2016	**(235,622)**	**(239,628)**	**(475,250)**

NOTE 34
OTHER OPERATING INCOME AND EXPENSES

a) Other operating income is as follows:

	As of December 31,	
	2017 MCh$	**2016 MCh$**
Income from assets received in lieu of payment		
Income from sale of assets received in lieu of payment	3,330	1,663
Recovery of charge-offs and income from assets received in lieu of payment	17,600	7,161
Other income from assets received in lieu of payment	7,547	4,711
Subtotal	**28,477**	**13,535**
Contingency Provisión Liberation (1)	**29,903**	**-**
Subtotal	**-**	**-**
Other income		
Leases	264	519
Income from sale of property, plant and equipment (2)	23,229	2,017
Recovery of provisions for contingencies	-	-
Compensation from insurance companies due to damages	1,237	1,530
Other	4,053	698
Subtotal	**28,783**	**4,764**
Total	**87,163**	**18,299**

(1) The Bank maintained provisions for contingencies in accordance with IAS 37, which during 2017 was favorable for the Bank.
(2) The result from the sale of fixed assets as of December 31, 2017 includes MCh $ 20,663 corresponding to the legal assignment of rights by leasing contract entered into by Bansa Santander S.A., as disclosed in Note N ° 25.

b) Other operating expenses are as follows:

	As of December 31,	
	2017 MCh$	**2016 MCh$**
Allowances and expenses for assets received in lieu of payment		
Charge-offs of assets received in lieu of payment	30,027	15,423
Provisions on assets received in lieu of payment	3,912	9,246
Expenses for maintenance of assets received in lieu of payment	1,679	2,170
Subtotal	**35,618**	**26,839**
Credit card expenses	**3,070**	**3,636**
	2,563	**3,734**
Customer services		
Other expenses	1,607	6,146
Operating charge-offs	23,475	18,393
Life insurance and general product insurance policies	-	142
Additional tax on expenses paid overseas	-	14
Gain (Loss) for sale of PP&E	-	5,111
Provisions for contingencies	912	631
Expense for the Retail Association	-	2,136
Other	28,769	18,416
Subtotal	**54,763**	**50,989**
Total	**96,014**	**85,198**

NOTE N°35
TRANSACTIONS WITH RELATED PARTIES

Associated and dependent entities are the Bank's "related parties", However, this also includes its "key personnel" from the executive staff (members of the Bank's Board of Directors and Managers of Banco Santander Chile and its affiliates, together with their close relatives), as well as the entities over which the key personnel could exercise significant influence or control.

The Bank also includes those companies that are part of the Santander Group worldwide as related parties, given that all of them have a common parent, i,e., Banco Santander S,A, (located in Spain).

Article 89 of the Ley de Sociedades Anónimas (Public Companies Act), which is also applicable to banks, states that any transaction with a related party must be made under equitable conditions similar to those that customarily prevail in the market.

Article 84 of the Ley General de Bancos (General Banking Act) establishes limits for loans that can be granted to related parties and prohibits lending to the Bank's directors, General Manager, or representatives.

Transactions between the Bank and its related parties are specified below and have been divided into four categories:

Santander Group companies

This category includes all the companies that are controlled by the Santander Group around the world, and hence, it also includes the companies over which the Bank exercises any degree of control (Affiliates and special-purpose entities).

Associated companies

This category includes the entities over which the Bank exercises a significant degree of influence, in accordance with section b) of Note 1, and which generally belong to the group of entities known as "business support companies".

Key personnel

This category includes members of the Bank's Board of Directors and managers of Banco Santander Chile and its affiliates, together with their close relatives.

Other

This category encompasses the related parties that are not included in the groups identified above and which are, in general, entities over which the key personnel could exercise significant influence or control.

The terms for transactions with related parties are equivalent to those which prevail in transactions made under market conditions or to which the corresponding considerations in kind have been attributed.

NOTE N°35
TRANSACTIONS WITH RELATED PARTIES, continued

a) Loans to related parties

Loans and receivables as well as contingent loans are as follows:

	As of December 31,							
	2017				2016			
	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Loans and accounts receivables:								
Commercial loans	80,076	771	3,947	7,793	81,687	533	4,595	7,100
Mortgage loans	-	-	18,796	-	-	-	18,046	-
Consumer loans	-	-	4,310	-	-	-	3,783	-
Loans and account receivables:	**80,076**	**771**	**27,053**	**7,793**	**81,687**	**533**	**26,424**	**7,100**
Provision for loan losses	(209)	(9)	(177)	(18)	(209)	(35)	(87)	(34)
Net loans	**79,867**	**762**	**26,876**	**7,775**	**81,478**	**498**	**26,337**	**7,066**
Guarantees	361,452	-	23,868	7,164	434,141	-	23,636	5,486
Contingent loans								
Personal guarantees	-	-	-	-	-	-	-	-
Letters of credit	19,251	-	-	33	27,268	-	-	-
Performance guarantees	377,578	-	-	-	437,101	-	-	-
Contingent loans	**396,829**	**-**	**-**	**33**	**464,369**	**-**	**-**	**-**
Provision for contingent loans	(4)	-	-	1	(5)	-	-	-
Net contingent loans	**396,825**	**-**	**-**	**34**	**464,364**	**-**	**-**	**-**

Loans regarding activity with related parties during the periods ended December 31, 2017 and 2016 is as follows:

	As of December 31,							
	2017				2016			
	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Opening balances as of January 1,	546,058	532	26,423	7,100	616,968	565	28,675	1,966
Loans granted	78,214	318	7,777	1,050	122,729	203	8,580	6,808
Loan payments	(147,366)	(79)	(7,149)	(324)	(193,189)	(236)	(10,832)	(1,674)
Total	**476,906**	**771**	**27,051**	**7,826**	**546,508**	**532**	**26,423**	**7,100**

NOTE 35
TRANSACTIONS WITH RELATED PARTIES, continued

b) Assets and liabilities with related parties

	As of December 31							
	2017				2016			
	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Assets								
Cash and deposits in banks	74,949	-	-	-	187,701	-	-	-
Trading investments	-	-	-	-	-	-	-	-
Investments under resale agreements	-	-	-	-	-	-	-	-
Financial derivative contracts	545,028	86,011	-	14	742,851	33,433	-	-
Available for sale investments	-	-	-	-	-	-	-	-
Other assets	8,480	118,136	-	-	4,711	67,454	-	-
Liabilities								
Deposits and other demand liabilities	24,776	25,805	2,470	221	6,988	7,141	2,883	630
Obligations under repurchase agreements	50,945	-	-	-	56,167	-	-	-
Time deposits and other time liabilities	785,988	27,968	3,703	3,504	1,545,835	6,219	2,525	2,205
Financial derivative contracts	418,647	142,750	-	7,190	954,575	54,691	-	-
Bank obligation	-	-	-		6,165	-	-	
Issued debts instruments	482,626	-	-	-	484,548	-	-	-
Other financial liabilities	4,919	-	-	-	8,970	-	-	-
Other liabilities	164,303	58,168	-	-	446	44,329	-	-

c) Recognized income (expense) with related parties

	As of December 31,							
	2017				2016			
	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$	Santander Group companies MCh$	Associated companies MCh$	Key personnel MCh$	Other MCh$
Income (expense) recorded								
Income and expenses from interest and inflation	(43,892)	-	1,051	-	(39,279)	40	1,164	115
Fee and commission income and expenses	72,273	15,404	224	1	56,952	22,322	204	20
Net income (expense) from financial operations and foreign exchange transactions (*)	363,108	(48,453)	(3)	19	(343,963)	(48,373)	(88)	2
Other operating income and expenses	21,670	(1,454)	-	-	931	(2,239)	-	-
Key personnel compensation and expenses	-	-	(43,037)	-	-	-	(37,328)	-
Administrative and other expenses	(48,246)	(47,220)	-	-	(35,554)	(43,115)	-	-
Total	**364,913**	**(81,723)**	**(41,765)**	**20**	**(360,913)**	**(71,365)**	**(36,048)**	**137**

(*) Primarily relates to derivative contracts used to hedge economically the exchange risk of assets and liabilities that hedge positions of the Bank and its subsidiaries.

NOTE 35
TRANSACTIONS WITH RELATED PARTIES, continued

d) Payment to Board members and key management personnel

The compensation received by key management personnel, including Board members and all the executives holding Manager positions, is shown in the "Personnel salaries and expenses" and/or "Administrative expenses" of the Consolidated Statements of Income, and detailed as follows:

	As of December 31,	
	2017	2016
	MCh$	MCh$
Personnel compensation	16,863	17,493
Board member`s salaries and expenses	1,199	1,269
Bonuses or gratuity	16,057	14,404
Compensation in stock	2,752	331
Training expenses	68	161
Seniority compensation	3,842	2,619
Health funds	273	285
Other personnel expenses	773	916
Pension Plans (*)	2,039	(150)
Total	**43,866**	**37,328**

(*) Part of the executives who qualified for this benefit ceased to belong to the Group for various reasons without meeting the requirements to obtain the benefit, for which the amount of the obligation decreased, generating an income for the reversal of provisions.

e) Composition of key personnel

As of December 31, 2017 and 2016, the composition of the Bank's key personnel is as follows:

Position	N° of executives	
	As of December 31,	
	2017	2016
Director	11	13
Division manager	13	17
Department manager	63	76
Manager	46	61
Total key personnel	**133**	**167**

NOTE 36
PENSION PLANS

The Bank has an additinal benefit available to its principal executives, consisting of a pension plan. The purpose of the pension plan is to endow the executives with funds for a better supplementary pension upon their retirement.

For this purpose, the Bank will match the voluntary contributions made by the beneficiaries for their future pension with an equivalent contribution. The executives will be entlited to recive this benefit only when they fulfill the following conditions:

a. *Aimed at the Bank's management*

b. *The general requisite to apply for this benefit is that the employee must be carrying out his/her duties when turning 60 years old.*

c. *The Bank will create a pension fund, with life insurance, for each beneficiary in the plan. Periodic contributions into this fund are made by the manager and matched by the Bank.*

d. *The Bank will be responsible for garanting the benefits directly.*

If the working relationship between the manager and the respective company ends, before s/he fulfills the abovementioned requirements, s/he will have no rights under this benefit plan.

In the event of the executive's death or total or partial disability, s/he will be entitled to recive this benefit.

The Bank will make contributions to this benefit plan on the basis of mixed collective insurance policies whose beneficiary is the Bank. The life insurance company with whom such policies are executed is not an entity linked or related to the Bank or any other Santander Group company.

Plan Assets owned by the Bank at the end of 2017 totaled Ch$7.919 million (Ch$6.612 million in 2016)

The amount of the defined benefit plans has been quantified by the Bank, based on the following criteria:

Calculation method

Use of the projected unit credit method which considers each working year as generating an additional amount of rights over benefits and values each unit separately. It is calculated based primarily on fund contribution, as well as other factors such as the legal annual pension limit, seniority, age and yearly income for each unit valued individualy.

Actuarial hypothesis assumptions:

Actuarial assumption with respect to demographic and financial variables are non-biased and mutually compatible with each other. The most significant actuarial hypotheses considered in the calculation were.

Assets related to the pension fund contributed by the Bank into the Seguros Euroamérica insurance company with respect to defined benefit plans are presented as net of associated commitments.

	Plans post–employment 2017	Plans post–employment 2016
Mortality chart	RV-2014	RV-2014/CB-2014
Terminarion of contract rates	5,0%	5,0%
Impairment chart	PDT 1985	PDT 1985

NOTE N°36
PENSION PLANS, continued

Activity for post-employment benefits is as follows:

	As of December 31,	
	2017 MCh$	2016 MCh$
Plan assets	7,919	6,612
Commitments for defined-benefit plans		
For active personnel	(6,998)	(4,975)
Incurred by inactive personnel	-	-
Minus:		
Unrealized actuarial (gain) losses	-	-
Balances at year end	**921**	**1,637**

Year's cash flow for post-employment benefits is as follows:

	As of December 31,	
	2017 MCh$	2016 MCh$
a) Fair value of plan assets		
Opening balance	6,612	6,945
Expected yield of insurance contracts	307	335
Employer contributions	1,931	886
Actuarial (gain) losses	-	-
Premiums paid	-	-
Benefits paid	(931)	(1,554)
Fair value of plan assets at year end	**7,919**	**6,612**
b) Present value of obligations		
Present value of obligation opening balance	(4,975)	(5,070)
Net incorporation of Group companies	-	-
Service cost	(2,039)	150
Interest cost	-	-
Curtailment/settlement effect	-	-
Benefits paid	-	-
Past service cost	-	-
Actuarial (gain) losses	-	-
Other	16	(55)
Present value of obligations at year end	**(6,998)**	**(4,975)**
Net balance at year end	**921**	**1,637**

NOTE N°36
PENSION PLANS, continued

Plan expected profit:

	As of December 31,	
	2017	**2016**
Type of expected yield from the plan's assets	UF + 2.50% annual	UF + 2.50% annual
Type of yield expected from the reimbursement rights	UF + 2.50% annual	UF + 2.50% annual

Plan associated expenses:

	For the years ended December 31,	
	2017	**2016**
	MCh$	**MCh$**
Current period service expenses	2,039	(150)
Interest cost	-	-
Expected yield from plan's asset	(307)	(335)
Expected yield of insurance contracts linked to the Plan:	-	-
Extraordinary allocations	-	-
Actuarial (gain)/losses recorded in the period	-	-
Past service cost	-	-
Other	-	-
Total	**1,732**	**(485)**

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the main market
(or the most advantageous) at the measurement date in the current market conditions (in other words, an exit price) regardless of whether that price is directly observable or estimated by using a different valuation technique. The measurement of fair value assumes the sale transaction of an asset or the transference of the liability happens within the main asset or liability market, or the most advantageous market for the asset or liability.

For financial instruments with no available market prices, fair values have been estimated by using recent transactions in analogous instruments, and in the absence thereof, the present values or other valuation techniques based on mathematical valuation models sufficiently accepted by the international financial community. In the use of these models, consideration is given to the specific particularities of the asset or liability to be valued, and especially to the different kinds of risks associated with the asset or liability.

These techniques are significantly influenced by the assumptions used, including the discount rate, the estimates of future cash flows and prepayment expectations. Hence, the fair value estimated for an asset or liability may not coincide exactly with the price at which that asset or liability could be delivered or settled on the date of its valuation, and may not be justified in comparison with independent markets.

Determination of fair value of financial instruments

Below is a comparison between the value at which the Bank's financial assets and liabilities are recorded and their fair value as of December 31, 2017 and December 31, 2016:

	As of December 31, 2017		As of December 31, 2016	
	Book value MCh$	Fair value MCh$	Book value MCh$	Fair value MCh$
Assets				
Trading investments	485,736	485,736	396,987	396,987
Financial derivative contracts	2,238,647	2,238,647	2,500,782	2,500,782
Loans and accounts receivable from customers and interbank loans, (net)	26,910,141	28,518,929	26,386,120	29,976,931
Investments available for sale	2,574,546	2,574,546	3,388,906	3,388,906
Guarantee deposits (margin accounts)	323,767	323,767	396,289	396,289
Liabilities				
Deposits and interbank borrowings	21,380,468	20,887,959	22,607,392	22,833,009
Financial derivative contracts	2,139,488	2,139,488	2,292,161	2,292,161
Issued debt instruments and other financial liabilities	7,335,683	7,487,591	7,566,388	8,180,322
Guarantees received (margin accounts)	408,313	408,313	480,926	480,926

Fair value is approximated to book value in the following accounts, due to their short-term nature in the following cases: cash and bank deposits, operations with liquidation in progress and buyback contracts as well as security loans.

In addition, the fair value estimates presented above do not attempt to estimate the value of the Bank's profits generated by its business activity, nor its future activities, and accordingly, they do not represent the Bank's value as a going concern.

Below is a detail of the methods used to estimate the financial instruments' fair value.

a) Financial instruments for trading investments and available for sale investment.

The estimated fair value of these financial instruments was established using market values or estimates from an available dealer, or quoted market prices of similar financial instruments. Investments with maturities of les than 1 year are evaluated at recorded value since they are considered as having a fair value not significantly different from their recorded value, due to their short maturity term. To estimate the fair value of debt investments or representative values in these lines of businesses, we take into consideration additional variables and elements, as long as they apply, including the estimate of prepayment rates and credit risk of issuers.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

b) Loans and accounts receivable from customers and interbank loans

Fair value of commercial, mortgage and consumer loans and credit cards is measured through a discounted cash flow (DCF) analysis. To do so, we use current market interest rates considering product, term, amount and similar loan quality. Fair value of loans with 90 days or more of delinquency are measured by means of the market value of the associated guarantee, minus the rate and term of expected payment. For variable rate loans whose interest rates change frequently (monthly or quarterly) and that are not subjected to any significant credit risk change, the estimated fair value is based on their book value.

c) Deposits

Disclosed fair value of deposits that do not bear interest and saving accounts is the amount payable at the reporting date and, therefore, equals the recorded amount. Fair value of time deposits is calculated through a discounted cash flow calculation that applies current interest rates from a monthly calendar of scheduled maturities in the market.

d) Short and long term issued debt instruments

The fair value of these financial instruments is calculated by using a discounted cash flow analysis based on the current incremental lending rates for similar types of loans having similar maturities.

e) Financial derivative contracts

The estimated fair value of financial derivative contracts is calculated using the prices quoted on the market for financial instruments having similar characteristics.

The fair value of interest rate swaps represents the estimated amount that the Bank expects to receive to cancel the contracts or agreements, considering the term structures of the interest curve , volatility of the underlying asset and credit risk of counterparties.

If there are no quoted prices from the market (either direct or indirect) for any derivative instrument, the respective fair value estimates have been calculated by using models and valuation techniques such as Black-Scholes, Hull, and Monte Carlo simulations, taking into consideration the relevant inputs/outputs such as volatility of options, observable correlations between underlying assets, counterparty credit risk, implicit price volatility, the velocity with which the volatility reverts to its average value, and the straight-line relationship (correlation) between the value of a market variable and its volatility, among others.

Measurement of fair value and hierarchy

IFRS 13 - Fair Value Measurement, provides a hierarchy of reasonable values which separates the inputs and/or valuation technique assumptions used to measure the fair value of financial instruments, The hierarchy reflects the significance of the inputs used in making the measurement, The three levels of the hierarchy of fair values are the following:

- _Level 1: the inputs are quoted prices (unadjusted) on active markets for identical assets and liabilities that the Bank can access on the measurement date._

- _Level 2: inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly._

- _Level 3: inputs are unobservable inputs for the asset or liability._

The hierarchy level within which the fair value measurement is categorized in its entirety is determined based on the lowest level of input that is significant to the fair value measurement in its entirety.

The best evidence of a financial instrument's fair value at the initial time is the transaction price (Level 1).

In cases where quoted market prices cannot be observed, Management makes its best estimate of the price that the market would set using its own internal models which in most cases use data based on observable market parameters as a significant input (Level 2) and, in very specific cases, significant inputs not observable in market data (Level 3). Various techniques are employed to make these estimates, including the extrapolation of observable market data.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

Financial instruments at fair value and determined by quotations published in active markets (Level 1) include:

- *Chilean Government and Department of Treasury bonds*

Instruments which cannot be 100% observable in the market are valued according to other inputs observable in the market (Level 2).

The following financial instruments are classified under Level 2:

Type of financial instrument	Model used in valuation	Description
· Mortgage and private bonds	Present Value of Cash Flows Model	Internal Rates of Return ("IRRs") are provided by RiskAmerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given mnemonic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on historical spread for the same item or similar ones.
· Time deposits	Present Value of Cash Flows Model	IRRs are provided by RiskAmerica, according to the following criterion: If, at the valuation day, there are one or more valid transactions at the Santiago Stock Exchange for a given mnemonic, the reported rate is the weighted average amount of the observed rates. In the case there are no valid transactions for a given mnemonic on the valuation day, the reported rate is the IRR base from a reference structure, plus a spread model based on issuer curves.
· Constant Maturity Swaps (CMS), FX and Inflation Forward (Fwd) , Cross Currency Swaps (CCS), Interest Rate Swap (IRS)	Present Value of Cash Flows Model	IRRs are provided by ICAP, GFI, Tradition, and Bloomberg according to this criterion: With published market prices, a valuation curve is created by the bootstrapping method and is then used to value different derivative instruments.
· FX Options	Black-Scholes	Formula adjusted by the volatility smile (implicit volatility), Prices (volatility) are provided by BGC Partners, according to this criterion: With published market prices, a volatility surface is created by interpolation and then these volatilities are used to value options.

In limited occasions significant inputs not observable in market data are used (Level 3). To carry out this estimate, several techniques are used, including extrapolation of observable market data or a mix of observable data.

The following financial instruments are classified under Level 3:

Type of financial instrument	Model used in valuation	Description
· Caps/ Floors/ Swaptions	Black Normal Model for Cap/Floors and Swaptions	There is no observable input of implicit volatility.
	Black – Scholes	There is no observable input of implicit volatility.
	Hull-White	Hybrid HW model for rates and Brownian motion for FX. There is no observable input of implicit volatility.
	Implicit Forward Rate Agreement (FRA)	Start Fwd unsupported by MUREX (platform) due to the UF forward estimate.
· Cross currency swap, Interest rate swap, Call money swap in Tasa Activa Bancaria (Active Bank Rate) TAB	Present Value of Cash Flows Model	Validation obtained by using the interest curve and interpolating at flow maturities, but TAB is not a directly observable variable and is not correlated to any market input.
	Present Value of Cash Flows Model	Valued by using similar instrument prices plus a charge-off rate by liquidity.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The Bank does not believe that any change in unobservable inputs with respect to level 3 instruments would result in a significantly different fair value measurement.

The following table presents the assets and liabilities that are measured at fair value on a recurring basis, as of December 31, 2017 and 2016.

As of December 31,	Fair value measurement			
	2017 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	485,736	481,642	4,094	-
Available for sale investments	2,574,546	2,549,226	24,674	646
Derivatives	2,238,647	-	2,216,306	22,341
Guarantee deposits (margin accounts)	323,767	323,767	-	-
Total	**5,622,696**	**3,354,635**	**2,245,074**	**22,987**
Liabilities				
Derivatives	2,139,488	-	2,139,481	7
Guarantees received (margin accounts)	408,313	408,313	-	-
Total	**2,547,801**	**408,313**	**2,139,481**	**7**

As of December 31,	Fair value measurement			
	2016 MCh$	Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Trading investments	396,987	396,011	976	-
Available for sale investments	3,388,906	2,471,439	916,808	659
Derivatives	2,500,782	-	2,461,407	39,375
Guarantee deposits (margin accounts)	396,289	396,289	-	-
Total	**6,682,964**	**3,263,739**	**3,379,191**	**40,034**
Liabilities				
Derivatives	2,292,161	-	2,292,118	43
Guarantees received (margin accounts)	480,926	480,926	-	-
Total	**2,773,087**	**480,926**	**2,292,118**	**43**

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the assets and liabilities that are not measured at fair value in the consolidated statement of financial position, as of December 31, 2017 and 2016.

As of December 31,	2017 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Loans and accounts receivables from customers and Interbank loans	28,518,929	-	-	28,518,929
Total	**28,518,929**	-	**-**	**28,518,929**
Liabilities				
Deposits and Interbank borrowing	20,887,959	-	20,887,959	-
Issued debt instruments and other financial liabilities	7,487,591	-	7,487,591	-
Total	**28,375,550**	**-**	**28,375,550**	**-**

As of December 31,	2016 MCh$	Fair value measurement Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Loans and accounts receivables from customers and Interbank loans	29,976,931	-	-	29,976,931
Total	**29,976,931**	**-**	**-**	**29,976,931**
Liabilities				
Deposits and Interbank borrowing	22,833,009	-	22,833,009	-
Issued debt instruments and other financial liabilities	8,180,322	-	8,180,322	-
Total	**31,013,331**	**-**	**31,013,331**	**-**

There was no transfer between level 1 and 2 for the period ended December 31, 2017 and 2016.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following table presents the Bank's activity for assets and liabilities measured at fair value on a recurrent basis using unobserved significant entries (Level 3) as of December 31, 2017 and 2016:

	Assets MCh$	Liabilities MCh$
As of January 1, 2017	79,181	43
Total realized and unrealized profits (losses)		
Included in statement of income	**(17,035)**	**(36)**
Included in other comprehensive income	**(12)**	**-**
Purchases, issuances, and loans (net)	**-**	**-**
As of December 31, 2017	62,134	7
Total profits or losses included in comprehensive income at December 31, 2017 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2016	(17,047)	(36)

	Assets MCh$	Liabilities MCh$
As of January 1, 2016	**39,913**	**-**
Total realized and unrealized profits (losses)		
Included in statement of income	**39,376**	**43**
Included in other comprehensive income	**(108)**	**-**
Purchases, issuances, and loans (net)	**-**	**-**
As of December 31, 2016	79,181	43
Total profits or losses included in comprehensive income at December 31, 2016 that are attributable to change in unrealized profit (losses) related to assets or liabilities as of December 31, 2015	39,268	43

The realized and unrealized profits (losses) included in comprehensive income for 2017 and 2016, in the assets and liabilities measured at fair value on a recurrent basis through unobservable market data (Level 3) are recorded in the Statement of Comprehensive Income in the associate line item.

The potential effect as of December 31, 2017 and 2016 on the valuation of assets and liabilities valued at fair value on a recurrent basis through unobservable significant entries (level 3), generated by changes in the principal assumptions if other reasonably possible assumptions that are less or more favorable were used, is not considered by the Bank to be significant.

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

The following tables show the financial instruments subject to compensation in accordance with IAS 32, for 2017 and 2016:

	As of December 31, 2017				
	Linked financial instruments, compensated in balance				
Financial instruments	Gross amounts	Compensated in balance	Net amount presented in balance	Remains of unrelated and / or unencumbered financial instruments	Amount in Statements of Financial Position
Assets	**MCh$**	**MCh$**	**MCh$**	**MCh$**	
Financial derivative contracts	2,029,657	-	**2,029,657**	**208,990**	**2,238,647**
Investments under resale agreements	-	-	**-**	**-**	**-**
Loans and accounts receivable from customers, and Interbank loans, net	-	-	**-**	**26,910,141**	**26,910,141**
Total	**2,029,657**	**-**	**2,029,657**	**27,119,131**	**29,148,788**
Liabilities					
Financial derivative contracts	1,927,654	-	**1,927,654**	**211,834**	**2,139,488**
Investments under resale agreements	268,061	-	**268,061**	**-**	**268,061**
Déposits and interbank borrowings	-	-	**-**	**21,380,467**	**21,380,467**
Total	**2,195,715**	**-**	**2,195,715**	**21,592,301**	**23,788,016**

	As of December 31, 2016				
	Linked financial instruments, compensated in balance				
Financial instruments	Gross amounts	Compensated in balance	Net amount presented in balance	Remains of unrelated and / or unencumbered financial instruments	Amount in Statements of Financial Position
Assets	**MCh$**	**MCh$**	**MCh$**	**MCh$**	
Financial derivative contracts	2,237,731	-	2,237,731	263,051	2,500,782
Investments under resale agreements	6,736	-	6,736	-	6,736
Loans and accounts receivable from customers, and Interbank loans, net	-	-	-	26,386,120	26,386,120
Total	**2,244,467**	**-**	**2,244,467**	**26,649,171**	**28,893,638**
Liabilities					
Financial derivative contracts	2,100,955	-	2,100,955	191,206	2,292,161
Investments under resale agreements	212,437	-	212,437	-	212,437
Déposits and interbank borrowings	-	-	-	22,607,392	22,607,392
Total	**2,313,392**	**-**	**2,313,392**	**22,798,598**	**25,111,990**

NOTE 37
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES, continued

In order to reduce the exposure of credit in its financial derivative operations, the Bank has entered into bilateral collateral agreements with its counterparts, in which it establishes the terms and conditions under which they operate. In general terms, the collateral (received / delivered) operates when the net of the fair value of the financial instruments held exceeds the thresholds defined in the respective contracts.

Below are the financial derivatives contracts, according to their collateral agreement :.

	As of December 31,			
	2017		2016	
Financial derivatives contracts	**Asset MCh$**	**Liabilities MCh$**	**Asset MCh$**	**Liabilities MCh$**
Derivatives contracts with threshold collateral agreement equal to zero	1,898,220	1,773,471	2,134,917	1,986,345
Derivatives contracts with non-zero threshold collateral agreement	221,030	316,840	233,945	238,450
Derivatives contracts without collateral agreement	119,397	49,177	131,920	67,366
Total Financial derivatives contracts	**2,238,647**	**2,139,488**	**2,500,782**	**2,292,161**

NOTE 38
RISK MANAGEMENT

Introduction and general description

The Bank, due to its activities with financial instruments is exposed to several types of risk. The main risks related to financial instruments that apply to the Bank are as follow:

***Market risk**: rises from holding financial instruments whose value may be affected by fluctuations in market conditions, generally including the following types of risk:*

a. *Foreign excharge risk: this arises as a consequence of fluctuations in market interest rates.*

b. *Interest rate risk: this arises as a consequence of fluctuations in market interest rates.*

c. *Price risk: this arises as a consequence of changes in market prices, either due to factor specific to the instrument itself or due to factors that affect all the instruments negotiated in the market.*

d. *Inflation risk: this arises as a consequence of changes in Chile's inflation rate, whose effect would be mainly applicable to financial instruments denominated in UFs*

***Credit risk:** this is the risk that one of the parties to a financial instrument fails to meet its contractual obligations for reason of insolvency or inability of the individuals or legal entitles in question to continue as a going concern, causing a financial loss to the other party*

***Liquidity risk**: is the possibility that an entity may be unable to meet its payment commitments, or that in order to meet them, it may have to raise funds with onerous terms or risk damage to its image and reputation.*

***Operating risk**: this is a risk arising from human errors, system error, fraud or external events which may damage the Bank's reputation, may have legal or regulatory implication, or cause financial losses.*

This note includes information on the Bank's exposure to these risk an on its objetives, policies, and processes involved in their measurement and management.

Risk management structure

The Board of Directors is responsible for the establishment and monitoring of the Bank's risk management structure and, to this end, has a corporate governance system in line with international recommendations and trends, adapted to the Chilean regulatory reality and adapted to best practices. advanced markets in which it operates. To better exercise this function, the Board of Directors has established the Comprehensive Risk Committee ("CIR"), whose main mission is to assist in the development of its functions related to the Bank's control and risk management. Complementing the CIR in risk management, the Board also has 3 key committees: Assets and Liabilities Committee (CAPA), Markets Committee ("CDM") and the Directors and Audit Committee ("CDA"). Each of the committees is composed of directors and executive members of the Bank's management

The CIR is responsible for developing Bank risk management policies in accordance with the guidelines of the Board of Directors, the Global Risk Department of Santander Spain and the regulatory requirements issued by the Chilean Superintendency of Banks and Financial Institutions ("SBIF"). These policies have been created mainly to identify and analyze the risk faced by the Bank, establish risk limits and appropriate controls, and monitor risks and compliance with limits. The Bank's risk management policies and systems are regularly reviewed to reflect changes in market conditions, and the products or services offered. The Bank, through the training and management of standards and procedures, aims to develop a disciplined and constructive control environment, in which all its employees understand their duties and obligations..

To fulfill its functions, the CIR works directly with the Bank's risk and control departments, whose joint objectives include:

- evaluate those risks that, due to their size, could compromise the solvency of the Bank, or that present potentially significant operational or reputation risks;
- ensure that the Bank is provided with the means, systems, structures and resources in accordance with the best practices that allow for the implementation of the strategy in risk management;
- ensure the integration, control and management of all Bank risks;
- execute the application throughout the Bank and its businesses of homogeneous risk principles, policies and metrics;

NOTE 38
RISK MANAGEMENT, continued

- develop and implement a risk management model in the Bank, so that the risk exposure is properly integrated in the different decision-making processes;
- identify risk concentrations and mitigation alternatives, monitor the macroeconomic and competitive environment, quantify sensitivities and the foreseeable impact of different scenarios on the positioning of risks; Y
- manage the structural liquidity risks, interest rates and exchange rates, as well as the Bank's own resources base.

To comply with the aforementioned objectives, the Bank (Administration and ALCO) carries out several activities related to risk management, which include: calculating the risk exposures of the different portfolios and / or investments, considering mitigating factors (guarantees, netting , collaterals, etc.); calculate the probabilities of expected loss of each portfolio and / or investments; assign the loss factors to the new operations (rating and scoring); measure the risk values of the portfolios and / or investments according to different scenarios through historical simulations; establish limits to potential losses based on the different risks incurred; determine the possible impacts of structural risks in the Consolidated Statements of Results of the Bank; set the limits and alerts that guarantee the Bank's liquidity; and identify and quantify operational risks by business lines and thus facilitate their mitigation through corrective actions. The CDA is primarily responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks the Bank faces.

Credit risk

Credit risk is the risk that one of the parties to the financial instrument contract fails to comply with its contractual obligations due to insolvency or disability of natural or legal persons and causes a financial loss in the other party. For purposes of credit risk management, the Bank consolidates all the elements and components of credit risk exposure (eg risk of individual default by creditor, innate risk of a line of business or sector, and / or geographical risk) .

Mitigation of credit risk for loans and accounts receivable

The Board of Directors has delegated responsibility for credit risk management to the Comprehensive Risk Committee (CIR) and the Bank's risk departments whose roles are summarized as follows:

- Formulation of credit policies, in consultation with the business units, covering the requirements of guarantee, credit evaluation, risk rating and presentation of reports, documents and legal procedures in compliance with the regulatory, legal and internal requirements of the Bank.

- Establish the structure of the authorization for the approval and renewal of credit applications. The Bank structures levels of credit risk by placing limits on the concentration of that risk in terms of individual debtors, groups of debtors, segments of industries and countries. The authorization limits are assigned to the respective officers of the business unit (commercial, consumption, SMEs) to be monitored permanently by the Administration. In addition, these limits are reviewed periodically. The risk assessment teams at branch level interact regularly with clients, however for large operations, the risk teams of the parent company and even the CIR, work directly with clients in the evaluation of credit risks and preparation of credit risk. credit applications. Inclusively, Banco Santander España participates in the process of approving the most significant loans, for example to clients or economic groups with debt amounts greater than US $ 40 million.

- Limit concentrations of exposure to customers, counterparts, in geographic areas, industries (for accounts receivable or credits), and by issuer, credit rating and liquidity (for investments).

- Develop and maintain the Bank's risk classification in order to classify the risks according to the degree of exposure to financial loss faced by the respective financial instruments and with the purpose of focusing the management or risk management specifically on the associated risks.

- Review and evaluate credit risk The risk divisions of the Administration are largely independent of the commercial division of the bank and evaluate all credit risks in excess of the designated limits, prior to the approval of credits to customers or prior to the acquisition of specific investments. Credit renewals and revisions are subject to similar processes.

NOTE 38
RISK MANAGEMENT, continued

In the preparation of a credit request for a corporate client, the Bank verifies several parameters such as the debt service capacity (including, generally, projected cash flows), the client's financial history and / or projections for the economic sector in which it operates. The risk division is closely involved in this process. All requests contain an analysis of the client's strengths and weaknesses, a rating and a recommendation. The credit limits are not determined based on the outstanding balances of the clients, but on the direct and indirect credit risk of the financial group. For example, a limited company would be evaluated together with its subsidiaries and affiliates.

Consumer loans are evaluated and approved by their respective risk divisions (individuals, SMEs) and the evaluation process is based on an evaluation system known as Garra (Banco Santander) and Syseva of Santander Banefe, both processes are decentralized, automated and they are based on a scoring system that includes the credit risk policies implemented by the Bank's Board of Directors. The credit application process is based on the collection of information to determine the client's financial situation and ability to pay. The parameters that are used to assess the credit risk of the applicant include several variables such as: income levels, duration of current employment, indebtedness, reports of credit agencies.

Mitigation of credit risk of other financial assets (investments, derivatives, commitments)

As part of the process of acquiring financial investments and financial instruments, the Bank considers the probability of uncollectibility of issuers or counterparties using internal and external evaluations such as independent risk evaluators of the Bank. In addition, the Bank is governed by a strict and conservative policy which ensures that the issuers of its investments and counterparties in transactions of derivative instruments are of the highest reputation.

In addition, the Bank operates with various instruments that, although they involve exposure to credit risk, are not reflected in the Consolidated Statement of Financial Position, such as: guarantees and bonds, documentary letters of credit, guarantee slips and commitments to grant loans. .

The guarantees and bonds represent an irrevocable payment obligation. In the event that a guaranteed client does not fulfill its obligations with third parties who are liable to the Bank, the latter will make the corresponding payments, so that these transactions represent the same exposure to credit risk as a common loan.

Documentary letters of credit are commitments documented by the Bank on behalf of the client that are guaranteed by the merchandise shipped to which they are related and, therefore, have a lower risk than direct indebtedness. Guarantee slips correspond to contingent commitments that are made effective only if the client does not comply with the performance of works agreed with a third party, guaranteed by them.

When it comes to commitments to grant credit, the Bank is potentially exposed to losses in an amount equivalent to the unused total of the commitment. However, the probable amount of loss is less than the unused total of the commitment. The Bank monitors the maturity of credit lines because generally long-term commitments have a higher credit risk than short-term commitments.

Maximun credit risk exposure

For financial assets recognized in the Consolidated Statement of Financial Position, exposure to credit risk is equal to their book value. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantee were executed.

NOTE 38
RISK MANAGEMENT, continued

Below is the distribution by financial asset and off-balance a sheet commitments of the Bank's maximum exposure to credit risk as of December 31, 2017 and 2016, without deduction of collateral, security interests or credit improvements recived

		As of December 31,	
	Note	2017 Amount of exposure MCh$	2016 Amount of exposure MCh$
Deposits in banks	4	839,561	1,709,071
Cash items in process of collection	4	668,145	495,283
Trading investments	5	485,736	396,987
Investments under resale agreements	6	-	6,736
Financial derivative contracts	7	2,238,647	2,500,782
Loans and accounts receivable from customers and interbank loans, net	8 y 9	26,910,141	26,386,120
Available for sale investments	10	2,574,546	3,388,906
Off-balance commitments:			
Letters of credit issued		201,699	158,800
Foreign letters ofcredit confirmed		75,499	57,686
Guarantees		1,823,793	1,752,610
Available credit lines		8,135,489	7,548,820
Personal guarantees		81,577	125,050
Other irrevocable credit commitments		260,691	260,266
Total		**44,295,524**	**44,787,117**

NOTE 38
RISK MANAGEMENT, continued

Regarding the quality of the credits, these are classified in accordance with what is described in the compendium of regulations of the SBIF as of December 31, 2017 and 2016:

Category Comercial Portfolio	As of December 31,							
	2017				2016			
	Individual	Percentage	Allowance	Percentage	Individual	Percentage	Allowance	Percentage
	MCh$	%	MCh$	%	MCh$	%	MCh$	%
A1	166,434	0.60%	58	0.01%	244,765	0.90%	86	0.01%
A2	884,638	3.19%	568	0.07%	1,354,546	4.98%	948	0.12%
A3	2,753,676	9.93%	3,523	0.43%	3,214,141	11.82%	4,050	0.49%
A4	3,203,629	11.56%	16,980	2.08%	3,223,789	11.85%	18,121	2.21%
A5	1,431,586	5.16%	18,171	2.23%	1,293,424	4.75%	17,191	2.10%
A6	745,193	2.69%	12,900	1.58%	737,443	2.71%	16,044	1.96%
B1	330,463	1.19%	8,328	1.02%	315,621	1.16%	11,826	1.44%
B2	53,392	0.19%	2,286	0.28%	85,343	0.31%	4,683	0.57%
B3	64,995	0.23%	3,661	0.45%	45,804	0.17%	3,119	0.38%
B4	90,224	0.33%	21,480	2.63%	92,141	0.34%	25,792	3.14%
C1	145,033	0.52%	2,901	0.36%	121,893	0.45%	2,438	0.30%
C2	56,871	0.21%	5,687	0.70%	51,034	0.19%	5,103	0.62%
C3	39,825	0.14%	9,956	1.22%	49,901	0.18%	12,475	1.52%
C4	53,261	0.19%	21,304	2.61%	64,118	0.24%	25,647	3.13%
C5	71,896	0.26%	46,732	5.73%	73,462	0.27%	47,750	5.82%
C6	77,048	0.28%	69,343	8.50%	89,857	0.33%	80,871	9.86%
Subtotal	**10,168,164**	**36.67%**	**243,878**	**29.90%**	**11,057,282**	**40.65%**	**276,144**	**33.67%**

	Individual	Percentage	Allowance	Percentage	Individual	Percentage	Allowance	Percentage
	MCh$	%	MCh$	%	MCh$	%	MCh$	%
Commercial								
Normal Portfolio	3,488,633	12.58%	58,728	7.20%	2,741,858	10.08%	58,453	7.13%
Impaired portfolio	414,530	1.50%	160,345	19.65%	341,132	1.25%	124,653	15.19%
Subtotal	**3,903,163**	**14.08%**	**219,073**	**26.85%**	**3,082,990**	**11.33%**	**183,106**	**22.32%**
Mortgage								
Normal Portfolio	8,634,351	31.14%	20,174	2.47%	8,221,666	30.22%	25,393	3.09%
Impaired portfolio	462,544	1.67%	48,892	5.99%	397,688	1.46%	35,649	4.35%
Subtotal	**9,096,895**	**32.81%**	**69,066**	**8.46%**	**8,619,354**	**31.68%**	**61,042**	**7.44%**
Mortgage								
Normal Portfolio	4,230,567	15.26%	114,099	13.99%	4,158,221	15.28%	147,979	18.04%
Impaired portfolio	327,125	1.18%	169,657	20.80%	288,584	1.06%	152,040	18.53%
Subtotal	**4,557,692**	**16.44%**	**283,756**	**34.74%**	**4,446,805**	**16.34%**	**300,019**	**36.57%**
Total	**27,725,914**	**100.00%**	**815,773**	**100.00%**	**27,206,431**	**100.00%**	**820,311**	**100.00%**

As December 31, 2017, the Bank doues not belive that the credit quality of its other financial assets or liabilities is of sufficient significance to warrant further disclosure.

NOTE 38
RISK MANAGEMENT, continued

Regarding the individual evaluation portfolio, the different categories correspond to:

- Categories A or Portfolio in Normal Compliance, is one that is made up of debtors whose ability to pay them it allows compliance with its financial obligations and commitments, and that according to the evaluation of its economic-financial situation, it is not seen that this condition changes in the short term.

- Categories B or Substandard Portfolio, is one that contemplates debtors with financial difficulties or significant worsening of their ability to pay and over which there are reasonable doubts about the total reimbursement of principal and interest in the terms agreed upon, showing a low slack to meet with your financial obligations in the short term.

- Categories C or Portfolio in Default, is made up of those debtors whose recovery is considered remote, since they show a deteriorated or no capacity to pay.

As for the group evaluation portfolios, a joint evaluation of the operations that compose it is carried out.

Refer to Note 30 for details of impaired Bank loans and their respective provisions. Also refer to the Note 19 for a breakdown of the maturities of the Bank's financial assets.

Exposure to credit risk in derivative contracts with abroad

As of December 31, 2017, the Bank's foreign exposure, including the counterparty risk in the derivative portfolio, was USD 2,090 million or 4.27% of the assets. In the table below, the exposure to derivative instruments is calculated using the equivalent credit risk, which is equal to the net value of the replacement plus the maximum potential value, considering the collateral in cash, which mitigates the exposure

Below, additional details are included regarding our exposure to those countries that have a rating of 1 and that correspond to the largest exposures. The following is the exposure as of December 31, 2017, considering the fair value of the derivative instruments.

Country	Clasification	Derivative instrument (adjusted to market) M USD	Deposits M USD	Loans MUSD	Financial investments M USD	Total exposure M USD
Bolivia	3	0,00	0,00	0,06	0,00	0,06
China	2	0,00	0,00	243,95	0,00	243,95
Italia	2	0,00	2,38	0,78	0,00	3,16
México	2	0,00	0,01	0,00	0,00	0,01
Panamá	2	0,63	0,00	0,00	0,00	0,63
Perú	2	3,38	0,00	0,00	0,00	3,38
Tailandia	2	0,00	0,00	0,31	0,00	0,31
Turquía	3	0,00	0,00	9,49	0,00	9,49
Total		**4,01**	**2,39**	**254,59**	**0,00**	**260,99**

The total amount of this exposure to derivative instruments must be offset daily with the collateral and, therefore, the exposure to net loans is USD $ 0.

Our exposure to Spain within the group is as follows:

Counterpart	Country	Clasification	Derivative intruments (adjusted to market) M USD	Deposits M USD	Loans M USD	Financial investments M USD	Total exposure M USD
Banco Santander España (*)	España	1	9,74	118,26	-	-	128,00

The total amount of this exposure to derivative instruments must be offset daily with the collateral and, therefore, the exposure to net loans is USD $0.28.

(*) We include our exposure to the Santander branches in New York and Hong Kong as exposure to Spain.

NOTE 38
RISK MANAGEMENT, continued

Impairment of other financial instruments

As of December 31, 2017 and 2016, the Bank did not have significant impairments in its financial assets other than credits and / or accounts receivable.

Security interests and credit improvements

The maximum exposure to credit risk, in some cases, is reduced by guarantees, credit enhancements and other actions that mitigate the Bank's exposure. Based on this, the constitution of guarantees is a necessary but not sufficient instrument in the granting of a loan; therefore, the acceptance of risk by the Bank requires the verification of other variables or parameters such as the ability to pay or generate resources to mitigate the risk incurred.

The procedures for the management and valuation of guarantees are included in the internal risk management policy. These policies establish the basic principles for the management of credit risk, which includes the management of guarantees received in transactions with customers. In this sense, the risk management model includes assessing the existence of appropriate and sufficient guarantees that allow the recovery of the loan to be carried out when the debtor's circumstances do not allow it to meet its obligations.

The procedures used for the valuation of the guarantees are in accordance with the best practices of the market, which involve the use of valuations in real estate guarantees, market price in stock values, value of the shares in an investment fund, etc. All the collateral received must be properly instrumented and registered in the corresponding registry, as well as having the approval of the Bank's legal divisions.

The Bank also has rating tools that allow ordering the credit quality of operations or clients. In order to study how this probability varies, the Bank has historical databases that store the information generated internally. The qualification tools vary according to the segment of the analyzed client (commercial, consumption, SMEs, etc.).

The following is a breakdown of impaired and non-impaired financial assets that have collateral, collateral or credit enhancements associated with the Bank as of December 31, 2017 and 2016:

	As of December	
	2017	2016
	MCh$	MCh$
Non-impaired financial assets:		
Properties/mortgages	19,508,151	17,560,550
Investments and others	2,108,962	2,326,396
Impaired financial assets:		
Properties/mortgages	152,252	186,297
Investments and others	1,087	2,064
Total	**21,770,452**	**20,075,307**

NOTE 38
RISK MANAGEMENT, continued

Liquidity risk

Liquidity risk is the risk that the Bank has difficulties in complying with the obligations associated with its financial obligations.

Liquidity risk management

The Bank is exposed daily to requirements of cash funds from several banking transactions such as current account drafts, payments of term deposits, guarantee payments, disbursements of derivative operations, etc. As is inherent in banking activity, the Bank does not hold funds in cash to cover the balance of those positions, since experience shows that only a minimum level of these funds will be withdrawn, which can be foreseen with a high degree of certainty. .

The Bank's approach to liquidity management is to ensure, to the extent possible, that it always has sufficient liquidity to meet its obligations at maturity, under normal circumstances and stress conditions, without incurring unacceptable losses or risking risk. of damage to the reputation of the Bank. The Board sets limits on a minimum portion of funds to be made available to meet such payments and on a minimum level of inter-bank operations and other lending facilities that should be available to cover drafts at unexpected levels of demand, which is reviewed periodically. On the other hand, the Bank must comply with regulatory limits dictated by the SBIF for the mismatches of terms.

These limits affect the mismatches between future income and expenditure flows of the Bank considered individually and are the following:

i. Mismatches of up to 30 days for all currencies, up to once the basic capital;
ii. mismatches of up to 30 days for foreign currencies, up to once the basic capital; Y
iii. mismatches of up to 90 days for all currencies, twice the basic capital.

The treasury department receives information from all the business units on the liquidity profile of its financial assets and liabilities and details of other projected cash flows derived from future businesses. According to this information, treasury maintains a portfolio of liquid assets in the short term, composed largely of liquid investments, loans and advances to other banks, to ensure that the Bank maintains sufficient liquidity. The liquidity needs of the business units are met through short-term transfers from treasury to cover any short-term fluctuation and long-term financing to address all structural liquidity requirements.

The Bank monitors its liquidity position on a daily basis, determining the future flows of its expenses and revenues. In addition, stress tests are carried out at the end of each month, for which a variety of scenarios are used, covering both normal market conditions and fluctuation conditions. The liquidity policy and procedures are subject to review and approval by the Bank's Board of Directors. Periodic reports are generated detailing the liquidity position of the Bank and its affiliates, including any exceptions and corrective measures adopted, which are regularly reviewed by the ALCO.

The Bank is based on client (retail) and institutional deposits, bonds with banks, debt instruments and time deposits as its main sources of financing. Although most of the obligations with banks, debt instruments and time deposits have maturities of more than one year, customer and retail deposits tend to have shorter maturities and a large proportion of them are payable within 90 days. days. The short-term nature of these deposits increases the liquidity risk of the Bank and therefore the Bank actively manages this risk by constantly monitoring market trends and price management.

NOTE 38
RISK MANAGEMENT, continued

Exposure to liquidity risk

One of the key measures used by the Bank to manage liquidity risk is the proportion of net liquid assets to customer deposits. For this purpose, the net liquid assets must include cash / cash, cash equivalents and debt investments for which there is an active and liquid market minus the deposits of the banks, fixed income securities issued, loans and other commitments maturing in next month. A similar measure, but not identical, is used as a calculation to measure the Bank's compliance with the liquidity limit established by the SBIF, where the Bank determines the mismatch between its rights and obligations according to maturity according to the estimated performance. The proportions of the mismatches at 30 days in relation to capital and 90 days in relation to 2 times the capital are shown in the following table:

	As of December 31,	
	2017	2016
	%	%
30 days	(48)	(15)
30 days foreign	(22)	21
90 days	(51)	(37)

Following is a breakdown, by contractual maturities, of the balances of the Bank's assets and liabilities as of December 31, 2017 and 2016, considering also those unrecognized commitments:

As of December 31, 2017	Demand	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$
Asset expiration (Note 19)	3,214,657	2,480,411	2,655,971	4,933,976	6,240,042	4,375,295	11,569,324	**35,469,677**
Expiration of liabilities (Note 19)	(8,966,477)	(5,600,399)	(4,852,836)	(3,991,665)	(2,461,121)	(2,466,344)	(3,679,897)	**(32,018,739)**
Net expiration	**(5,751,820)**	**(3,119,988)**	**(2,196,865)**	**942,311**	**3,778,921**	**1,908,951**	**7,889,427**	**3,450,938**
Unrecognized loan / credit commitments								
Guarantees and bonds	-	(16,028)	(13,382)	(47,288)	(315)	(4,564)	-	**(81,577)**
Letters of credit from abroad confirmed	-	(16,681)	(33,513)	(21,277)	(1,197)	(2,831)	-	**(75,499)**
Letters of documentary credits issued	-	(12,367)	(115,720)	(43,029)	-	(30,554)	(29)	**(201,699)**
Guarantee	-	(514,510)	(244,543)	(835,030)	(147,204)	(61,275)	(21,231)	**(1,823,793)**
Net maturity, including commitments	**(5,751,820)**	**(3,679,574)**	**(2,604,023)**	**(4,313)**	**3,630,205**	**1,809,727**	**7,868,167**	**1,268,370**

As of December 31, 2016	A la vista	Hasta 1 mes	Entre 1 y 3 meses	Entre 3 y 12 meses	Entre 1 y 3 años	Entre 3 y 5 años	Más de 5 años	Total
	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$
Asset expiration (Note 19)	3,888,267	4,129,179	2,627,884	5,339,624	5,581,761	3,753,757	11,350,331	**36,670,803**
Expiration of liabilities (Note 19)	(8,587,847)	(6,828,564)	(4,618,826)	(4,880,777)	(2,072,940)	(1,848,234)	(4,610,589)	**(33,447,777)**
Net expiration	**(4,699,580)**	**(2,699,385)**	**(1,990,942)**	**458,847**	**3,508,821**	**1,905,523**	**6,739,742**	**3,223,026**
Unrecognized loan / credit commitments								
Guarantees and bonds	-	(9,916)	(11,591)	(39,811)	(63,731)	-	-	**(125,049)**
Letters of credit from abroad confirmed	-	(12,247)	(8,125)	(8,505)	(28,809)	-	-	**(57,686)**
Letters of documentary credits issued	-	(36,662)	(82,342)	(39,768)	(28)	-	-	**(158,800)**
Guarantee	-	(79,457)	(175,437)	(739,170)	(592,017)	(151,435)	(15,095)	**(1,752,611)**
Net maturity, including commitments	**(4,699,580)**	**(2,837,667)**	**(2,268,437)**	**(368,407)**	**2,824,236**	**1,754,088**	**6,724,647**	**1,128,880**

The above tables show the undiscounted cash flows of the Bank's financial assets and liabilities on the estimated maturity basis. The expected cash flows of the Bank from these instruments can vary considerably compared to this analysis. For example, demand deposits are expected to remain stable or have an increasing trend, and unrecognized loan commitments are not expected to be executed all that have been arranged. In addition, the above breakdown excludes available lines of credit, since they lack contractual defined maturities.

NOTE 38
RISK MANAGEMENT, continued

Market risk

Market risk arises as a consequence of the activity maintained in the markets, through financial instruments whose value may be affected by variations in market conditions, reflected in changes in the different assets and financial risk factors. The risk can be mitigated through hedges through other products (assets / liabilities or derivatives), or by undoing the operation / open position. The objective of market risk management is the management and control of exposure to market risk within acceptable parameters.

There are four major risk factors that affect market prices: interest rates, exchange rates, price, and inflation. Additionally, and for certain positions, it is also necessary to consider other risks, such as spread risk, base risk, commodity risk, volatility or correlation risk.

Market risk management

The internal management of the Bank to measure market risk is mainly based on the procedures and standards of Santander Spain, which are based on analyzing management in three main components:

- trading portfolio;
- local financial management portfolio;
- portfolio of foreign financial management.

The trading portfolio consists mainly of those investments valued at their fair value, free of any restriction for immediate sale and that are often bought and sold by the Bank with the intention of selling them in the short term in order to benefit from the short-term price variations. The financial management portfolios include all financial investments not considered in the trading portfolio.

The general responsibility for market risk lies with the ALCO. The Bank's risk / finance department is responsible for the preparation of detailed management policies and their application in the Bank's operations in accordance with the guidelines established by the ALCO and by the Global Risk Department of Banco Santander de España.

The functions of the department in relation to the trading portfolio entail the following:

i. apply "Value at Risk" (VaR) techniques to measure interest rate risk,
ii. adjust the trading portfolios to the market and measure the profit and daily loss of commercial activities,
iii. compare the real VAR with the established limits,
iv. establish procedures to control losses in excess of predetermined limits and
v. Provide information on the negotiation activities for the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander - Spain.

The functions of the department in relation to the financial management portfolios entail the following:

i. apply sensitivity simulations (as explained below) to measure the interest rate risk of activities in local currency and the potential loss foreseen by these simulations and
ii. provides the respective daily reports to the ALCO, other members of the Bank's Management, and the Global Risk Department of Santander - Spain.

Market risk - Negotiation portfolio

The Bank applies VaR methodologies to measure the market risk of its trading portfolio. The Bank has a consolidated commercial position composed of fixed income investments, foreign currency trading and a minimum equity investment position. The composition of this portfolio consists essentially of bonds of the Central Bank of Chile, mortgage bonds and locally issued low-risk corporate bonds. At the end of the year, the trading portfolio did not present investments in stock portfolios.

NOTE 38
RISK MANAGEMENT, continued

For the Bank, the VaR estimate is made under the historical simulation methodology, which consists of observing the behavior of the losses and gains that would have occurred with the current portfolio if the market conditions of a certain historical period were in force. , from that information, infer the maximum loss with a certain level of confidence. The methodology has the advantage of accurately reflecting the historical distribution of market variables and of not requiring any specific probability distribution assumption. All VaR measures are intended to determine the distribution function for the change in the value of a given portfolio, and once this distribution is known, to calculate the percentile related to the level of confidence needed, which will be equal to the value at risk in virtue of those parameters. As calculated by the Bank, the VaR is an estimate of the maximum expected loss of the market value of a given portfolio within a 1-day horizon at a confidence level of 99.00%. It is the maximum loss of a day in which the Bank could expect to suffer in a certain portfolio with a 99.00% confidence level. In other words, it is the loss that the Bank would expect to exceed only 1.0% of the time. The VaR provides a single estimate of market risk that is not comparable from one market risk to another. The returns are calculated using a 2 year time window or at least 520 data obtained from the reference date of VaR calculation backwards in time.

The Bank does not calculate three separate VaRs. A single VaR is calculated for the entire trading portfolio, which, in addition, is segregated by type of risk. The VaR program performs a historical simulation and calculates a profit and loss statement (G & P) for 520 data points (days) for each risk factor (fixed income, currencies and variable income). The G & P of each risk factor is added and a consolidated VaR calculated with 520 data points or days. At the same time, the VaR is calculated for each risk factor based on the individual G & P calculated for each factor. Moreover, a weighted VaR is calculated in the manner described above but which gives a weight greater than the 30 most recent data points. The largest of the two VaRs is reported. In 2015 and 2014, the same VaR model was still used and there has been no change in methodology.

The Bank uses the VaR estimates to deliver a warning in case the statistically estimated losses in the trading portfolio exceed the prudent levels and, therefore, certain predetermined limits exist.

Limitations of the VaR model

When applying this calculation methodology no assumption is made about the probability distribution of changes in risk factors, simply use the changes observed historically to generate scenarios for the risk factors in which each of the positions will be valued. in portfolio

It is necessary to define a valuation function fj (xi) for each instrument j, preferably the same one that it uses to calculate the market value and results of the daily position. This valuation function will be applied in each scenario to generate simulated prices of all the instruments in each scenario.

In addition, the VaR methodology must be interpreted considering the following limitations:

- Changes in market rates and prices may not be independent and identically distributed random variables, nor may they have a normal distribution. In particular, the assumption of normal distribution may underestimate the probability of extreme market movements;

- the historical data used by the Bank may not provide the best estimate of the joint distribution of changes in risk factors in the future, and any modification of the data may be inadequate. In particular, the use of historical data may fail to capture the risk of possible extreme and adverse market fluctuations regardless of the period of time used;

- a 1-day time horizon may not fully capture those market risk positions that can not be liquidated or hedged in one day. It would not be possible to liquidate or cover all positions in a day;

- VaR is calculated at the close of business, however trading positions may change substantially during the trading day;

- the use of 99% confidence level does not take into account, nor does it make any statement about, the losses that may occur beyond this level of trust, and

- the model as such VaR does not capture all the complex effects of the risk factors on the value of the positions or portfolios, and therefore, could underestimate the potential losses.

NOTE 38
RISK MANAGEMENT, continued

At no time in 2017 and 2016, the Bank exceeded the VaR limits in relation to the 3 components that make up the trading portfolio: fixed income investments, variable income investments and investments in foreign currency.

The Bank performs daily back-testing and, in general, it is discovered that trading losses exceed the estimated VaR almost one in every 100 trading days. At the same time, a limit was established for the maximum VaR that is willing to accept on the trading portfolio. In both 2017 and 2016, the Bank has remained within the maximum limit established for the VaR, even in those instances in which the real VaR exceeded the estimate.

The high, low and average levels for each component and for each year were the following:

VAR	2017 MMUSD	2016 MMUSD
Consolidated:		
High	5.71	3.95
Low	1.56	1.08
Average	3.01	2.25
Fixed income investments:		
High	5.51	2.71
Low	1.15	0.55
Average	2.36	1.33
Variable income investments:		
High	0.01	0.03
Low	0.00	0.00
Average	0.00	0.00
Foreign currency investments		
High	4.21	3.83
Low	0.53	0.61
Average	1.71	1.91

Market risk – local and foreign financial management

The Bank's financial management portfolio includes most of the Bank's assets and non-trading liabilities, including the loan / loan portfolio. For these portfolios, investment and financing decisions are heavily influenced by the Bank's commercial strategies.

The Bank uses a sensitivity analysis to measure the market risk of local and foreign currency (not included in the trading portfolio). The Bank performs a scenario simulation which will be calculated as the difference between the present value of the flows in the chosen scenario (curve with parallel movement of 100 bp in all its tranches) and its value in the base scenario (current market) . All positions in local currency indexed to inflation (UF) are adjusted by a sensitivity factor of 0.57, which represents a change in the rate curve at 57 basis points in real rates and 100 basis points in nominal rates. The same scenario is carried out for net foreign currency positions and interest rates in US dollars. The Bank has also established limits regarding the maximum loss that these types of movements in interest rates may have on capital and net financial income budgeted for the year.

To determine the consolidated limit, the foreign currency limit is added to the local currency limit for both the net financial loss limit and the capital and reserve loss limit, using the following formula:

Bound limit = square root of a2 + b2 + 2ab
a: limit in national currency.
b: limit in foreign currency.
Since it is assumed that the correlation is 0. 2ab = 0.

NOTE 38
RISK MANAGEMENT, continued

Limitation of the sensitivity models

The most important assumption is the use of a change of 100 basis points in the yield curve (57 basis points for real rates). The Bank uses a change of 100 basis points given that sudden changes of this magnitude are considered realistic. The Global Risk Department of Santander Spain has also established comparable limits by country, in order to be able to compare, monitor and consolidate the market risk by country in a realistic and orderly manner.

In addition, the methodology of sensitivity simulations should be interpreted considering the following limitations:

- The simulation of scenarios assumes that the volumes remain in the Bank's Consolidated Statement of Financial Position and that they are always renewed at maturity, omitting the fact that certain considerations of credit risk and prepayments may affect the maturity of certain positions.

- This model assumes an equal change in the entire performance curve of everything and does not take into account the different movements for different maturities.

- The model does not take into account the sensitivity of volumes resulting from changes in interest rates.

- The limits to the losses of budgeted financial income are calculated on the basis of expected financial income for the year that can not be obtained, which means that the actual percentage of financial income at risk could be greater than expected.

Market risk – Financial management portfolio – December 31, 2017 and 2016

	2017		2016	
	Effect on financial income	Effect on capital	Effect on financial income	Effect on capital
Financial management portfolio – local currency (MCh$)				
Loss limit	48,000	175,000	48,000	175,000
High	37,148	141,287	30,853	146,208
Low	22,958	112,818	21,978	108,249
Average	29,110	128,506	26,119	120,159
Financial management portfolio – foreign currency (Th$US)				
Loss limit	30	75	30	75
High	16	42	14	35
Low	4	15	6	13
Average	10	23	10	26
Financial management portgolio (MCh$)				
Loss limit	48,000	175,000	48,000	175,000
High	38,249	142,442	31,764	145,566
Low	23,571	112,277	23,088	107,959
Average	29,948	128,360	27,390	119,632

Operating risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes related to the Bank's processes, personnel, technology and infrastructure, and external factors that are not credit, market or liquidity, such as those related to legal or regulatory requirements. Operating risks arise from all Bank operations.

The objective of the Bank is the management of operational risk in order to mitigate economic losses and damages to the Bank's reputation with a flexible structure of internal control.

The Bank's Administration has the primary responsibility for the development and application of controls to deal with operational risks. This responsibility is supported by the overall development of the Bank's standards for operational risk management in the following areas:

- Requirements for the proper segregation of functions, including the independent authorization of operations
- Requirements for reconciliation and supervision of transactions

NOTE 38
RISK MANAGEMENT, continued

- Compliance with applicable legal and regulatory requirements
- Documentation of controls and procedures
- Requirements for the periodic evaluation of the applicable operational risks, and the adequacy of the controls and procedures to deal with the identified risks
- Requirements for the disclosure of operating losses and the proposed corrective measures
- Development of contingency plans
- Training and professional development / training
- Establishment of business ethics standards
- Reduction or mitigation of risks, including contracting insurance policies if they are effective.

Compliance with Bank regulations is supported by a program of periodic reviews carried out by the Bank's internal audit and whose examination results are presented internally to the management of the business unit examined and to the Directors and Audit Committee.

Concentration of risk

The Bank operates mainly in Chile, so most of its financial instruments are concentrated in that country. Refer to Note 9 of the financial statements for a breakdown of the concentration by industry of the Bank's receivables and accounts receivable.

NOTE 39
SUBSEQUENT EVENTS

On February 1, 2018, the Bank made a Current Bond placement corresponding to its "T-15" line for an amount of UF 5,000,000.

On February 6, 2018, the Bank made a Current Bond placement corresponding to its "T-11" line for an amount of UF 5,000,000.

During the ordinary session of the Board of Directors of Banco Santander Chile, held on February 27, 2018, the following were agreed upon:
matters:

1) On the occasion of the resignation of Mr. Vittorio Corbo Lioi as titular director, carried out during said session, who exercised In addition, as Chairman of the Board of Directors, Mr. Claudio Melandri Hinojosa has been appointed as Chairman and Chairman of the Board of Directors of Banco Santander Chile, who will temporarily continue to hold the position of General Manager until February 28, 2018 inclusive. , as permitted by article 49 N ° 8 of the General Banking Law.

2) The Bank's General Manager has been appointed, as of March 1, 2018, to Mr. Miguel Mata Huerta, who currently serves as Deputy General Manager, the latter being the position that was agreed to be abolished.

There are no other subsequent events to be disclosed that occurred between January 1, 2018 and the date of issuance of these Financial Statements (February 27, 2018).

FELIPE CONTRERAS FAJARDO	***CLAUDIO MELANDRI HINOJOSA***
Chief Accounting Officer	***Chief Executive Officer***

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