



Annual Report 2018

FINANCIAL/
SUSTAINABILITY

Annual Report 2018



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Santander Chile today



10.6%
core capital
ratio



19.2%
ROE



11,305
employees



56.2
billion in assets



910
ATMs



3.5
million
customers

2018 in figures

	MMUS\$	Ranking	Market share
Total assets	56.2	3	15.9%
Total loans	43.4	1	18.6%
Loans to individuals	24.3	1	20.6%
Net income	854.5	1	24.9%

	Nº	Ranking	Cuota de mercado
Current accounts	1,021,280	1	21.3%
ATMs	910	4	13.4%
Branches	380	3	18.1%
Employees	11,305	2	18.1%

Environmental Sustainability

	2016	2017	2018
Paper consumption (tons)	2,124	1,662	1,512
Energy consumption (GJ)	111,114	106,577	102,888
Water consumption (m3)	154,068	107,074	103,420
Total CO2 emissions (tons)	19,044	18,557	18,378
Paper and carton recycling (tons)	164	172	534
E-waste (tons)	47.8	132	148

Social Sustainability

		2016	2017	2018
Santander	# of scholarships	461	496	517
Universidades	# of collaboration agreements	52	52	52
Universia	Jobs for university-educated	49,142	42,195	29,594
Sanodelucas	Visits to the portal	962,234	994,668	670,342
Community	# of corporate volunteers	225	492	1,282
	Hours of volunteer work	N/A	3,918	10,789

Balance Sheet and Results (MMS)	2018	2017	VAR. 18/17
Balance			
Commercial loans	15,239,659	13,908,642	9.6%
Mortgage loans	10,150,981	9,096,895	11.6%
Consumer loans	4,876,289	4,557,692	7.0%
Loans and account receivables from customers	30,266,929	27,563,229	9.8%
Provisions	- 796,559	-815,687	-2,3%
Total net loans ¹	29,470,370	26,747,542	10.2%
Financial investments ²	2,471,364	3,060,282	-19.2%
Total assets	39,197,356	35,804,279	9.5%
Total deposits	21,809,236	19,682,111	10.8%
Issued debt instruments	8,115,233	7,093,653	14.4%
Equity	3,285,709	3,108,063	5.7%
Results			
Net interest income	1,414,368	1,326,691	6.6%
Net fee and commission income	290,885	279,063	4.2%
Results from financial operations	105,082	129,752	-19.0%
Operational income	1,849,861	1,822,669	1.5%
Net provisions	- 325,085	- 299,205	8.6%
Operating expenses and other operating expenses	- 767,712	- 806,551	4.8%
Net operating profit	757,064	716,913	5.6%
Net income	596,262	577,263	3.3%
Net income attributable to shareholders	591,902	564,815	4.8%
Profitability and efficiency			
Net interest margin	4.4%	4.4%	+2pb
Profitability on average equity	19.2%	19.2%	-7pb
Profitability on average assets	1.6%	1.6%	-0pb
Efficiency (cost/ income)	40.0%	40.8%	+81pb
Recurrences (commissions/ costs)	40.3%	39.6%	+70pb
Portfolio quality			
Cost of credit (provision expenses/ loans)	1.1%	1.1%	+3pb
NPLs (NPL/loans)	2.1%	2.3%	-20pb
Expected loss (Stock of provisions/loans)	2.6%	2.9%	-31pb
Coverage (Stock of provisions/NPLs)	126.1%	128.8%	-267pb
Capitalization and capital structure			
Effective equity /risk weighted assets	13.4%	13.9%	-50pb
Core capital/ risk weighted assets	10.6%	11.0%	-40pb
Core capital /total assets	8.3%	8.6%	-30pb
Loans/deposits	98.0%	100.7%	-270pb
Loans/ total assets	77.2%	77.0%	+23pb

1. It does not include interbank credits. Gross of loan loss allowances. / 2. It includes instruments for negotiation and instruments available for sale.

Awards 2018

The effort displayed by Banco Santander to innovate and uphold their leading position was recognized at a local and international level.

1

Bank of the year, according to The Banker

For second year in a row, Santander Chile was chosen as Bank of the Year by The Banker. In a financial context that grows increasingly more complex, the prestigious English publication distinguished the entities that had outstanding performance in 152 countries, in their traditional ceremony "The Bank of the Year Awards".

2

Best Bank of the Year by LatinFinance

The renowned publication LatinFinance named Santander Bank of the Year for the third year in a row, a prize presented by the editors of the magazine which considers qualitative and quantitative aspects, as well as the opinion of market analysts.

3

Greatest Rise in Ranking in Merco Talento

Banco Santander climbed twenty-four places in Merco Talento (Corporate Reputation Business Monitor) ranking that evaluates companies that attract and retain the best professionals of the country. In this manner, Santander became the company that climbed the list the most in 2019, from the 30th to the 6th position.

4

Best Commercial and Client Strategy

Work Café Santander, a 100% Chilean idea, was distinguished for the first time abroad. The Spanish consultant Development Systems highlighted this new type of office in the special mentions of the Commercial and Client Strategy in the IX International Best Business Model Awards.

5

Santander triumphs in Effie Awards, with Work Café and Stories of Progress

This is one of the most important events in the advertising world in Chile, which rewards the greatest ideas aimed towards the creation of strategies that achieve outstanding results. Santander accomplished six awards that allowed it to become Advisor of the Year.

6

Best Managed Bank 2018

Euromoney magazine recognized Banco Santander as the Best Managed Bank in Chile during 2018, after evaluating Latin American banks in three areas: strategy and execution, corporate governance, and investors relations.



7

Carlos Vial Espantoso Award

In their 2018 edition, the Carlos Vial Espantoso Foundation awarded their eponymous award to Banco Santander, recognizing it as the Best of the Best among companies that have good labor practices, and for creating bonds of trust and collaboration with its employees.



8

Recognition of our Corporate Governance

Voz del Mercado 2018 Survey, organized by EY Chile, and the Santiago Stock Exchange, recognized once again Santander's corporate governance. The study considered the companies with the most stock exchange transactions of the first half of the year, where five key pillars were assessed: business strategy, control environment, transparency, egalitarian treatment, and sustainability management.



9

PwC Chile Innovation Award 2018

In their 2018 version, the jury of the PwC Award to Innovation decided to present first place to Banco Santander in the Entrepreneurial Innovation category, an acknowledgment that seeks to reward business models that contribute to the competitiveness and development of the country.



10

Best Company for Employee Financial Future 2018

Banco Santander was awarded for the second consecutive year as the Best Company for Employee Financial Future, that recognizes the companies that are most invested with the financial and future provision of its collaborators, an initiative developed by Principal in cooperation with People First and La Tercera.



Banco Santander was recognized by various entities on diverse areas of its management.



11

Fourth Place at MERCO Empresas

Santander achieved its best place in the Corporate Reputation Business Monitor (MERCOC) ranking. The Bank entered the top ten positions placing as one of the top four companies with best corporate reputation, after ascending seven positions in a survey where more than a hundred companies participate.

12

Best Bank in Chile recognized by Euromoney

Santander was nominated as the Best Bank in Chile by the English publication Euromoney, an award bestowed for the seventh time, and that is added to the ones obtained in Western Europe, Spain and Uruguay.

13

Top Five in Great Place to Work

Santander achieved a historical position in Great Place to Work ranking that recognizes the best companies to work in Chile. In their 2018 version, the bank achieved the fifth position in the general list, and the first among entities with more than 5,000 workers.

14

Best Annual Report of the Financial Sector

The Informe Reporta 2018 developed by DEVA agency, bestowed Banco Santander's annual report first place among the whole financial sector (banks and financial institutions), and as a leader in transparency, scoring 23.4 points out of 25 in this principle. Likewise, Santander obtained third place in the general ranking.

15

Best Place to Innovate

Banco Santander stood out as one of the fifty best companies at managing innovation in Chile, according to the Best Place to Innovate Ranking, grounded in a perception study elaborated by GFK Adimark, the Center of Innovation, Entrepreneurship and Technology (CIET) of Universidad Adolfo Ibáñez (UAI), and the UAI Business School.

16

Banco Santander is recognized for being part of the Local Stock Index IPSA and DJSI Chile, 2018

This award is bestowed by the Santiago Stock Exchange to the companies with greatest market presence and to those that stand out for their sustainable practices. The distinction highlights the commitment of companies to incorporate in their daily management the best international practices in issues of corporate governance, transparency, and sustainability, giving its performance additional value in the market.

17

Santander Chile integra el Dow Jones Sustainability Index

For fourth consecutive year, Banco Santander Chile is part of the Dow Jones Sustainability Index (DJSI), with the participation of 133 companies belonging to the world stock market that were assessed for their performance in environmental, social and economic matters. The Dow Jones Sustainability Index has worldwide recognition and is formed by companies leading in sustainability, according to the Total Sustainability Score (TSS) obtained and established by RobecoSAM.

18

Santander Chile in the Dow Jones Sustainability Index, MILA 2018

Thanks to the achieved score, and the constant improvement in the different areas assessed by this index, for second consecutive year our Bank is part of the Dow Jones Sustainability Index MILA (Latin America Integrated Markets), which is the first index of the Pacific Alliance that measures the economic, environmental and social performance of Chilean, Peruvian, Colombian and Mexican companies. In this opportunity 16 companies of the industry were selected, with only two Chilean banks securing a place in the list.

19

Banco Santander is part of the FTSE4Good Index Series

The Bank secured a place among companies that are considered to have the best practices in corporate governance, environmental and social matters around the world, by officially forming part of the FTSE4Good Index Series, which involves a series of London Stock Exchange indices. This tool measures corporate behavior which demonstrates tangible actions in corporate governance, environmental and social terms, against recognized global standards.

20

The Research Department of Banco Santander is recognized

The Research Department of Banco Santander is distinguished by Focus Economics for the most accurate macroeconomic projections in the country. Reaching first place in the general ranking, it placed among the three top positions in GDP estimates, exchange rate and fiscal balance.

Letter from the President of the board of directors and Country Head.

Claudio Melandri Hinojosa

10

Fellow shareholders, it is a matter of great personal pride and satisfaction to present you with the Annual Review, Annual Report and the Income Statement corresponding to Banco Santander Chile's past year, in which our institution not only had an outstanding performance in a highly competitive environment, but also accomplished a wide number of recognitions at a local and international level in terms of management.

Indeed, a global outlook of 2018 demonstrates that Santander Chile consolidated a positive performance in efficiency, results and profitability, thanks to a virtuous dynamic that created value for its shareholders and relevant groups of interest simultaneously. All of this, of course, without neglecting commercial innovation, technological transformation, and the pursuit for greater efficiency.

I want to underline this fact, because this comprehensive outlook at the concept of creation of value aligns closest to the demands of current times. The sustainability of a corporation in the long term is not solid if it is not in tune with this new standard, where profitability is found in a free-of-friction convergence of interests between

shareholders, clients, collaborators, communities and providers.

Therefore, with great satisfaction I say that during 2018 our bank fortified its position as a leader in profits, reaching record levels of results. The consolidated net income reached Ch\$596,262 million, and the net income attributable to shareholders was of Ch\$591,902 million, which translated into earnings of \$3.14 per share and US\$1.80 per ADR.

As in previous years, Santander Chile held its position as the country's largest bank in terms of assets, with US\$56,176 million, and listed in the Santiago and New York Stock Exchange. By the end of 2018, the market cap of our entity rose to US\$14,047 million, with an equity book value of US\$4,709 million. The total shareholder return in 2018, including dividends, was of 12.0% in comparison with -8.4% for the local stock index IPSA. In total, we created a shareholder value of US\$1,692 million.

These results are part of an economic environment that is showing an improvement in results. During 2018, the country recovered

its buoyancy and grew 4%, above the regional growth. The annual activity was led by investment, that expanded around 5%, with the greatest investment growth in four years driven by various productive sectors and a greater business confidence. The export sector had also an encouraging year, growing 4.5%, with significant increases in mining as well as non-mining exports. Likewise, private consumption rose, though with greater moderation, by 3.8% during the year.

The labor market, despite showing some improvement signs, is still delayed in terms of the business cycle. According to figures by the National Statistics Institute (INE), employment grew an average of 1.4% during the year, and the unemployment rate settled at 7%. The good news is that the creation of formal employment by the private sector acquired relevance.

The economic gaps, and the drop in the international price of oil resulted in a low inflation rate that closed at 2.6%, the third consecutive year below the 3% target of the Central Bank. Nevertheless, the Central Bank initiated the withdrawal of the monetary incentive, with an increase in the governing rate in October.

In terms of taxation, 2018 was a positive year. The public deficit reverted its upward trend and closed around 1.5% of the GDP, with an important increase in revenue and a significant effort in expenditure containment. Therefore, the public debt has tended to stabilize. Nonetheless, Moody's rating agency reduced the credit rating to the sovereign debt during the first half of the year. In the future, recovering the same rating levels that the country had up to a couple of years ago will require a stronger consolidation of the fiscal

situation, and to retake a path of growth with greater dynamism and sustainability.

In 2019, the economy will be subject to two forces that point towards opposing directions. On the one hand, the global economy will decrease its growth affected by: the trade war between the United States and China, which threatens to linger for the next few months to come; the lower fiscal stimulus in North America; and the political tensions affecting Europe. Furthermore, it is possible we will live through periods of financial volatility caused by important events that will occur throughout the year, such as the United Kingdom's Brexit. On the other hand, investment in Chile will continue its dynamic with the progress of important projects in mining, manufacturing and infrastructure. As a result, our economy will grow around 3.5%.



“Santander Chile consolidated a positive performance in efficiency, results and profitability, thanks to a virtuous dynamic that created value for its shareholders and relevant groups of interest simultaneously”.

Likewise, inflation should remain low during the year. The economy still presents productivity gaps that are reflected in the moderate expansion rate of wages. Furthermore, the recent drops in oil prices will keep affecting prices at a local level in 2019.

In terms of relevant regulatory changes in the sector during 2018, the one to stand out most surely is the modernization of the banking industry. Indeed, the 27th of December of last year the widely anticipated reform to the Banking Law was enacted, which is the most transcendent change to the sector's legal framework in the last thirty years. At implementation, it will demonstrate its importance not only to the industry, but also to the country as a whole, as it fortifies the financial sector (key to economic growth) and places Chile in the most demanding leagues in terms of regulation, with the subsequent positive impact for the country's risk assessment.

12 As is well known, the approved reform installs new capital requirements that align to the Basel III standards (core capital to risk-weighted assets net of provisions; additional counter-cyclical core capital; methodology and factors to assess institutions as systemically significant); but it also fixes new criteria in terms of secrecy and banking reserve; bank board of directors, and significantly, the new corporate governance that the supervisory institution will have.

In this front, for the financial system it is of utmost transcendence the role taken by the Financial Market Commission (CMF), organism created in 2017, and that during the first part of 2019 will undergo a merging process to the current Superintendence of Banks and Financial Institutions (SBIF). This is aligned to the international trend of integration of the financial market supervisors, as markets broaden and deepen, and entities become more complex and interconnected. This merger is important, not only because it will make global regulation and supervision easier, but also because after this event, the Financial Market Commission will be the one to dictate and enact, in a given

period, a series of general rules centered in regulating in detail the new capital requirements, among others.

Some of the issues that will fall under the CMF supervision include: to have prior authorization for bank mergers, the total acquisition of a bank's assets and liabilities, or to gain complete or at least a significant increase of existing control that will accomplish systemic relevance for the Bank; asset risk weightings through a methodology to be defined by the commission that covers, among others, the credit, market and operational risks.

In terms of other legislations being processed during 2018, the growing threat in terms of cybersecurity to the industry and country in general deserves a special mention. Towards the end of October 2018, the government sent a draft bill on cybercrime, along with a guideline for all State public services to strengthen cybersecurity systems.

The law proposal sent to the National Congress is part of a National Cybersecurity Strategy and seeks to replace the current regulation in force since 1993, that typifies crimes such as IT disruption, illicit access (hacking), interception or interference, damage to the IT system, IT forgery, IT fraud, and misuse of devices. With this, investigation techniques for special cases are established, along with procedures dictated by the National Prosecutor in terms of electronic manipulation evidence.

The processing of personal data is also a concern for the country, with legislation catching up and a law proposal already undergoing discussion in Congress. The initiative seeks to create the Personal Data Protection Agency, whose objective is to update and upgrade the regulatory and institutional framework on the basis of personal data as under the owner's sphere of control, so that its use requires the owner's consent. In this light, regulatory conditions will be established so third parties are able to treat data legitimately, ensuring information transparency and security standards of quality.

“it is evident that we have progressed towards a coherent management, with the creation of value for all our stakeholders, collaborators, communities and clients”.

In a domestic level, during 2018 a series of adjustments were done with aims at fortifying corporate governance, in the light of improved national and international practices. The number of independent directors was increased from three to five members (of a total of nine directors and two alternate directors). The Board Regulations were revised, and for the first time an induction process for new directors was implemented to make a more efficient and expedite incorporation of members. Likewise, substantial changes were applied to committees supporting the Board of Directors: the number of independent members increased, and the Human Resources Committee was divided into the Nominations Committee and the Remuneration Committee, as recommended by international practices that suggest the separation of the two roles.

Just like previous years, Amrop MV Consulting advised the Board of Directors in a self-assessment process, an international practice and sign of a good corporate governance that is also included in the rules dictated by the Chilean banking authority, which has been carried out for the past seven years with positive results.

At another level, I would like to highlight with pride that during 2018, Banco Santander Chile amassed an extraordinary number of recognitions that demonstrate that its leadership in the financial system is a result of a meticulous and professional management, and of an exceptional compromise of all its collaborators. As you will see the detail of the awards further on, it is evident that we have progressed towards a coherent management, with the creation of value for all our stakeholders, collaborators, communities and clients.

Without wanting to aggrandize or boast but instead, simply as an exercise to account for the multiple dimensions our endeavor was distinguished, I would like to begin noting that three of the four most respected global publications recognized Santander Chile as the best bank of the year in the country. I am referring to the awards presented by The Banker, Latin Finance, and Euromoney, the latter institution also awarding our bank as the Best Managed in Chile during 2018. This shows a corporate management that goes in tandem with the provision of the best and most transparent information to the market. Regarding this, our Investor Relations team has done an extraordinary job, with the international finances magazine Institutional Investor choosing it as the Best Investor Relations team in Chile after a survey conducted by the magazine.

In this respect, one of the accolades obtained most dear to us was the Carlos Vial Espantoso Award, with the demanding jury summoned by the eponymous foundation recognizing us for the good practices and constructive labor relations that we uphold with our unions, with which we could successfully close an early collective negotiation at the beginning of 2018. This long-yearned award is otherwise circumscribed in a year of significant progress in our path to become the best corporation to work in Chile. Indeed, during 2018 our Bank placed as the number one entity in the country among companies with more than 5,000 collaborators in the Great Place to Work Ranking, and placed fifth in the general list, climbing seven positions in comparison to the previous year.

We achieved a similar disposition in the survey of Corporate Reputation Business Monitor (MERCOC), Merco Talent. In 2018, we were the company that climbed the most in the ranks among the hundred greatest companies in the country (24 places), locating us in the sixth position in the general ranking, which shows a considerable improvement in our ability to attract talent into Santander Chile. This is added to the distinction we received in 2018 as the Best of the Best, in the Award to Best Company for Employee Financial Future, that distinguishes companies that take care of the future financial welfare of its collaborators.

In terms of corporate governance, 2018 was also a year of recognitions for our Bank. Apart from receiving the Deva Award for the Best Annual Report in the financial sector (corresponding to 2017), EY and the Santiago Stock Exchange chose Santander Chile as one of three best companies in the country in terms of corporate governance.

Our clients have also been able to perceive the results of our ambitious pursuit towards a continued improvement with their relation to the Bank. In 2018, we achieved a substantial progress in terms of client satisfaction, acquiring second place, in a clear path towards the field's leadership in this area.

Clients have improved their levels of satisfaction by perceiving the Bank as an entity with a vocation for innovation, and area we were recognized for by them and diverse local and international institutions. A key leverage in this front was provided by the Work Cafés, which added up to 40 throughout the country at the close of 2018, with a lighter model for subsidiary offices coming into operation.

Work Cafés not only imposed their successful model of attention in Chile, but throughout the year they saw their internationalization process begin, with similar offices opening in Spain, Brazil and Argentina, among other countries. Likewise, Work Cafés achieved recognition in all levels, with the PwC Chile award for Innovation, and Best Commercial and Client Strategy Award presented by

Development Systems, along with the Effie Awards.

Given this wide acclaim, we believe it is no surprise that during 2018 our bank climbed ten positions, reaching fourth place on a national scope in Merco Companies general ranking, that recognizes the best one hundred companies in terms of corporate reputation, and succeeding as the bank with greatest reputation in the country by Chilean Bank Rep Lab, elaborated by the Villafaña and Associates firm.

Finally, but by no means the least relevant, in 2018 Banco Santander Chile secured a position in the demanding Dow Jones Sustainability Index Chile and MILA. This accolade recognizes the best companies of the world for their performance in environmental, social and economic matters, where Santander Chile has increasingly achieved better positions year to year. The year 2018 was not the exception, with Santander raising its general score by improving its place in the general ranking above the finance industry average.

This is probably the message we should keep with greatest strength when closing the balance of events that marked Banco Santander Chile management during 2018. Last year we achieved attuning reality with reputation, which strengthened the foundations of a dynamic that allows you, fellow shareholders, to trust you participate in a company that guarantees such a high standard of reputation that will continue to be preferred by investors, clients, and the best talents; as well as having the recognition of those communities towards which we invested exceptional levels of energy.



Letter from Chief Executive Officer

Miguel Mata Huerta

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It is with great satisfaction that I present you with Banco Santander Chile leading results during last year, where we achieved a consolidated net income of Ch\$596,262 million, 3.3% more than in 2017. The average return on equity ROE increased to 19.2%, becoming the highest among our relevant competitors.

These outstanding figures reflect the robust levels of commercial growth we achieved and that allow us to keep our leading position in the industry in almost all products, and that have accomplished a potent growth in the number of loyal customers, an improved efficiency ratio, as well as solid risk and capital indicators.

A key issue to evaluate the Bank's performance during 2018 was the rebound in investment at a national level. After several years of contractions, once again investment became the economy's driving force, an opportunity Santander knew how to capitalize best by lending its support to numerous companies that presented the Bank with attractive projects in diverse sectors.

Given this, the total loans of Santander Chile grew 9.2% during 2018, led by the 9.6% increase in commercial loans. This figure

is considerably above the 4.5% average of commercial loan growth of the last four years, caused by the weak economic performance during this period. The fastest-growing segment during 2018 was Middle-Market, that groups large companies, real estate developers, and institutions like universities. Middle-Market loans increased by 13.5% thanks to the funding given to the major investment projects of these companies in Chile.

This larger entrepreneurial dynamism fueled loans in the Corporate and Investment Banking (CIB) segment, which not only increased its lending by 2.9% in 2018, but also recorded strong activity and income growth not related to credits, such as checking accounts, treasury, financial advisory services and transactional banking, that as a whole accomplished record income levels for CIB.

The Individuals and SMEs segment also coursed a favorable year, with a dynamic of increasing growth in tune with the economy's pace. The Individuals and SME loans increased by 8.1% during the period, while mortgages grew by 11.6%. It needs to be noted that the product Súper Hipoteca (Super Mortgage) is close to its

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25 years as an absolute leader in the market, allowing thousands of Chilean families to have ownership of their homes.

In terms of consumption, the Bank remained cautious while waiting stronger levels of employment and wages. This is how, towards the end of the year we saw a rise in the growth rate of this highly profitable product, even though it demands high standards of approval and monitoring. Although at a global level the fastest-growing segment was Santander Select, which increased its consumer loans by 14.9% during the year, I believe that in terms of the annual evaluation it is worth to underline the arrival of Santander Life, a particularly innovative product for mass segment and accounted for 20% of all new product plans sold to people in the year.

Banco Santander has been engaged with a Transformation Plan to cement its position as the best commercial bank. This has been backed up by a client-centered strategy that bases its activity in a Simple, Personal and Fair style. Efforts have been reflected in a greater loyalty and bonding, with loyal customers that have four or more products used in a profitable manner increasing by 7.2% during 2018, with an outstanding growth of 8.3% of the same in the Select subsegment. In this manner, the amount of customers with current accounts increased by 6.3%, also driven by Santander Select that accomplished an 8.0% increase in this area.

Considering individuals and companies as a whole, an increase in demand deposits of 10.5% was recorded in the year. Regarding

time deposits, a healthy growth of 15.9% was obtained, while the total savings we managed for our clients, including deposits and mutual funds, grew by 10.7%, increasing to US\$35,453 million.

The relevant growth in lending and savings is the result of a management that has favored two of Banco Santander's key issues: the improvement in quality of service and a phygital strategy, that is the combination of the best of both the digital and the physical world. The effort supported by strong investment has paid off, which fills us with pride and corroborates that our strategy is on the right track. In 2018 the Bank accomplished the target set and achieved second place compared to all relevant competitors in Client Satisfaction.

“In efficiency and productivity terms, results were positive as well. Santander Chile has always stood out as an efficient institution not only compared to local banks but also at an international level. The significant income growth added to an increase of only 2.4% of operating expenses which led us to achieve an efficiency rate (operating expenses over operational income) of 40%.”

In addition, the commitment we have towards a continued innovation and technological development has been reflected in key initiatives to improve our client's experience, which places Banco Santander in a leading position in this area. An example is the remarkable evaluation obtained through our website www.santander.cl, that up to 2018 presented the highest levels of transaction banking in the local market and is considered the banking industry's best in Banco Santander quality surveys. In fact, according to data given by SBIF, 32.4% of the client base of private banks that enter a banking webpage using a password, are doing it at Santander Chile's webpage, a percentage that doubles those of our closest competitor. In this regard, during the year we offered our clients a series of products and services aimed at improving their experience, facilitating self-assisted services, and increasing the security level. Among these initiatives are the improvements in the App, and in the latter half of the year, the launching of Santander Wallet, the first app for Android smartphones in Chile that allows payment by phone in facilities with contactless technology, which frees our clients of needing their credit card for the operation.

Another event was the Work Cafe chain expansion, which closed the year with forty offices throughout the country. This new format, that aims at improving the client's experience, increasing efficiency, and creating an income increase, has become one of the most important innovations of Chilean banking in recent years. This development has secured the Bank with a variety of recognitions at a local and international level, for innovation and excellence in commercial strategy. Among them, the PwC Chile award to Innovation 2018, the Gold Effie Award, and the accolade to Best Commercial and Client Strategy, presented by a

European consultancy firm. Furthermore, the model has been replicated in several countries where the Santander Group is present, such as Argentina, Brazil, Spain and Poland.

The initiatives mentioned have allowed to accomplish a strong drive in our primary lines of business such as interest incomes, fees and client treasury. During 2018, income from these business lines grew 6.2% over the previous year.. This was only offset by a lower income level of our non-customer treasury, due to an environment of higher rates that negatively affected the Bank's investment portfolio.

In efficiency and productivity terms, results were positive as well. Santander Chile has always stood out as an efficient institution not only compared to local banks but also at an international level. The significant income growth added to an increase of only 2.4% of operating expenses which led us to achieve an efficiency rate (operating expenses over operational income) of 40%. Other productivity indicators such as turnover of loans and deposits by office, and turnover by employee increased 11.3% and 7.6%, respectively.

It is interesting to note that we accomplished this productivity increment by improving our sustainability standards. The Administration Area that oversees raising the Bank's efficiency, as well as diminishing its environmental impact, was key to this. Concrete examples are the reduction in our water consumption by 33%, our paper consumption by 9% and our energy consumption by 7% over the last three years.

Aside from our performance, this annual report gives account of our alignment with the Principles of the United Nations Global

Compact, an initiative that counts with Banco Santander's adhesion since 2013.

All this has been accomplished by means of an excellent capital and risk management. In terms of credit exposure, we have improved the level of NPLs in almost every product. The NPL ratio, calculated as non-performing loans past due over 90 days to total loans, decreased from 2.3% at the close of 2017 to 2.1% towards the end of 2018. The impaired loans ratio, that basically includes the non-performing loans portfolio and those loans that have been renegotiated, decreased from 6.5% in 2017 to 5.9% by the end of 2018. The cost of credit, measured as total provisions over total loans, remained stable at 1.1% this year. A healthier macroeconomic context, as well as an advanced management in our approval, monitoring and recovery systems has contributed to this.

In terms of market risk, special emphasis was placed on liquidity risks. With the approval of the new Banking Law and other regulations, the liquidity management will increasingly become a key differentiator for fixed-income investors and shareholders. In 2018, the Chilean Central Bank issued the new short-term limits defined by the Basel Committee, known as the Liquidity Coverage Ratio (LCR), that requires banks to hold enough liquid assets to fund cash outflows for 30 days. For 2019, all banks must have an LCR set above 60%, increasing gradually to 100% by 2022. Santander Chile has been working for many years in liquidity management and has fully implemented all requirements and policies advised by the Basel Committee. In fact, our LCR closed 2018 at 151.6%, more than doubling the liquidity level required by current local regulations.

The new Banking Law also outlines the awaited transition of Chilean banking to BIS III (Basel III). We believe we are fairly advanced in its implementation in this sense, which requires, unlike BIS I, a certain investment level in tools

and systems to adequately measure credit's capital consumption as well as operational and market risks. Today we are in conditions to fully transition to BIS III, and we expect that during 2019 the CMF publishes the new models and risks weightings to end this process in 2020. In the meantime, we will keep monitoring our capital levels in alignment with current regulations.

At the close of 2018, our core capital indicator, or stockholder's equity over risk-weighted assets, was 10.6%. Our total Basel ratio, that includes the Bank's subordinated bonds, reached 13.4%. This solid capital level was accomplished despite the high credit growth and the attractive dividend payout corresponding to 75% of annual profits paid by Banco Santander. This reflects the advanced systems of capital control and optimization implemented by our institution.

During this period, we also focused on non-financial risks. A fundamental issue among these was cybersecurity. Digital banking has several advantages for our clients and the Bank, but it also increases the possibility of being target of cyberattacks or frauds. To confront this threat, for four years Santander has counted with a Cybersecurity Management as part of our Technology and Operations Division. Likewise, the Risk Division has a unit dedicated to controlling and monitoring cyber risks.

In 2018 we installed a series of measures to increase the Bank's preparedness against cyberattacks. The most significant were: increasing cybersecurity investment; a complete modernization of ATM operating systems; the start of a complete replacement process of the 1.2 million of cards without chips to chip cards (currently, 80% of our offices are equipped with embossers for issuance of new cards within five minutes); the distribution to clients of several tutorials on how to avoid cyber fraud (tutorials are voluntary in our first

phase, but by April 2019 new clients will need to complete these tutorials in order to operate with the Bank); and finally, a strong investment in education for our employees in cybersecurity and phishing, in order to fortify our first line of defense.

In 2018, Santander Chile's management presented its shareholders with a total return of 12.0%, reflecting a price to book value of 3.0 times and a price to earnings ratio of 17.1 times. These indicators are above the average of banking industry and stocks in general.

To conclude, I would like to thank the trust that the Board of Directors and our fellow shareholders have placed in this administration. We are carrying out a Strategic Plan to answer adequately to the mission of helping people and companies in a long-term responsible and sustainable way. The effort invested over past years is yielding results, but there is still more to do. We have strong competitive advantages—a leading position in the market, ability to innovate, preparedness and flexibility to adapt to a changing environment— which, with an experienced staff, will allow us to achieve our goals, cementing our compromise to create value for our shareholders, clients, collaborators and society.

Miguel Mata H

Board of directors

**Claudio
Melandri
Hinojosa**
President



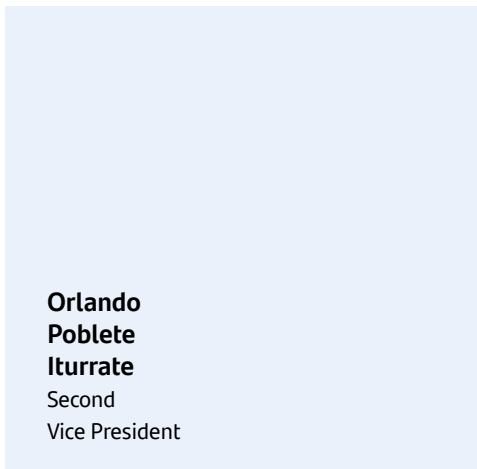
**Rodrigo
Vergara
Montes**
First
Vice President



**Félix
de Vicente
Mingo**
Director



**Orlando
Poblete
Iturrate**
Second
Vice President



**Alfonso
Gómez
Morales**
Director





**Ana
Dorrego
de Carlos**
Director



**Lucía
Santa Cruz
Sutil**
Director



**Andreu
Plaza
López**
Director



**Juan Pedro
Santa María
Pérez**
Director



**Blanca
Bustamante
Bravo**
Alternate
Director



**Óscar
von Chrismar
Carvajal**
Alternate
Director

Board of directors

Claudio Melandri Hinojosa¹

President

Member of the Board since February 27th, 2018

He is also President of the Board of Banco Santander Chile, and Country Head of the Santander Group in Chile. Additionally, he is President of Santander Chile Holding S.A. and Vice President of Universia Chile S.A. With more than thirty years of experience in the financial industry, he was Chief Executive Officer of Banco Santander from January 2010 up to March 2018.

He began his professional career in Banco Concepcion, and in 1990 he entered Santander Group, where he has held different positions of responsibility; among them, Regional Director, Branch Network Director, Human Resources Director, and Commercial Banking Director. He was also Executive Vice President of Santander in Venezuela, where he worked for three years and oversaw the creation of the commercial area of the Bank in this country.

Claudio Melandri has a Business Degree and an Accounting degree. Also, he has an MBA at Universidad Adolfo Ibañez.

Rodrigo Vergara Montes¹

First Vice President

Member of the Board since July 12th, 2018

He was president of the Chilean Central Bank between 2011 and 2016. He was member of the Central Bank's Council between 2009 and 2011. He is a researcher at the Public Studies Center (CEP), as well as an associate researcher of the Mossavar-Rahmani Center for Business and Government, of John F. Kennedy School of Government, Harvard University. He is a professor of economy at Universidad Católica de Chile and is also an economic consultant and a member of directive boards of various companies.

He graduated from Economy at Universidad Católica de Chile in 1985. He has a Ph.D. in Economy at Harvard University (1991). Between 1985 and 1995 he worked at the Chilean Central Bank, rising to the position of Chief Economist in 1992. He has been an economic adviser to various central Banks and governments of Latin American countries, Eastern Europe, Asia and Africa, and has worked as an external consultant for the World Bank, the International Monetary Fund, the Inter-American Development Bank and the United Nations. He has been a member of the Presidential Advisory Council for Labor and Equity, the U.S-Chile Free Trade Agreement Advisory Council, the National Saving Commission and the Conicyt Group among others. He is author of several articles published in professional journals and has edited various books.

Orlando Poblete Iturrate¹

Second Vice President

Member of the Board since April 22nd, 2014

From 1991 up to date, he has worked as a teacher of Procedural Law at Universidad de los Andes. Between 1997 and 2004 he was Dean of the Faculty of Law of this university, and then worked as its rector up to 2014, when he entered the Management Board. He is a partner of the law firm Orlando Poblete and Company, and a member of the Arbitration and Mediation Center of the Chamber of Commerce of Santiago. Between 1979 and 1991, he worked as a teacher of Procedural Law at Universidad de Chile.

He is a lawyer at Universidad de Chile and has a master's in law of this same university. He also graduated from the Senior Management Business Program PADE, of ESE Business School at Universidad de los Andes.

Félix de Vicente Mingo¹

Director

Member of the Board since March 27th, 2018

He has a business degree with a mention in Economy at Universidad de Chile. Between 2013 and 2014 he was the Minister of Economy, Development and Tourism. Before this, he worked as the director of Export Promotion (ProChile), an organization of the Ministry of Foreign Affairs.

His first professional steps were given as a fruit exporter in the O'Higgins Region, and as the Administration and Finance Director of Telemercados Europa, as well as being president and partner to various companies in Chile and abroad.

He has been distinguished with the following awards: "Public Man of the Year in the Wine Industry (2011)", "Outstanding Character in the Salmon Industry (2012)", "Member of Universidad de Chile's Circle of Honor (2013)", "Man of the Year of Software Companies Association (2013)", "Public Character of Engineering Consulting Firms (2013)". In 1999 he was nominated as "Businessman of the Year", in the youth category, of Universidad del Desarrollo.

Alfonso Gómez Morales¹

Director

Member of the Board since March 27th, 2018

He is a civil engineer from Universidad Católica de Chile and obtained a Ph.D. at the Royal College of Arts of London. He is also a counselor at the Innovation Center UC Anacleto Angelini.

He began his professional career as an academic at the Industrial and Systems Engineering Department at Universidad Católica de Chile. He became a founding member of Apple Chile, Unlimited and

Virtualia, the first social network developed in Latin America. He has directed several companies and institutions such as the National Council for the Arts and Culture, and the Digital Country Foundation, as well as being counselor of the Innovation National Council. He worked as dean at the Engineering Faculty and at the Business School of Universidad Adolfo Ibáñez, and he started the Innovation Center UC, in his role as executive president.

Ana Dorrego de Carlos

Director

Member of the board since March 15th, 2015

She is currently involved in the Corporate Strategy and Development at Santander Group. During the last years she has coordinated the planning and monitoring process of different projects and divisions of the Group. Additionally, she has participated in the process coordination of M&A and in the process of integration of Santander Group to different geographical places.

Furthermore, she is the director of Banco Santander Chile and director of Santander Securities Services, an entity from the Santander Group specialized in post-contractual services of institutional clients.

She was the director of E-business Development at Santander, and before this, she worked as the director of corporate client relationships, and as the Commercial Director of Transactional Banking at Bankinter.

She graduated from Business Administration from Universidad Pontificia de Comillas ICAI-ICADE and has an International MBA from Universidad de Deusto-Bilbao in Spain, and from Universidad Adolfo Ibáñez, Chile.

Andreu Plaza López

Director

Member of the board since March 15th, 2015

He took charge of the Technology and Operations Division of Santander Group in January 2015. He has been part of the Group since 2012, when he was the Retail and Business Banking Director in Santander UK.

He graduated from Mathematics at Universidad Autónoma de Barcelona and has several diverse master's in financial and banking areas from Stanford University, Insead, The Wharton School and ESADE.

Before joining Santander, he was the executive vice president and member of the Direction Committee of Caixa Catalunya since 1998, as well as being a member of the Servired Board, and of the Aula Escola Europea.

Lucía Santa Cruz Sutil

Director

Member of the board since August 19th, 2003

She is a member of the Directive Board of Universidad Adolfo Ibáñez; director of the General Chilena Consolidada General and Life Insurance Company and belongs to the Insurance Companies Self-Regulation Council.

She has a Bachelor of Arts in History at King's College, University of London, and an MPhil in History at University of Oxford. She obtained a Doctor Honoris Causa in Social Sciences at King's College, University of London.

Juan Pedro Santa María Pérez

Director

Member of the board since July 24th, 2012

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

He has worked as President of the Legal Committee of the Banking and Finance Commission for more than 20 years and as the President Pro Tempore of the Financial Law Committee of the Latin-American Banking Federation (FELABAN).

He is member of the Arbitration and Mediation Center of the Chamber of Commerce of Santiago. He graduated from law at Pontificia Universidad Católica de Chile.

Blanca Bustamante Bravo¹

Alternate Director

Member of the board since April 28th, 2015

She has a business degree with a mention in Economy at Universidad Católica de Chile. Her professional experience includes a place as an economic analyst in the Chilean Central Bank, and as a research analyst at Oppenheimer & Co. New York and in IM Trust.

In 1998 she joined Viña Concha y Toro as the Head of Investor Relations, where she worked until 2010. In 2001 she became the Assistant Director of Corporate Communications. Currently she holds the position of Corporate Affairs Director and is responsible for the investor relations area of this company.

Since 2013 she participates as a member of the Directive Council of the Concha y Toro Center of Research and Innovation.

Óscar von Chrismar Carvajal

Alternate Director

Member of the board since December 22nd, 2009

He is a civil engineer from Universidad de Santiago with specialized studies abroad, in the United States and Europe.

He entered Banco Santander in 1990 as a General Assistant Manager in the Finance Division. Between 1995 and 1996 he was the General Manager of Banco Santander Perú.

In 1997 he was appointed as General Director of Santander in Chile, position he left in December 2009 to enter the Board of Directors. He is also the Director of Banco Santander in Argentina and Perú, of the Santiago Stock Exchange and of Sinacofi.

Previous to his participation in Santander Group, he worked as the Director of the Financial Division at Morgan Bank and as Director of the Financial Area at ING Bank. He has more than thirty years of experience in banking.

Administration

Banco Santander has carried out a major transformation grounded on permanent innovation and a commercial model that has enabled it to respond to the challenges of the industry by promoting a more profitable and sustainable business.



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MIGUEL MATA HUERTA
Chief Executive Officer

1

GUILLERMO SABATER MAROTO
Financial Controller

2

FRED MELLER SUNKEL
Director of Santander Corporate
& Investment Banking

3

CARLOS VOLANTE NEIRA
Manager of Clients and Service
Quality Division

4

JOSÉ MANUEL MANZANO TAGLE
Director of Middle-Market
Banking

5

MATÍAS SÁNCHEZ GARCÍA
Director of Retail Banking

6

CRISTIÁN FLORENCE KAUER
Legal Division Director

7

FRANCO RIZZA
Director of Risk Division

8

RICARDO BARTEL JEFFERY
Director of Technology and
Operations Division

9

**MARÍA EUGENIA DE LA FUENTE
NÚÑEZ**
Director of Human Resources and
Communications

11

EMILIANO MURATORE
Chief Financial Officer (CFO)

12

SERGIO ÁVILA SALAS
Director of Administration and
Costs

13

RICARDO MARTÍNEZ SÁNCHEZ
Director of Internal Audit

Corporate Governance

Banco Santander has a solid corporate governance that meets the highest international standards and is committed to the management of a responsible bank. It is headed by a Board of Directors whose functions are clearly defined and which is actively involved in outlining the business strategy and in the adequate risk control.

Performance parameters

Banco Santander has set a series of parameters that support its corporate governance management which are based on the principles advised by the Basel Committee, among which are:

- 1 A close supervision from the Board and senior management.
- 2 Simple and clear organizational structure.
- 3 A robust internal control system.
- 4 Permanent determining and monitoring of risks.
- 5 Independent internal and external audit.
- 6 Subsidiary supervision.
- 7 Executive compensation design with long term plans.

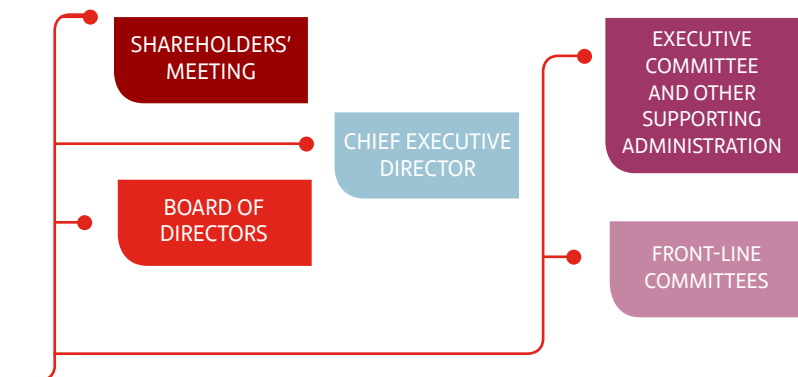
The defined standards to achieve these goals are:

- 1 **Independence of directors:** five of the Board members are independent.
- 2 **Participation:** directors are active members of the Board's supporting committees as part of the administration management.
- 3 **Ethics:** all staff subscribe to Banco Santander's Code of Ethics. Employees directly related to stock markets sign an additional code of conduct especially designed for this area.
- 4 **Separation of functions:** commercial and support areas are separated to effectively manage risks. Non-commercial teams oversee risk management, and most credit decisions are taken by committees.
- 5 **Independent audit:** there is an autonomous area within the Bank in charge of monitoring 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 corresponding Basel criteria.
- 7 **Supervision:** The Bank is monitored by the Superintendency of Banks and Financial Institutions and by the U.S. Securities and Exchange Commission (SEC).



At the head of Corporate Governance is the General Shareholders' Meeting, which is governed by Law 18.046 of Sociedades Anónimas (Chilean Securities Market Law) and its regulations, by Banco Santander Chile bylaws and by other rules applicable to banking institutions.

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



Corporate Governance Bodies

General Shareholders' Meeting

The General Shareholders' Meeting is the head of the Corporate Governance, and is governed by Law 18.046 of Sociedades Anónimas (Chilean Securities Market Law) and its regulations, by Banco Santander Chile by-laws and by other rules applicable to the banking institutions. The quorum for session corresponds to 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.

For the Shareholders' Meeting to take place a series of formal requirements must be met like a meeting notice on account of the Board, publication in a newspaper of

national circulation, a letter or email sent to shareholders, the necessary quorum and the presence of a public notary, among others.

The 37th Ordinary Shareholders' Meeting that met in April 24, 2018, approved the annual report, the general balance statement, the financial statements, the external auditor's report and the distribution of the earnings of 2017, which amounted to Ch\$564,814,778,495. A larger than usual distribution of earnings was made, increasing from 70% to 75%. In this regard, the Shareholders' Meeting approved the allocation of 25% of the profits of the year 2017 —equal to Ch\$141,203,694,624— to increase reserves, while the remaining 75% —amounting to

Ch\$423,611,083,871— was set to be distributed as dividends. Therefore, the dividend per share was of Ch\$2,247,916.11.

Additionally, PwC Consultores, Auditores y Compañía Limitada was maintained as external auditors, and Fitch Ratings y Feller-Rate Clasificadora de Riesgo was kept as a private risk classification agency.

Also, the meeting confirmed the appointments of Félix de Vicente Mingo and Alfonso Gómez Morales as external directors, and Claudio Melandri Hinojosa as director of Banco Santander Chile. Along with the above, it was decided to maintain the Board's compensations as established at the 2017 Ordinary Shareholders' Meeting.

Board of Directors

It is the highest corporate governance body and the representative of all the Bank's shareholders interests. It has a structure in accordance with the size of the institution and its principal functions are: the establishment of strategic guidelines, the global monitoring of businesses and results, and the analysis of opportunities and threats. Furthermore, in a unique way, the Board of Directors is involved in the management and decision-making regarding all the risks the Bank faces. This means that it must approve and monitor the risk framework and risk appetite and its coincidence with business plans, it must ensure the correct reporting from all units and it must monitor the operation of the three lines of defense (business and risk source, risk control and compliance, and internal auditing).

During 2018 there were important changes in the formation of the Board. Upon the resignation presented by Vittorio Corbo Lioi, on February 27th, 2018, Claudio Melandri

Hinojosa was appointed director and Chairman of the Board. Upon the resignation presented by the directors Roberto Zahler Mayanz and Roberto Mendez Torres, acknowledged in the session of March 27th, 2018, Felix de Vicente Mingo and Alfonso Gómez Morales, who also have independent director capacities, were appointed as directors. Finally, upon the resignation presented by the alternate director Raimundo Monge Zegers, acknowledged in the session of July 12th, 2018, Oscar von Chrismar became the new alternate director, with Rodrigo Vergara Montes being appointed to the director position in turn, while retaining his capacity as independent director and first vice president.

In this way, the Board's new composition is Claudio Melandri Hinojosa, Rodrigo Vergara Montes, Orlando Poblete Iturrate, Juan Pedro Santa María Pérez, Andreu Plaza López, Ana Dorrego de Carlos, Lucía Santa Cruz

Sutil, Félix de Vicente Mingo and Alfonso Gómez Morales, as directors, with Blanca Bustamante Bravo and Oscar von Chrismar Carvajal as alternate directors. Thereby, in 2018 the following ceased to belong to the Board of Directors: Vittorio Corbo Lioi, Roberto Méndez Torres, Roberto Zahler Mayanz and Raimundo Monge Zegers.

The members of the Board of Directors have been chosen for their outstanding careers, their vast knowledge and large national and international experience, both in the financial sector and in other banking business related fields that are of high interest and suitability for the current management. All directors integrate diverse committees supporting the Board where they are informed in detail about the Bank's management and situation. Board meetings are held once a month and during 2018 the attendance of directors, including alternate directors, reached 95%.

Initiatives related to the Board of Directors

Board of Directors of Banco Santander Chile has made significant progress in increasing in the number of independent directors, in order to achieve a more neutral and impartial administration and obtain a balance in the management and protection of all our stakeholders' interests.

To optimize the functioning of the Board, in November 2018, the annual agenda of topics to be addressed for each of the Board's regular sessions during 2019 was revised and approved, achieving a balanced planning of the subjects and giving the Board an appropriate time frame for the revision of the annual calendar.

Some adjustments were also made to the Board Regulations —mainly due to the amendments made to the RAN SBIF 1-13, specifically regarding Section 3.1 on "Corporate governance and the role of the Board"— and to the composition of Board members into the various committees in accordance

to their performance. In relation to the aforementioned regulation (implemented in 2017), during 2018 a positive assessment was made of the Bank holding a document that regulates in an orderly and uniform manner the functioning of the Board, given that it largely incorporates local and internal regulations on the matter, and it is available on the Bank's website.

In relation to the document "New Board Member Induction Procedure" —also implemented in 2017— an excellent feedback was given by the three new directors who previously did not have any relationship with the Santander Group. As described in the same document, they were given the relevant information for the correct performance of their duties and, in addition, meetings with the divisional managers of each of the areas of Banco Santander Chile were coordinated and held to explain how their divisions operate and what roles and responsibilities each of them had within the organization.

Board of Directors of Banco Santander Chile has made significant progress in increasing in the number of independent directors, in order to achieve a more neutral and impartial administration.

Relevant topics

Among the most important topics reviewed during the sessions of the Board were:



Strategic Plan: In 2018 the Board of directors defined a new Strategic Plan that reflects the aspirations of stakeholders and management priorities, in order to sustainably promote a digital, profitable and responsible bank (more information on pages 80 and 83).



Cyber security: to analyze the situation of the Chilean financial system and the bank's safeguards for monitoring and preventing events that could compromise its technological security.



New technologies and changes in the industry: analyzed in two sessions with the participation of experts related to fintechs and to large technology companies, that addressed topics such as Cloud, alliances technological enterprises and artificial intelligence. In addition, a discussion table was formed between the Executive Committee and the Board to review the path towards digital transition, with a new focus on digitization indicators.



Responsible banking: to address the Bank's relationship to areas such as entrepreneurship, education, environment, renewable energy generation. In this area, Santander Chile is defined as a responsible Bank and joins the institutions that have made a commitment to ensure a sustainable future (more information on pages 93).



Diversity: becomes a strategic focus for the Bank. Santander Chile wants to be a faithful reflection of society and, in this light, aims to be a diverse bank, open to all communities without exclusion.

Self-assessment of the Board

During 2018, external consultant Amrop MV Consulting advised the Board on a new self-assessment process (as in previous years). This is an international practice of good corporate governance that is included among the rules dictated by the Chilean banking authority. The bank has been implementing it for the past seven years with positive results.

Board Composition

Name	Charge
Claudio Melandri Hinojosa	President
Rodrigo Vergara Montes	First vice president (Independent)
Orlando Poblete Iturrate	Second vice president (Independent)
Félix de Vicente Mingo	Director (Independent)
Alfonso Gómez Morales	Director (Independent)
Ana Dorrego de Carlos	Director
Andreu Plaza López	Director
Lucía Santa Cruz Sutil	Director
Juan Pedro Santa María Pérez	Director
Blanca Bustamante Bravo	Alternate director (Independent)
Oscar von Chrismar Carvajal	Alternate Director

New committees supporting the Board

Board members' active participation is key to corporate management. They lead the main policies and strategies, in line with the Bank's Mission and Vision. For the same reason, all directors participate in diverse committees that support the Board's work, to ensure the application of governability practices and to guarantee transparency, responsibility, efficacy and the defense of all shareholders' interests. This space allows them to learn in detail about the business development and the decision-making. The committees meet regularly, with a predefined frequency, subrogation schemes, statutes and formal records, and follow-up instances of agreed-upon matters.

In accordance with the recommendations of the current European legislation, Banco Santander decided to suppress the Human Resources Committee in order to establish the Appointment Committee and the Remuneration Committee, which follow a quarterly timeframe and consist of three directors each, with a majority of independent members and an independent Chairman. The Appointment Committee, chaired by Félix de Vicente, is responsible for the continued review and implementation of the appointment policies and processes of those defined as "key positions", as well as reviewing these policies with respect to the other members of the organization in general. The Remuneration Committee, chaired by Orlando Poblete, has the role of the continued revision of the regulatory documentation that considers the evaluation and remuneration of those defined as "key positions", and in respect to other members of the organization in general.

During 2018 there were important changes to the structure and composition of all the Board support committees, in view of the designation made during 2018 of Claudio Melandri, Rodrigo Vergara, Félix de Vicente and Alfonso Gómez as directors of Banco Santander Chile.

Alco (Asset and Liabilities Committee)

President: Rodrigo Vergara

Members: Claudio Melandri, Óscar von Chrismar, Félix de Vicente y Alfonso Gómez

Frequency: monthly

Function: to know and approve case to case, the risks and positions taken and managed by the Financial Management Area of the Bank and its subsidiaries in Chile.

Board of Directors and Audit Committees

President: Orlando Poblete

Members: Félix de Vicente, Rodrigo Vergara y Juan Pedro Santa María (secretary)

Frequency: mensual

Function: to oversee the institution's financial statement preparation process and the management of internal and external auditors involved, so the Bank delivers adequate financial information to shareholders, investors and general public.

Remuneration Committee

President: Orlando Poblete

Members: Alfonso Gómez y Claudio Melandri

Frequency: quarterly

Function: continued review of policy documentation concerning the evaluation and remuneration of "key positions" and other members of the organization in general.

Risk committee

President: Alfonso Gómez

Members: Óscar von Chrismar, Claudio Melandri, Lucía Santa Cruz, Blanca Bustamante y Juan Pedro Santa María

Frequency: biweekly

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

Strategic Committee

President: Claudio Melandri

Members: Rodrigo Vergara, Félix de Vicente, Alfonso Gómez, Lucía Santa Cruz, Blanca Bustamante y Óscar von Chrismar

Frequency: quarterly

Function: to assess and outline the main goals and guidelines for Santander's Strategic Plan elaboration. To approve the plan outlined by the senior management for the Group as a whole, and for the different business units if it is the case, in addition to regularly monitor its progress.

Appointment Committee

President: Félix de Vicente

Members: Blanca Bustamante y Óscar von Chrismar

Frequency: quarterly

Function: The continued review and implementation of the policies and processes for the appointment of "key positions", as well as their review in regard to other members of the organization in general.



Market Committee

President: Óscar von Chrismar

Members: Rodrigo Vergara, Claudio Melandri y Alfonso Gómez

Frequency: monthly

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

Analysis and Resolution Committee (ARC) Money Laundering Prevention

President: Juan Pedro Santa María

Members: Óscar von Chrismar y Lucía Santa Cruz

Frequency: monthly

Function: to outline and control the compliance of 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.

Audit Committee

Law 18,046 of Sociedades Anónimas (Chilean Securities Market Law) requires certain entities to have a Director's Committee and details its functions.

Likewise, the Superintendency of Banks and Financial Institutions (SBIF) requires by regulation that banks must have Board dependent Audit Committee, detailing its functions in this statute.

United States' Sarbanes-Oxley Law requires 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 has allowed banks to have a Director's Committee and Audit Committee functioning as a single entity, as is the case of Banco Santander Chile by agreement of the Board. In this regard, the by-laws of the Audit Committee approved by the Board, incorporate all tasks that Law 18,046, the SBIF regulations and the dispositions of Sarbanes-Oxley Law include in reference to the audit committees.

As stated in the Audit Committee by-laws, this committee is comprised of three

directors that have sufficient independent capacities. At the beginning of the year 2018, the Committee was presided by Orlando Poblete Iturrate, with Blanca Bustamante Bravo and Roberto Zahler Mayanz acting as vice presidents, with director Juan Pedro Santa María Pérez as secretary.

In March 2018 Roberto Zahler Mayanz resigned to the position of director of the Bank, leaving his position in the Audit Committee vacant, to which the Board appointed Félix de Vicente Mingo as independent director in April 2018.

In July 2018 the Board named Rodrigo Vergara Montes as independent director and in August 2018 it appointed him as vice president of the Audit Committee, replacing Blanca Bustamante Bravo.

The Committee has met in 12 opportunities during 2018, in sessions 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, without limiting the subsequent dispatch of the Committee's minutes to the Board once approved.

Issues covered during 2018



1. Internal audit

The Bank's Internal Audit unit depends on the Audit Committee. An annual working program was proposed and sanctioned in December 2017, and its progress was monitored throughout 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 explains in detail each audit report issued, summarizing the conclusions and normally assessing the audited unit or process with a corresponding rating. They also report on the status of compliance of recommendations previously issued by the Committee and its progress.



2. External auditors

The Committee is responsible for proposing the designation of the external auditors each year to the Board. Conversely, the Board drafts proposal for the General Shareholder's Meeting, which oversees the final designation. The Committee proposed PwC Consultores, Auditores y Compañía Limitada, which had already served as an audit firm

during 2017. Likewise, the same company was selected by the Shareholder's Meeting. The audit firm reports the financial statements of the Bank and its subsidiaries, and the internal control environment. The observations issued in the final report give grounds for a strict monitoring led by the Committee on a monthly basis, to corroborate that by the end of the year all observations have been fully met.



3. Financial statements and internal control

One of the most important functions of the Audit Committee is to understand, analyze and provide input on the Bank's financial statements and its internal controls, and in particular the sufficiency of provisions. This includes the intermediate and the definitive financial statements issued at the end of the period. Considering 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 year-end. For this effect, the Bank must issue the Financial Reporting Internal Control Certification. All of this is also reviewed by the Committee. Regarding Internal Control, during the year the Committee receives from management information on the advance of the different processes that conclude with the methodologically endorsed affirmation that the internal control at the bank is optimal.

One of the most important functions of the Audit Committee is to understand, analyze and provide input on the Bank's financial statements and its internal controls, and in particular the sufficiency of provisions.



4. Audit follow-up

The Committee performs a follow-up of the progress and timely compliance of all recommendations issued by the monitoring authorities as a result of their annual visits. During 2018 the Committee received a monthly report from management in charge of the coordination of the different responsible areas, regarding the audits carried out to the Bank by the Superintendence of Banks and Financial Institutions (2017 – 2018), the Financial Market Commission (FMC) to Santander Corredores de Bolsa Ltda. during the year 2017, and the one carried out this year to Santander Corredora de Seguros Ltda. Finally, the Committee receives a monthly report on the audit carried out by the audit firm PwC Consultores, Auditores y Compañía Limitada to the Bank. In case that in their opinion the implementation of an observation is not advancing adequately, it is presented to the administration so that progress can be made.



5. Operations with related parties

Law 18,046 of Sociedades Anónimas (Chilean Securities Market Law) demands that the Audit Committee pronounce on operations conducted by the Bank with other companies or individuals that are related by property or management, in the terms defined by the law. The goal of this analysis is that those transactions are carried out at market conditions, that is, agreed-upon terms are fair. The Committee spends ample time on the analysis of these operations, and in particular on the Bank's technological contracts, which are provided by Santander Group through professional specialized entities, thus achieving a technology that is homogeneous and has an international standard, also procuring the highest possible security. On each transaction that is presented, the Committee demands a reasonable and professional explanation about it, and especially asks for objective background and details regarding amounts to be paid for the specified service. Likewise, the Technology Division must inform periodically about technology budgets, and their compliance and results, explaining eventual differences if any.

The Chairman of the Committee prepares a formal record of the contracts reviewed and approved prior to their presentation to the Board so that, if the latter deems, can also go through the Board's process of approval.



6. Compliance and prevention of money laundering and financing of terrorism

During the year the Committee receives information from the Compliance Department and analyzes the main aspects subject to the Global Compliance Committee, which 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 Risks, Behavior Risks, Reputational Risks, and Money Laundering and Financing of Terrorism Risks. 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, affecting most banks due to their commercial and financial relations with that nation, have forced the development of complex control systems and to train operators in order to comply with said regulation.



7. Audit Committee's Confidential Mailbox

The Audit Committee has made available to all employees of the Bank and its suppliers a confidential communications system managed by a leading external provider

in these matters at an international level, through which they can directly contact the Committee to report irregular, conflictive or potentially dangerous situations. While the Committee regularly receives many communications that are the subject of research and have different solutions, with the purpose of providing even more visibility to the confidential mailbox, an organization-wide dissemination plan was implemented during the month of June, which included a Banner on the Intranet, news, a graphic placed in the elevators; and subsequently a presentation on the Board of Directors. Furthermore, regarding suppliers, a dissemination campaign was also implemented that considered an informative notice and a disclaimer installed on the contracting and monitoring platform. Finally, in October a survey was published for all Bank employees in order to find out their level of knowledge about the complaints channel and improvements that could be implemented. Its results have been key to improving its administration and promotion.



8. 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 General Counsel explains those issues that may be riskier for the Bank as well as the possible provisions that should be taken to confront an adverse outcome. In consideration of the relevance that reputational risk continues to increase, the Legal Department has divided the presentations of lawsuits by amount and type of reputational risk. This information includes any issues taking place in Santiago and in regions, with their respective procedural status.

Compensation policy

The Ordinary Shareholders' Meeting annually defines the directors' remuneration. In the meeting held in April 2018 it was agreed that the fees approved at the Ordinary Shareholders' Meeting of the previous year were to be maintained. Therefore the monthly fee of each of the Bank's directors remained at UF 250, chairman of the Board's fees at UF 500 and the vice-president's fee at UF 375.

In addition, the fee for being part of one or more committees (excluding the Audit Committee and the Risk Committee) remained of UF 30 per each attended session of the respective committee. The stipend of the chairpersons of each committee will also remain the same, earning twice this amount per assistance to the meetings.

Regarding directors that integrate the Risk Committee which has a biweekly frequency, the stipend will remain at UF 15 per each attended session. Meanwhile, the chairman of this committee will maintain the amount of UF 30 per session.

Regarding the stipend of the members of the Audit committee, there were no changes to their fees. The chairman of the Committee will receive a UF 230 monthly stipend, while the other directors will perceive a UF 115 stipend per attended session with a maximum of one monthly session. It should be noted that the difference in remuneration established in this committee is in accordance with Art. 50 of Law 18.046 of Sociedades Anónimas (Chilean Securities Market Law) that establishes the minimum remuneration parameter to be received by each director who is a member of this committee.

During 2018, a total amount of Ch\$1,188,973,250 was paid to directors by way of monthly fee.

Board Fees

Name	Monthly stipend	Additional monthly stipend for integration of committees
Claudio Melandri Hinojosa	UF 500	UF 0 ALCO Committee UF 0 Risk Committee UF 0 Remuneration Committee UF 0 Market Committee UF 0 Strategic Committee (Chairman)
Rodrigo Vergara Montes	UF 375	UF 60 ALCO Committee (Chairman) UF 115 Audit Committee UF 30 Strategic Committee UF 30 Market Committee
Orlando Poblete Iturrate	UF 375	UF 230 Audit Committee (Chairman) UF 60 Remuneration Committee (Chairman)
Félix de Vicente Mingo	UF 250	UF 30 ALCO Committee UF 115 Audit Committee UF 30 Strategic Committee UF 60 Appointment Committee (Chairman)
Lucía Santa Cruz Sutil	UF 250	UF 30 Strategic Committee UF 30 Analysis and Resolution Committee UF 15 Risk Committee
Alfonso Gómez Morales	UF 250	UF 30 ALCO Committee UF 30 Risk Committee (Chairman) UF 30 Strategic Committee UF 30 Market Committee UF 30 Remuneration Committee
Juan Pedro Santa María Pérez	UF 250	UF 60 Analysis and Resolution Committee (Chairman) UF 15 Risk Committee
Blanca Bustamante Bravo	UF 250	UF 15 Risk Committee UF 30 Strategic Committee UF 30 Appointment Committee
Óscar von Chrismar Carvajal	UF 250	UF 15 Risk Committee UF 60 Market Committee (Chairman) UF 30 ALCO Committee UF 30 Strategic Committee UF 30 Appointment Committee UF 30 Analysis and Resolution Committee

Directors Ana Dorrego de Carlos and Andreu Plaza López are not included in the table because they do not receive a remuneration, since they are executives of Banco Santander, SA (Spain). / Claudio Melandri Hinojosa's fee is stated at UF 0 since he has voluntarily renounced to his compensation for the participation in committees. / The members of each of the committees were appointed at the 503th Ordinary Meeting of the Board of Directors, held on July 12, 2018, and at the 508th meeting, held on December 18, 2018.

Executive Committee and Manager's Committee

The Executive Committee is the leader of the Bank's front-line committees and aims to achieve a management and implementation 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, it holds a special meeting to review the Bank's performance.

The Manager's Committee is comprised 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, specific business information, and reception of feedback. The frequency of sessions is monthly. Executives are required to inform their teams of the matters covered in the session within a week. In larger teams the relay is cascaded, as the goal is that all employees are informed about the matters subject to this committee.



The Executive Committee is integrated by the CEO and the top fourteen executives of the Bank, who represent the Business, Risk and Support areas.

Diversity, Gender and Inclusion

For Santander Chile, diverse teams in terms of experiences, profiles, backgrounds, gender, age and beliefs can enable it to design and implement innovative and binding solutions with clients and the society. All this with the firm purpose of equal opportunities and respect for differences.

In this regard and within the framework of equal representation of men and women in the labor force and in the management

of Bank, the aim is to generate equal opportunities for professional development and wage equity, with a focus on increasing the number of women in the composition of the board and leadership positions.

Santander Chile currently has three women in its Board, who are valued for their vast and profound knowledge, being highly recognized in the market.

Compliance

This area is responsible for 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.

Aligned to the corporate strategy and the business model, Compliance Department is in charge of carrying out these challenges, through the management of four risks:

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Regulatory compliance risk: The risk of non-compliance on the Bank's behalf, of the regulatory policy and expectations which could lead to legal or regulatory sanctions.

Behavioral Risk: The risk that actions from either employees or the Bank as a whole might be reflected in negative results for clients or for the markets in which it operates.

Prevention of money laundering and funding of terrorism risk: it consists in preventing the institution from being used as a vehicle for money laundering or funding of terrorist groups.

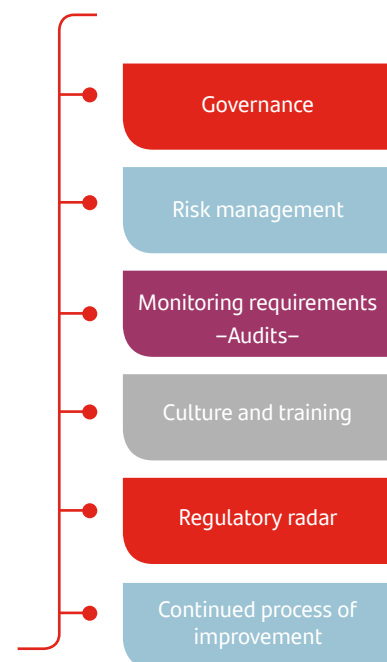
Reputational risk: The risk of an adverse economic impact, actual or potential, caused by an impairment of the Bank's perception employees, clients, shareholders or investors, and the society in general.

Compliance manages these risks through a transversal area in charge of coordination, government, planning and consolidation through processes, information systems and reports.

During 2018, implementation of all phases of the Compliance Function's transformation program called Target Operating Model (TOM) was completed, which began in 2016 with the goal to improve the Compliance Function to the best standards of 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 events, in case there are, and this area is then responsible for informing senior management so they can be addressed implementing the necessary corrective and mitigation measures.

Once the implementation phases were completed, an annual compliance program was established, in line with the Corporate Compliance and Behavior Framework, and in compliance with the requirements of the European Central Bank (ECB), considering the size and complexity of the country. The goal of this program is to reflect the implementation of TOM in the role of compliance and Behavior, detailing the activities in BAU mode and the priorities to be addressed during the year. This program contains planned activities that cover the risk management of the compliance function and Behavior (coordination between control functions and reporting to Management).

In summary, the annual program considers the following concepts:



The Compliance Department is audited by the Internal Audit Management, a third line of defense that periodically assesses whether the policies, methods and procedures applied by Compliance are adequate and effective considering its action parameters. Additionally, it performs the necessary tests and reviews to ensure that appropriate control and supervisory elements are applied, and that the regulations and procedures defined by the Bank are met.

Government and organizational model

Compliance reports directly to the Legal Department, and reports in functions to the Board, and to the Executive, Audit, Comprehensive Risk and Global Compliance Committees. Likewise, it participates in the following committees:

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

The Global Compliance, Local Commercialization and Regulatory Monitoring Committees are directly organized by the Compliance Department, which has a say and is entitled to vote, as well as manage proposals and improvements. In addition, Compliance is a permanent invitee to the Committees of Directors and Audit, Analysis and Resolution (ARC), Pre ARC and Integral Risk Committee.

New requirements

The new policy included in the General Banking Law, establishes renewed capital requirements that align with the Basel III standards, in addition to including amendments relating to banking secrecy and reserve, the management of banks, measures for early standardization, forced liquidation, bankruptcy process and the state guarantee on deposits. Likewise, the integration process of the functions of the current Superintendence of Banks and Financial Institutions (SBIF) into the Financial Market Commission (CMF) is relevant, which will result in the enactment and enforcement of a number of general standards aimed at regulating in detail the new capital requirements embodied in the new law.

In this sense, Banco Santander, and the Chilean banking community in general, are facing the challenge of meeting the requirements of modern banking legislation added to the new functional structure of the regulator, insofar constituting one of the most important changes of the last 30 years in the banking business, which should contribute to strengthen the Chilean financial system.



2018 Highlights

1.

Update of the General Code of Conduct

The General Code of Conduct discloses a catalogue of ethical principles and standards of Behavior that governs the performance of all employees of the Santander Group and is therefore the central element of the Group's Compliance Program.

The enforcement of the General Code of Conduct and the internal regulations is, likewise, a mechanism for the prevention of reputational risk of the Group arising from potential breaches of conduct.

2.

Procedure for the inclusion of anti-corruption clauses in contracts with business partners and intermediaries

Santander Group maintains a firm and determined commitment to fight against any form of corruption, whether in the public or private sector (zero tolerance).

In order to abide by this previous commitment, during 2018 the Bank updated its Corruption Prevention Policy, which explicitly includes the prevention of corruption and bribery, in accordance with the provisions of the Corporate Model of Corporate Defense of the Santander Group.

As part of this policy, a procedure was outlined for the inclusion of anti-corruption clauses in the contracts signed by Banco Santander Chile with agents, intermediaries, advisors and business partners in the Corporate & Investment Banking (CIB) business, with the purpose to establish criteria to guide legal consulting when drafting these clauses as well as the prevention of corruption standards in Banco Santander Chile.

3.

Prevention of Corruption Policy

The Prevention of Corruption Policy, updated in 2018, sets out the elements that Banco Santander must follow on prevention of corruption, without limiting the foregoing adoption of additional controls arising from more demanding local policies or obligations.

The prevention elements contained in this policy are aimed at mitigating and preventing the risk of corruption and bribery within the Bank:

Specific controls:

- Guidelines regarding gifts and invitations to civil servants.
- Guidelines for the actions of agents, intermediaries, consultants and business partners.
- Guidelines regarding gifts and invitations to Santander's employees.

Reporting of concerns⁵

It is the instrument through which employees can, if aware, confidentially inform Compliance of breaches of this policy in the field of their professional functions.

Training

Mandatory in nature, all employees will be required to complete a specific training in corruption prevention and money laundering matters, which will collect the primary warnings and criteria to avoid behavior that is not appropriate for the employees of the Group.

4.

Sanctions policy

To implement measures and procedures for the control of restricted people or entities, prohibited countries and restricted operations.

5.

Quality Assurance policy

Guidelines and elements necessary to evaluate and control the different areas and units of the group, to ensure management and control in PBC/FT matters.

6.

Private banking policy

It outlines Private Banking principles, measures or procedures, appropriate diligence, dossier preparation, visits or interviews to clients, among other matters.

7.

Foreign Account Tax Compliance Act (FATCA)

In December 2018 the Responsible Officer (RO) of Banco Santander certified in the website of the Internal Revenue Service (IRS) the compliance with the Pre-existing Account requirements called "COPA" for 2014, 2015 and 2016 and the requirements related to the FATCA Compliance Program that corresponds to the periodic certification of 2017.

Promoting risk culture

Just like the work seen in past years, 2018 continued with the internalization of risk management in order for all contributors to be aware of the risks present in daily work so they can change their behaviors and habits. Several initiatives were developed in order to raise risk awareness along with providing tools to identify and outline adequate action when exposed to these risks, reinforcing the importance of debate and timely reporting.

To achieve this change, continued dissemination and reinforcement was carried out in the Bank's various internal media communications, along with wide coverage of campaigns directed to all partners. A series of training were designed and implemented, on site and remote such as e-learning of specific topics, which have been approved by more than 80% of all collaborators, as well as risk-related talks or outreach sessions that were open to the entire organization and that achieved a high level of assistance.

An aspect that stands out relates to how risk culture is part of the human resource processes. Specifically, in the recruitment and selection of candidates, the importance of adequate risk management is stressed, a topic that is further delved the Welcoming Seminar day for new recruitments.

The incorporation of risk management into the 2018 performance assessment for all senior bank executives has also marked a significant milestone. In the Commitment survey, questions related to Risk Culture achieved a positive response rate of 88 per cent. Also, a new recognition initiative related to Risk Culture was launched in October through the Star Me Up application, reflected through 748 stars.

Transparency and consumer rights

The circuit of approval and modification for products and services marketed by the Bank was strengthened during 2018. Business areas recognize the importance of the established governance, as well as the traceability of adjustments along the product's life cycle. Products such as Santander Wallet (marketed to individuals), and SMEs Fraud Insurance, Multi-partner Deduction Insurance the Santander Companies New Plan (focused on SMEs) are a clear example of the aforementioned.

Regarding Consumer Rights, Compliance has been involved in meetings led by the Customers and Quality Division to address the changes that the Law on Consumer Protection Rights will undergo, entering into effect March 2019.

Two other relevant aspects that took place during 2018, related to behavioral risks in products and service marketing, have been the progress in sales team training and sales team variable compensation, with the incorporation of Compliance as part of the procedures followed with the purpose of ensuring risk mitigation.

Product marketing

The Products and Consumer Protection Department —under the Compliance Department— is responsible for managing the behavioral risk in the marketing of products and services offered by the Bank. Its guidelines are defined in the Product Marketing and Consumer Protection Corporate Framework, including corporate policies and procedures that have been adapted and approved locally.

The Product Marketing and Consumer Protection Corporate Framework was updated in 2017 and has been developed through different documents that have been approved by the Local Marketing Committee. The correct implementation and monitoring of these documents are the responsibility of the Product and Consumer Protection Department:

- Product and service approval procedure
- Product and service monitoring procedure
- Procedure for approval and monitoring of products and services originating in corporate operations
- Policy on admission, monitoring and control of fiduciary risks
- Approval and monitoring procedure for suppliers of custody of the Bank's and client's assets
- Consumer protection policy
- Training procedure for selling of products and services

The Local Marketing Committee is a Board Committee which oversees the proper management of the behavioral risk arising from the marketing of products and services. This (statutory) committee is currently held on a monthly basis or under specific circumstances that warrant it.

In 2018, the approval volume of new products or modifications increased 48% compared to 2017. This has allowed for greater control and monitoring of the products marketed by the Bank. In addition, the incorporation of the monitoring of the first three months of sales of new products and their presentation in the Local Marketing Committee has allowed a necessary continuity in the approval of new products.

Relevant Policy Changes

During 2018 several policy adjustments were made in different areas, at a Group and local level, that are relevant in terms of compliance and prevention

1

National Policy

Official Journal

- Law 21.000 creates the Financial Market Commission: On December 14th, 2017, Law 21.000 is published in the Official Newspaper, which entered into effect on January 15th, 2018, conceiving a new banking institutionalism. With the issuance of this law, the Superintendence of Securities and Insurance ceases to exist, and the Financial Market Commission is created. The main objective of the latter is to ensure the correct functioning, development and stability of the financial market.
- Law 21.096 referring to personal data protection: On June 16th, 2018, the single article Law 21.096 is published, which gives a constitutional status to personal data protection, now mentioned in Article 19 paragraph four of the Constitution.
- Law 21.121 modifies the Criminal Code, and Law 20.093: On November 20th, 2018, Law 21.121 is published, which typifies four new crimes described under Law 20.393 on the criminal liability of legal persons. The crimes specified are negotiations under conflicts of interest, corruption between private actors, misappropriation, and false administration. Furthermore, the sentence given to legal entities for the crimes included in this law was increased, the disqualification of natural persons was added, the concept for crimes of bribery was extended, and the concept of corporate gifts was clarified, among others.

Financial Market Commission:

- General regulation #412: The first of July, 2018 this general regulation entered into effect, which instructs that stockbrokers, security dealers, general fund managers, marketing agents of fund shares and portfolio managers must submit an exam that assesses their knowledge on the functioning of the financial and securities market.

Internal Revenue Service:

- Newsletter #31: Published on May 23rd, 2018, it outlines how banks and institutions under the CRS (Common Reporting Standard) must comply with set requirements and report to the Internal Revenue Service.

The Central Bank and the Superintendence of Banks and Financial Institutions:

- Broadly speaking, the Chilean Central Bank and the Superintendence of Banks and Financial Institutions aimed to strengthen two issues: liquidity and cybersecurity.
- Regarding payment cards, on December 26th, the Central Bank issued a regulation that supplements and extends the provisions contained in Law 20.950 about regulation on payment methods. This last statute seeks to increase the card offer within the market for retail payment methods, easing the requirements for foreign brands to operate in Chile. Additionally, new operating capabilities will be enabled to allow contract with another supplier.
- Previously, in relation to the payment method regulation, the Financial Analysis Unit adopted on November 13th the Newsletter #58, which instructs operators of payment cards with available funds about preemptive measures against financial crimes.
- Both statutes seek to update and outline the regulations of the market for retail payment methods.

- In terms of Liquidity, the Chilean Central Bank issued the Newsletter #3013-810. This modifies Chapter III.B.2.1 of the Compendium of Financial Standards regarding "Management and Measurement of Liquidity Position of Banking Companies", which signals that the progressive increase of the LCR from January 2019 to January 2022 must reach 0.9 (published August 7, 2018).
- In terms of Cybersecurity, the Central Bank issued Newsletter #604, which improves and updates the Operational Continuity Procedure in payment systems of high value in the LBTR system. Conversely, the SBIF issued Newsletter #3.640 and the Circular Note #6, both focused on the recording and reporting of events, specifically that cybernetic fraud suspicion committed against banking be informed and reported to the SBIF with a monthly frequency and in a consistent manner.
- Finally, on June 21st the Central Bank of Chile, by means of an agreement, eliminated the return rate of the legal reserves in national currency (Ordinary Session Agreement N°2156).

2

International Standards

General Parliament (Spain)

- Organic Law of Personal Data Protection and Digital Rights Warranty: issued on December 6th, 2018. Seeks to regulate the protection of personal and digital rights. This legal text standardizes rights and freedoms related to the Internet, such as net neutrality (in a sense that it does not have easily-determined physical borders), universal access, security rights over information contained within it, as well as providing digital education. It also creates the right "to be forgotten", portability and virtual will. It associates the intimacy protection rights or warranty with the ability to log in and off the internet.

Reputational Risk Model

During 2018, progress was made in structuring reputational risk as independent from other risk functions.

It is worth recalling that in September 2017, the Board of Directors had already approved of the Reputational Risk Model. This has a predominantly preemptive approach, but it is also based in efficient crisis management procedures. The goal is to incorporate reputational risk management into business and support activities, into internal processes, and into risk control and monitoring functions.

Therefore, the Reputational Risk Model involves a comprehensive understanding, not only of the Bank's activities and processes, but also in the way it is perceived by groups of interest (employees, clients, shareholders or investors, and the society in general) in different environments. This approach demands a

close coordination between the functions of management, support, and control of the different groups of interest.

To guarantee the correct implementation of the model and of socioenvironmental policies, the Reputational Risk Assembly was created to report issues discussed in the Global Compliance Committee.

It must be noted that within the risk reputational model, during 2016 socioenvironmental policies were approved establishing the criteria that Santander Group must apply in relation to the procurement of financial products and services in the following areas: energy sector, in the search for environmentally friendly solutions and sustainable energy sources; soft commodities, with the purpose to improve the sustainability of agricultural raw materials in the supply

chain; and defense, to safeguard the peace, security, defense and stability of countries, abiding to international conventions that have identified weapons that cause humanitarian harm. Even though several of these dispositions already existed, the aim was to gather them in a single document.

This policy outlines two types of activities, the ones prohibited, and therefore banning the Bank's participation (activities related to extraction and illegal sale of native species, deforestation, nuclear plants, manufacture of land mines, among others), and the ones restricted (activities related to forest resources, biomass plants, and nuclear energy generation, among others), where the Risk Division and the corresponding business area must assess the social and environmental impacts of the operation, the compliance to this policy, and the Equator Principles where applicable.

	Energy	Soft Commodities	Defense
Definition	Encompasses all sector -related activities (water, coal, nuclear, tar sands, oil and gas) and all types of funding, equity and consultancy services.	Includes all activities that have an impact in forest resources (wood, paper, wood pulp, biofuels, palm and soybean oil, rubber, livestock ad agriculture) and all types of funding, equity and consultancy services.	Everything related to the procurement of defense materials and dual use technologies.
Prohibited	Coal-fired power stations existing or being developed, changes to operative coal-fired power stations, nuclear plants that do not comply with policy regulations, large dams, and the development, construction or expansion of tar sand projects in countries not specified in the Equator Principles.	Deforestation (zones with high ecological value), peatland development in countries not specified in the Equator Principles and extraction and sale of native wood species without license to do so.	No commercial relations to organizations (nor subsidiaries) that create, trade, or distribute defense material or dual use technologies.
Restricted	Oil and Gas exploration and production projects, operations with coal-related energy groups, operations involved in the generation of nuclear energy, biomass power plants, and the construction or expansion of tar sand projects.	Processes that have an environmental impact in forests of high ecological and/or social value, listed in the UNESCO World Heritage. The extraction of native species, developments, forested areas that have undergone fires or massive deforestation in the last five years, operations or clients related to countries not specified in the following sub-sectors: wood, paper and wood pulp, palm oil, soybean, biofuels and livestock activities.	All operations related to the creation, trading or distribution of defense material or dual use technologies that do not abide by the treaties and conventions on the non-proliferation of weapons.



Risk-sensitive Sectors

Work has been done in the dissemination of the Risk Reputational Model, primarily with the Bank's most sensitive areas. Its main focus is the prevention reputational risk by applying socioenvironmental policies to clients of the energy, defense and soft commodities sector. There was also consultancy over business decisions related to customer inquiries and/or operations that could involve a reputational component, working in tandem with Risks, and business units.

Likewise, progress was made in the detection and mitigation of reputational impact events, by establishing processes for details of the event to reach the higher levels of management, and risk appetite reporting.

During 2018, the Mining/Metallurgy Policy and the Risk-sensitive Sectors Policy was approved.

The Risk-sensitive Sectors Policy includes sectors such as media, gambling, clubs, sports associations, religious institutions, trade unions and non-governmental organizations. In relation to these, procedural rules were approved to apply to corresponding clients and operations the Group wishes to maintain trade relations with.

Mining/Metallurgic	
Definition	Includes all activities, occupations and industries related to the mineral extraction and all funding, equity and consultancy services.
Prohibited	<ul style="list-style-type: none"> • Extraction, processing and trade of asbestos • Extraction and trade of rough diamonds that originate from producer countries involved in armed conflict or lacking the Kimberley Process Certification • Mining activities related to "conflict minerals" that originate from conflict zones that do not incorporate the corresponding processes of certification. • Those activities that violate the Companies Guiding Principles and the United Nations Human Rights, as gathered by the Banco Santander Chile Human Rights Policy • Mining activities that lack a tailings treatment procedure (to avoid tailings elimination in fluvial or shallow water environments)
Restricted	<ul style="list-style-type: none"> • Minerals and precious metals • Coal, notwithstanding what is stated in the Energy Policy • Uranium, notwithstanding what is stated in the Energy and Defense Policy • Mining activities with tailings dams • Activities that involve mountaintop removals • Activities that involve the resettlement of indigenous population and/or other vulnerable groups without their previous, informed free consent.

1. See Annex: Definitions to every type of activity. Following the definition of "designated countries" included in the Equator Principles, that is, countries that are considered to have a tangible environmental, social and legislation framework, and institutional capacity to protect its habitants and the natural environment. <http://www.equator-principles.com/index.php/designated-countries>

Communication Plan

The work carried out by Compliance has become visible due to an internal communication plan that improved during 2018. This one aims to promote good practices, ethical conduct of employees, and the correct and comprehensive application of regulations in the organization.

This process has garnered relevance particularly for commercial areas. Throughout the year an intense labor to fortify integrity and ethical conduct was made, in line with the Bank's mission and with the culture inspired by the Simple, Personal and Fair concepts.

Audits

The Bank obtained, on behalf of the Internal Audit Division, an adequate global rating for the Compliance Function auditing, which answers to a function fortified following the TOM (Target Operating Model) implementation, which has implied an improvement in the control environment and the risk culture.

Banco Santander has diverse tools inspired by the best international practices that outline the principles, values and behavior that all employees must have in relation to business and to groups of interest.

Codes of Conduct

Banco Santander has diverse tools inspired by the best international practices that outline the principles, values and behavior that all employees must have in relation to business and groups of interest.

Where certain issues precise a more detailed regulation, the rules established by the General Code of Conduct are supplemented with the ones present in sector codes and manuals approved by the Global Compliance Committee, and by notes or newsletters that develop concrete points from these codes and manuals.

The General Code of Conduct, the Stock Markets Conduct, the Money Laundering Prevention Manual, and the Manual Against Corruption and Bribery are in the corporate intranet at the disposition of all employees, for reading and subscription.

The primary documents are:

- **The General Code of Conduct:** it is the central element of the compliance program of the organization. It defines the Bank's values and principles that all employees must uphold in their relation to clients, suppliers, public authorities, hierarchical superiors, coworkers, the rest of the industry and society, based in a professional, impartial and honest behavior in line with the principles of Banco Santander. New officers entering the company take on the commitment to read, accept and sign the code.
- **Stock Markets Code of Conduct:** it discloses the policies in this matter, seeking to prevent conflicts of interest in the use

of privileged information for people belonging to key areas within the Bank. Among others, its aims are: to record and control the sensitive known information generated within the Bank; to keep a list of affected securities, track people initiating transactions with the Bank, and monitor their corresponding operations; to supervise the restricted securities operations, according to type of activity or portfolio to which the restriction is applicable; to receive and tend to communication and requests for authorization of independent operations; to control independent operatives of the people subject to the Stock Market Code of Conduct, and to manage possible breaches to the Conduct; to identify, register and resolve conflicts of interest and the causing situations; to analyze possible behavior suspect to constitute market abuse and if so, to report them to supervising authorities.

- **Manual for the Prevention of Money Laundering and Funding of Terrorism:** its goal is to disclose to all people working in the Bank and branches the policies, regulations, organization and procedures that must be applied and abided by to establish a proper prevention of money laundering system. Reading the document is mandatory, as is the realization of the training courses. This manual was updated in 2016 to adapt it to new needs and current standards. During 2018, 91% of collaborators --that is, 9.643 individuals-- participated in the prevention of money laundering formation courses.

Shareholders

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

The Bank opened its branch in Chile in 1978, dedicated mainly to international trade. In 1982 the assets and liabilities of Banco Español Chile, at the time under liquidation, was acquired. During the following years the Bank developed a comprehensive financial group concept, incorporating innovative technological solutions to improve client service. In 1993 Fincard was acquired, the largest credit card processing company in the country to that date, thus entering the low-income segment. The next year the SuperHipoteca product was launched causing a significant national impact, allowing the Bank to duplicate its business volume in only eight months. Financiera Fusa was acquired in 1995, which was merged with Fincard giving birth to Banefe, Santander's specialized division to serve middle and low-income individuals. Santander Chile merged with Banco Osorno y la Unión in 1996. In 2000, the www.santander.cl web portal was launched and in 2001 the Universia portal was created with the support of the Santander Group and the country's main universities. That same year a bancarization effort through Banefe was started.

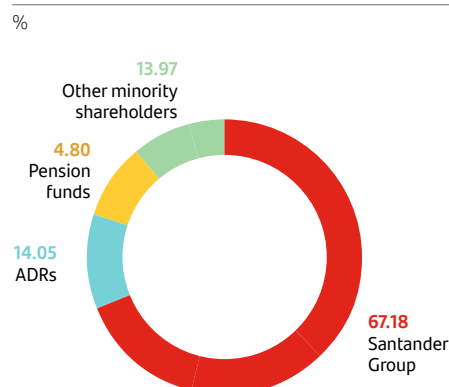
In July 2002 an Extraordinary Shareholders' Meeting was held in which the merger between Banco Santander Chile and Banco Santiago was approved, with the incorporation of the former into the latter. This operation gave birth to the largest bank in the country with leadership in all business segments. 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

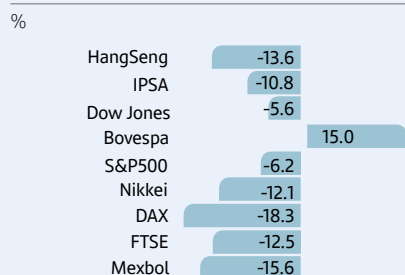
Banco Santander's core capital as of December 31, 2018 is divided into 188,446,126,794 ordinary shares, of only one class, without par value. The shares trade in the Santiago Stock Exchange, and in the New York Stock Exchange (NYSE) as ADRs (American Depositary Receipts). The largest shareholder is the Santander Group, 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, 2018 jointly held 3.68% of the shares- and other minority shareholders. Among the latter are included ADR holders, which hold as a group 14.1% of the property.

Banco Santander Chile Shareholder Structure



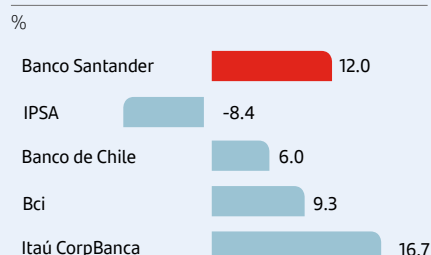
Business name or shareholder name	Number of Shares	% OVER TOTAL
Santander Chile Holding S.A.	66,822,519,695	35.5%
Teatinos Siglo XXI Inversiones S.A.	59,770,481,573	31.7%
Santander Group	126,593,001,268	67.2%
The Bank of New York Mellon (ADRs)	26,486,000,071	14.1%
Itau-Corpbanca on behalf of third parties	5,311,019,085	2.8%
Banco de Chile on behalf of third parties	5,302,358,735	2.8%
Banco Santander on behalf of third parties	4,839,297,004	2.6%
A. F. P. Provida S. A.	2,324,653,690	1.2%
A. F. P. Habitat S. A.	2,131,065,897	1.1%
A. F. P. Cuprum S. A.	1,919,334,463	1.0%
A. F. P. Capital S. A.	1,774,331,859	0.9%
Banchile Corredores de Bolsa S.A.	1,172,254,410	0.6%
Santander Corredores de Bolsa Limitada	726,523,296	0.4%
B.C.I. Corredor de Bolsa S.A.	704,601,094	0.4%
A. F. P. Modelo S. A.	580,674,766	0.3%
Larraín Vial S.A. Corredora de Bolsa	401,035,717	0.2%
Valores Security S.A. Corredores de Bolsa S.A.	371,195,338	0.2%
Bice Inversiones Corredores de Bolsa S.A.	320,506,349	0.2%
A. F. P. Planvital S. A.	313,428,527	0.2%
Fondo Mutuo BTG Pactual	298,742,625	0.2%
Administradora General de fondos Security	279,894,783	0.1%
Administración de cartera	264,686,124	0.1%
Corpbanca Corredores de Bolsa S.A.	262,084,141	0.1%
Fondo Mutuo Santander	252,936,537	0.1%
Boston Administradora General de Fondos	230,000,742	0.1%
Banchile Administradora General de Fondos S.A.	207,329,193	0.1%
BTG Pactual Chile S.a. Corredores De Bolsa	190,585,164	0.1%
FM Gestión Estratégica	167,510,187	0.1%
Soc. Adm. de Fondos de Cesantía de Chile II	158,168,060	0.1%
Credicorp Capital S.A. Corredores de Bolsa	153,700,620	0.1%
Fondo Mutuo Consorcio	138,420,570	0.1%
Other 11,401 shareholders	4,570,786,479	2.4%
Total shares	188,446,126,794	100.0%

Total return, global markets



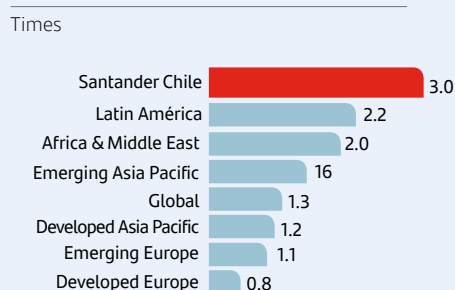
Source: Bloomberg. Total return is the change in stock price except for total return which includes dividends.

Total return including dividends



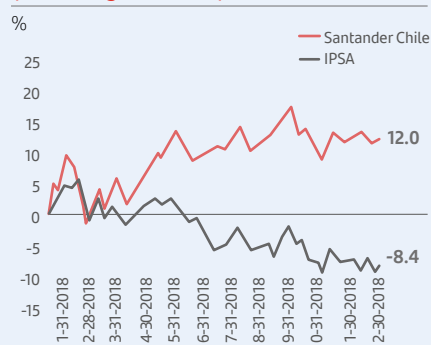
Source: Bloomberg.

Book value compared to other banks



Source: JP Morgan Global Valuation Matrix, December 2018, except for Santander Chile.

Total return compared performance (including dividend)



Source: Bloomberg.

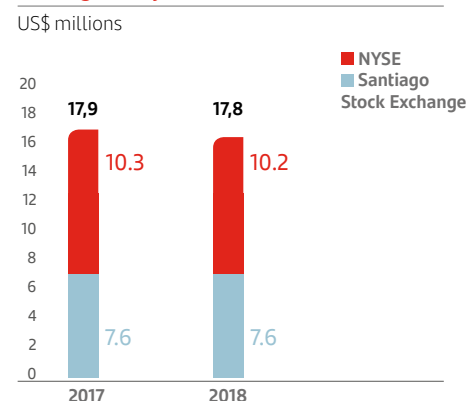
Stock price performance

While the national economy had a rather positive year in 2018, the external scenario was more complex, marked by: uncertainty in Europe; the trade war between the United States and China; the beginning of the Fed's monetary normalization process; and the presidential elections in Latin America, especially those in Brazil and Mexico. In this context, the global markets experienced high volatility during the year, and the IPSA (Chilean Stock Exchange composite) closed with a negative annual variation of 10.8% and a total return including dividends of -8.4%, while the S&P index reflected a decrease of 6.2%.

Our shares stand out for their good performance during the year compared to the indexes and our peers. Santander Chile's share price increased 7.3%, closing the year at \$51.7 (US\$29.9 per ADR) and creating value for shareholders for US\$1,692 million in 2018. When adding the dividend paid during the year, which amounts to 75% of the attributed net income of 2017 for an amount of \$2.24791611 per share, total return perceived by shareholders during the year reached 12.0%.

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 3.0 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.

Average daily traded volume



Stock indicators	2018	2017	Change %
Closing share price (Ch\$)	51.69	48.19	7.3
High share price (Ch\$)	55.23	50.65	9.0
Low share price (Ch\$)	47.50	34.65	37.1
Closing ADR price (US\$)	29.90	31.27	-4.4
High ADR price (Ch\$)	34.94	32.06	9.0
Low ADR price (Ch\$)	28.94	21.36	35.5
Shares (million)	188,466.1	188,466.1	--
ADR Ratio	400	400	--
Earnings per share (Ch \$)	3.14	3.00	4.8
Earnings per ADR (US\$)	1.80	1.95	-7.7
Dividends per share (Ch \$)	2.25	1.75	28.6
Dividends per ADR (US\$)	1.49	1.04	43.3
Payout policy (%)	75.00	70.00	7.1
Price / earnings per share (times)	17.12	16.83	--
Price / book value per share (times)	3.01	2.90	--
Market capitalization (US\$ millions)	14,086	14,732	-4.4
Average daily traded volume (MMUS\$)	17.76	17.91	-0.8
Total return (including dividends) in pesos	12.00	35.10	
Total return (including dividends) in dollars	-0.25	49.30	

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 2018, the average daily traded volume reached US\$17.8 million of which US\$7.6 million correspond to the local share and US\$10.2 million to the ADR. This figure is 7.2% higher than in 2017.

Payout policy

The Bank's payout policy is to distribute at least 30% of the net income attributable to equity holders as dividends, in accordance with current dividend regulation set forth in the Chilean Securities Market Law and the General Banking Law. Nevertheless, during 2018 the Ordinary Shareholders' Meeting held on April 24, it was agreed to distribute 75% of net income attributable to equity holders for the year 2017 as dividends. It should be noted that the dividend reinvestment program oriented towards retail shareholders of Banco Santander, launched in 2016, offers shareholders the option to reinvest their perceived dividends in shares of the Bank without paying any kind of fees. Furthermore, 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, USA 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 made with investors of all kinds in more than 10 countries.

Risk rating

Banco Santander es una de las empresas privadas con mejor clasificación de riesgo en Latinoamérica y los mercados emergentes.

Local ratings

Fitch Ratings

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

Feller Rate

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

International ratings

Currently three rating companies classify Banco Santander: Moody's, Standard and Poor's (S&P) and Fitch Ratings. In July 2018, Moody's lowered the rating of the sovereign risk of Chile to A1, and therefore also lowered the risk rating of the Bank from Aa3 to A1, with a stable outlook. In 2018 S&P improved its outlook from negative to stable, and reaffirmed A. Fitch Ratings kept the Bank's A rating with stable perspective.

International ratings

Moody's

Bank deposits	A1
Baseline Credit Assessment (BCA)	A3
BCA adjusted	A3
Senior bonds	A1
Short-term	P-1
Outlook	Stable

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	Stable

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

Our economic and financial performance

Market environment	48
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Market environment



48

During 2018, the global economy began optimistically backed by the significant and simultaneous growth of several countries -for the first time since the financial crisis-, which meant a sustained recovery for the world's activity.

The price of raw materials showed a significant rise and the most relevant stock markets rose to historical levels. However, this scenario changed with the beginning of the commercial war between the United States and China, the political tensions in Europe and the adjustment of the financial markets to the withdrawal of the monetary incentive by the Federal Reserve. As of the second quarter, Europe started showing an activity slowdown and during the third quarter the effects of the commercial dispute were evident, which affected

raw material prices. The strong fiscal stimulus at the beginning of the year allowed the United States to maintain a vigorous growth. However, during the last months of the year stock indices showed a sharp decline, and although the global economy expanded at a high rate of around 3.7%, growth began to slow down. For the future, a number of indicators foresee a moderate growth.

Labor markets remained robust, creating incipient but limited pressure on inflation in many of the major economies. As a result, the global monetary conditions kept tightening. The United States Federal Reserve increased in four occasions its reference rate, closing the

year in a range of 2.25%-2.5%. The European Central Bank decided to conclude its massive asset purchase program in December, and even though its rate remained in negative territory, the Central Bank determined that during 2019 there could be a rise.

Adjustment to monetary conditions resulted in widespread currency depreciation for emerging countries, and in the case of the most vulnerable ones, it caused a strong rise in risk premiums and higher inflation rates.

Communications between the United States and China have advanced, and it seems likely that some kind of agreement will be settled and that the commercial conflict will not worsen. However, some issues may not be satisfactorily resolved, so disputes between these two countries could re-emerge. On the other hand, political tensions in Europe will continue, considering the Brexit situation remains uncertain and that new hotbeds of conflict have emerged. Developments on these fronts will be key to the future dynamics of global growth and financial prices.

In line with global activity, the Chilean economy ended the year 2018 with high optimism, in line with the recovery that began mid-2017.

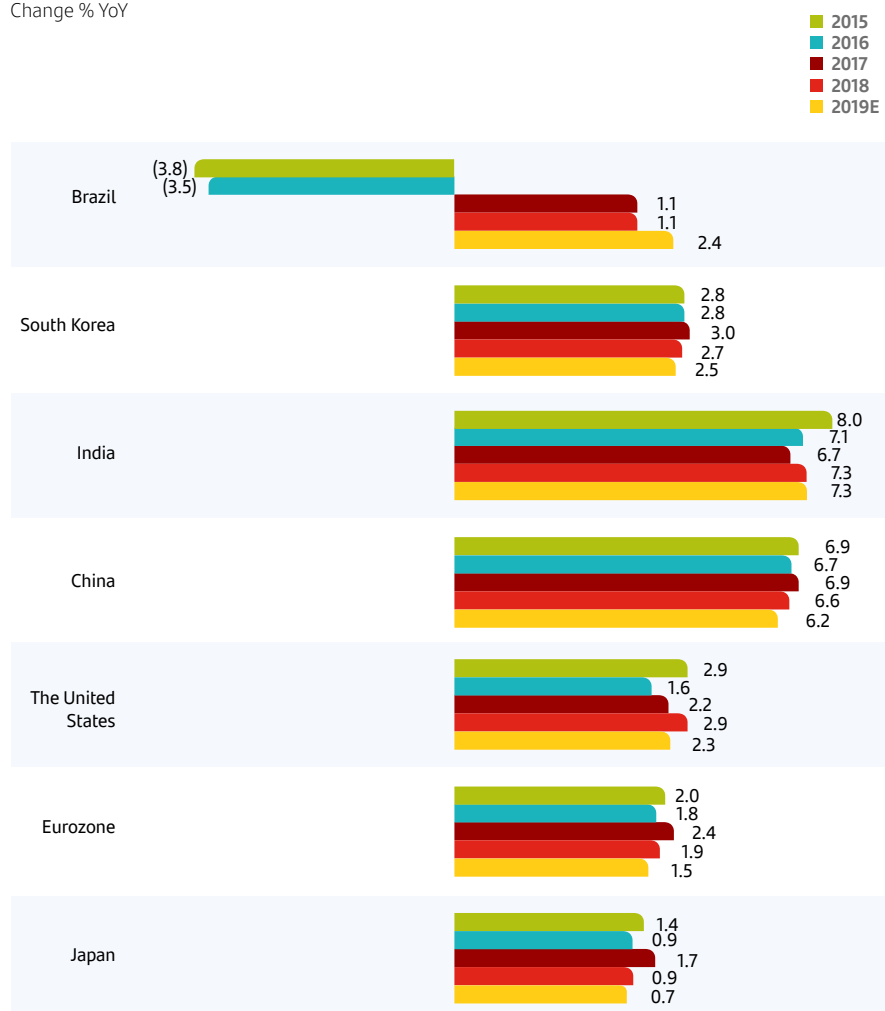


During the first part of the year, the high growth was due to a favorable comparison base in mining, and systematic rises in the rest of the sectors. This was supported by a strong global economy and a positive local business climate. Despite this, in the second part of the year growth rates diminished, being affected not only by the more demanding comparison bases, but also by the impact of the lower global dynamism that resulted in the falling copper prices and a decline in confidence. Even so, 2018 closed with an expansion around the 4%, quite above what was projected a year ago.

Despite the recovery in activity, employment expansion was relatively low and the unemployment rate showed a marginal increase. The low employment creation gave rise to a debate regarding the possible delay of the National Institute of Statistics (INE) surveys, which would not be picking up the impact of migration in the labour market. Without leaving this aside, there is information that indicates the market has stayed behind the economic cycle, which has resulted in a low payroll growth and low confidence levels. This explains the relatively narrow demand growth of 2018 and low inflation, which closed for the third consecutive year below the Central Bank's target.

Real GDP

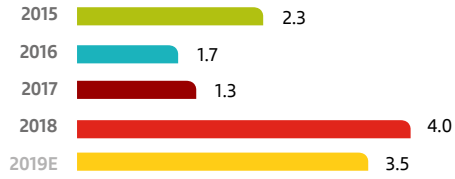
Change % YoY



Market environment

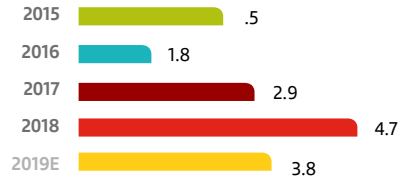
Real GDP Chile

Change % YoY



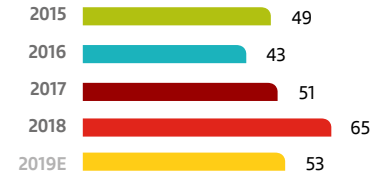
Domestic demand

Change % YoY



Average WTI oil price

US\$/BBL



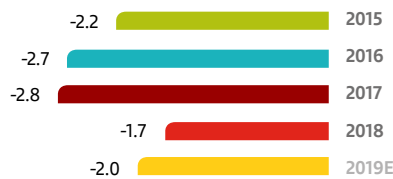
Average copper price

US\$/LB



Effective fiscal result

% GDP



Average nominal exchange rate

CH\$/US\$



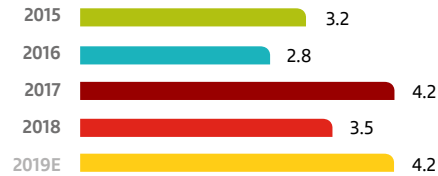
Monetary policy rate

%



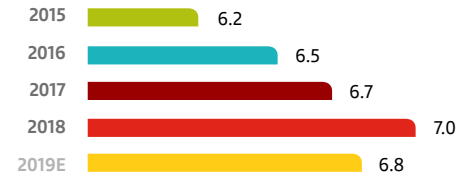
Labor income

Change % YoY



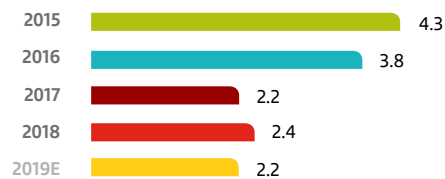
Average unemployment

%



Average inflation

Change % YoY



The New Banking Law modernizes regulation by incorporating Basel III standards into the Chilean financial system, providing greater stability.



In October, the Central Bank began the process of raising its rates, with an increase of 25 basis points. Overall, the Monetary Policy Rate (TPM) closed the year around 2.75%. In its last Monetary Policy Report in December, even though the Central Bank informed that the process of increasing rates would be slow and paced, it projected rises which leaves the Monetary Policy Rate (TPM) quite above what the market expects by 2020.

Pivotal year for further reform

One of the highlights of 2018 was the adoption of the New Banking Law. At the core, this law modernizes regulation by incorporating Basel III standards into the Chilean financial system, providing greater stability. An expeditious handover of responsibilities from the current Superintendence of Banks and Financial Institutions (SBIF) to the Financial Market Commission (CMF) is a key step towards the transitions entailed with the law implementation. When this comes to fruition, asset weightings, additional capital requirements for systemic banks, and countercyclical buffers will be defined. Certainly, this law is fundamental to align the local regulatory standards with best practices and to strengthen the financial system.

Mid-2018, the government submitted the tax modernization project as well as the pension reform project. The first reintegrates income tax and withdrawal-based taxing, simplifying the system, while offering more certainty to the resolutions of the Internal Revenue Service (SII) and introducing an intermediary, the Taxpayer Advocacy Counsel (Dedecon). It also adds a 10% tax to services provided through external digital platforms and expands the use of electronic billing. Regarding the digital tax, one of the most interesting proposals is the one that suggests a 19% rate to make it compatible with VAT.

Regarding the above, the opposition has expressed some reservations, mainly in relation to the taxing neutrality of this reform and the distributional impact it may have. The progress of the project involves the possibility of a comprehensive agreement in this area that will ease the complexities of the tax system and will remain stable over time to reduce the uncertainty that results in frequent tax changes.

Additionally, the pension system reform, which is close to be launched to a legislative debate, increases the compulsory contribution by four percentage points which the employer would have to pay for; it introduces a series of changes to the pension fund competition system; and it raises the Basic Solidarity Pension (PBS) and the Government Subsidized Pension (APS). The government stated that this reform would cost US\$3.5 billion until full

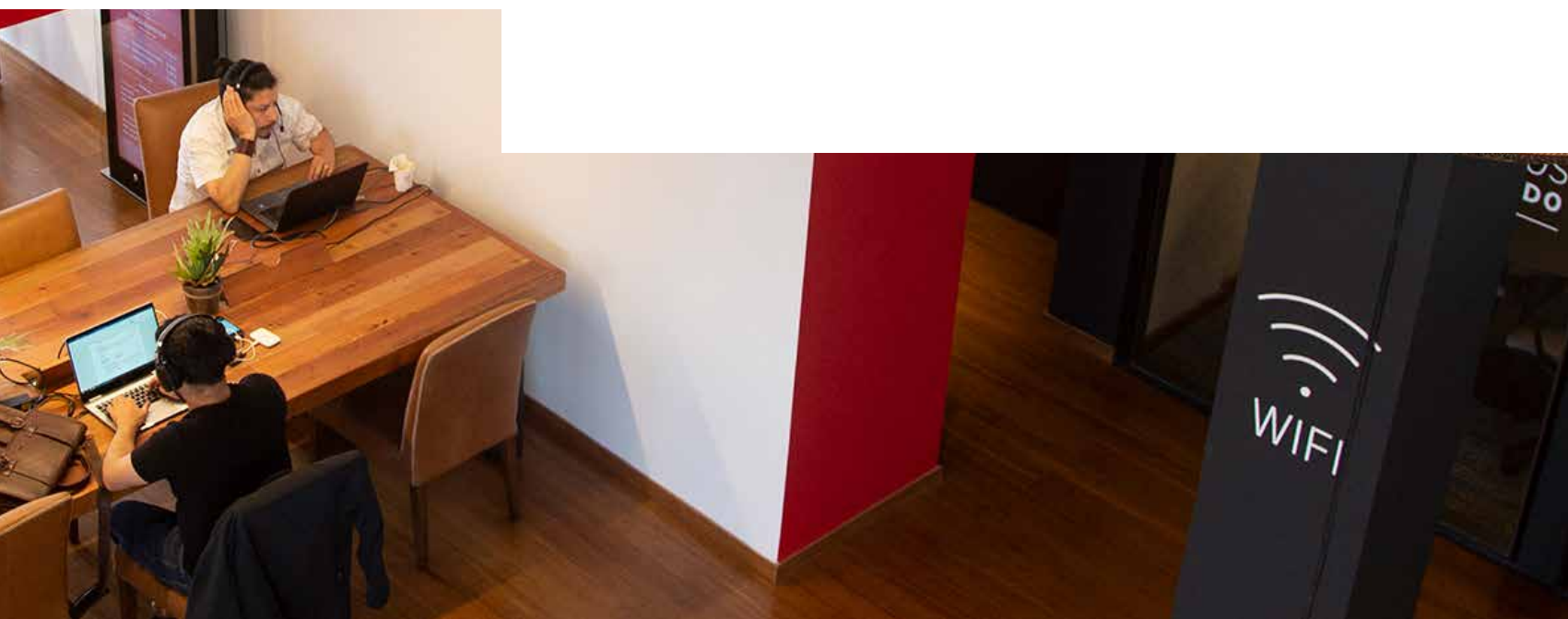
implementation – which would take eight years after being issued - and would be funded by budget surpluses.

From a macroeconomic perspective, the raise in mandatory contributions could increase national savings, which could in turn improve investment and strengthen financial markets further. Conversely, the fiscal expenditure related to the solidary pension component - a little more than 1% of GDP - might not be feasible to fund through surpluses. If so, this would strain the fiscal deficit and public debt.

Furthermore, the government announced a draft bill to modernize labor relations and to fill in some gaps left by the last reform, by modifying and regulating the negotiating groups, while also reviewing minimum services and replacement in strikes. The initiative also provides greater flexibility for working away from the office and better distribution of working hours.

Regarding the reform of the Environmental Impact Assessment System (SEA) and proposals to modernize the State, both are very important topics in order to achieve greater productivity and bolster investment and growth. Finally, the controversy over employment data supports the idea to reinstate the draft bill that modernizes the National Statistics Institute (INE).

In all, the government has imposed on itself an important goal: the need to advance through the reforms through comprehensive agreements. This is paramount to ensure that accomplished changes remain stable and long-lasting.



Financial system

After a 2017 with moderate loan rises in the financial system, the economy was reactivated in 2018, bolstering loan growth.

Thus, total loans increased 11.5% in nominal terms -excluding Corpbanca's investment in Colombia and BCI's in the U.S- well above the 4.3% produced the previous year. This growth is largely due to the reactivation of investment by companies. This is why commercial loans increased by 10.8% in nominal terms, over five times the growth of the previous year that finished close to 1.8%. Meanwhile, consumer loans grew 21.9% in the year, largely due to the rise in credit cards by 53.8%. This effect is due to two events: (i) the decision of Banco Falabella to incorporate the operations of the credit card CMR (its card retail) within their bank; and (ii) the inclusion of TotalBank and the purchase of the credit cards from Walmart to the portfolio of BCI. Without including these effects, credit cards increased by 10.1% compared to the previous year, showing a healthy growth. Mortgage loans also showed a similar boost, expanding 9.4% in nominal terms, slightly below the 10.1% noted in 2017.

growth in the latter. This increase was above the 6% achieved in 2017, showing a greater dynamism during the first half of the year. However, as uncertainty grew in international markets, this increase eased.

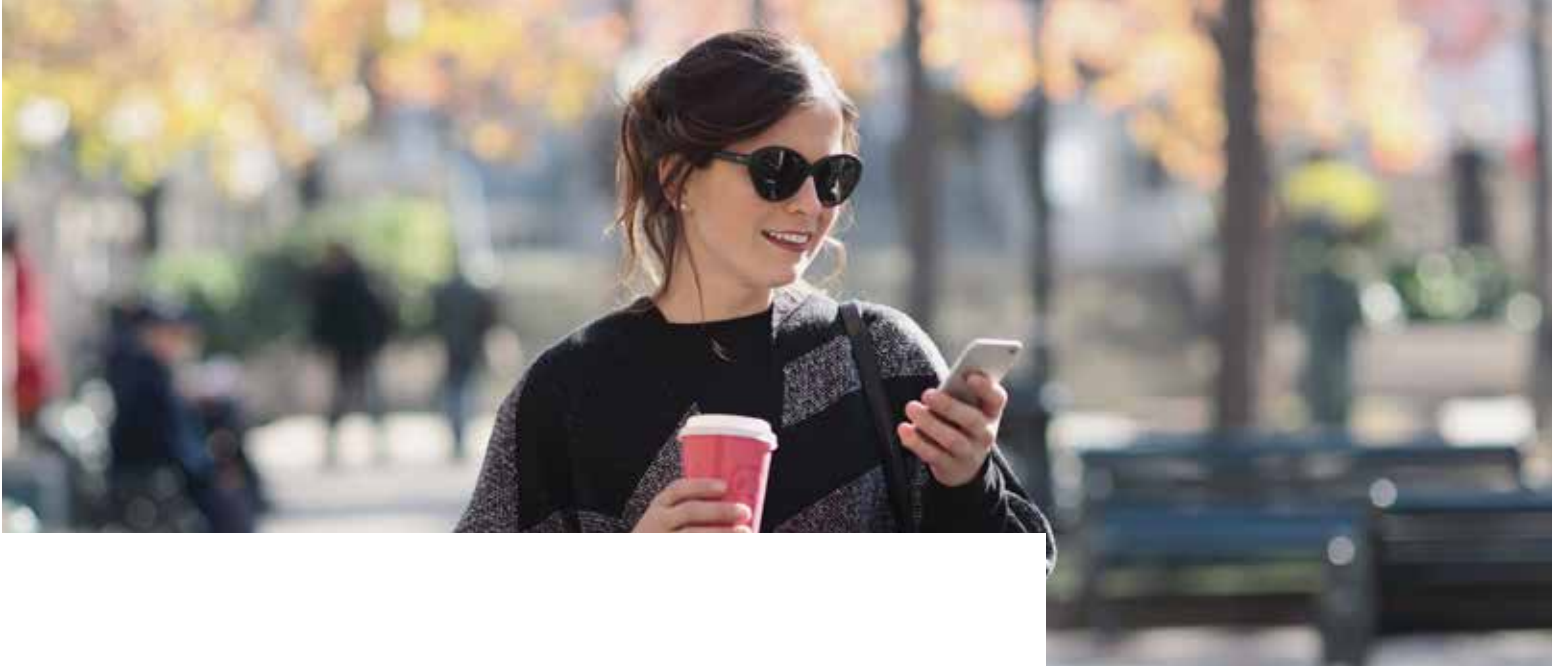
As the economy continued to reactivate, the portfolio quality improved in relation with the previous year's level, with non-performing loans over total loans reaching 1.91% at the end of the year, below the 1.95% figure registered at the close of 2017. On the other hand, the risk index or expected loss (understood as loan loss allowances over total loans) improved from 2.49% in 2017 to 2.44% at the year-end, showing an improvement in asset quality as well.

The industry achieved good results in 2018 as a reflection of loan growth and control over non-performing loans, as well as efforts to lower expenses. Net interest income increased 8.5%, while net fees grew 7.5% in the period. Furthermore, the asset quality remained stable which was reflected by an increase of provisions in line with loan growth. Financial transaction results (ROF) also increased 10.8%, and operating expenses grew 3.8%, slightly above inflation. This is how the pre-tax result increased 12.3%. All the above mentioned was compensated by a higher income tax as it reached 27% of the fiscal tax rate in 2018, the last increase as stated in the tax reform approved in 2014. Lastly, net income for the banking system reached Ch\$2,395 billion, 7.1% higher than the previous year.

Chilean banking system ratios (%)

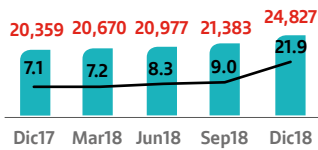
	2018	2017	2016
Return over average assets (ROAA)	1.03	1.04	0.95
Return over average equity	12.5	12.4	11.6
BIS ratio system	13.32	13.57	13.78
Efficiency	49.90	49.4	50.2
Non-performing loans (NPLs) / Total loans	1.91	1.95	1.87
Expected loss	2.44	2.49	2.5
Loans / deposits	94.0	90.6	89.6

Thus, total deposits increased 6.7% -excluding Corpbanca's investment in Colombia and BCI's in the U.S- well above the 3% figure of 2017. The dynamics of savings in the system responded to the international and local economic scenario, local interest rate levels and the acceleration of loan growth. Demand deposits grew by 8.1% compared to the 10.1% figure in the previous year, while time deposits increased by 6% versus an increase of 0.7% in 2017. Investors continued to invest in the stock market and mutual funds, reaching a 6.5%

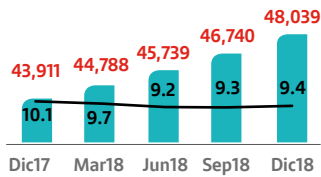


Loan growth of the Chilean Banking System¹

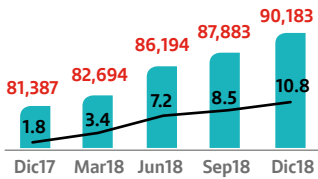
Consumer loans
Ch\$ billions
Change% y/y



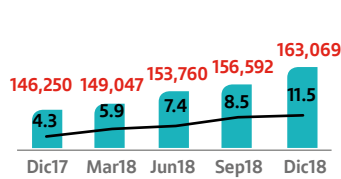
Mortgage loans
Ch\$ billions
Change% y/y



Commercial loans
Ch\$ billions
Change% y/y

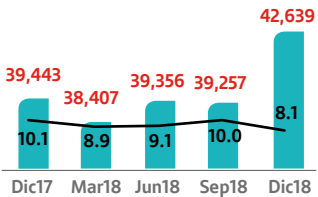


Total loans
Ch\$ billions
Change% y/y

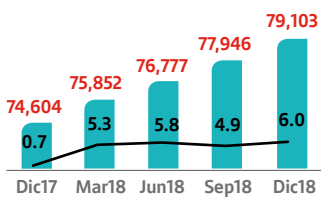


Savings growth of the Chilean Banking System¹

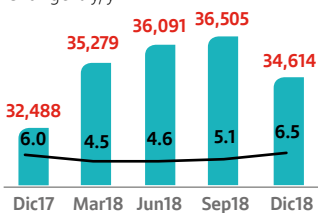
Demand deposits
Ch\$ billions
Change% y/y



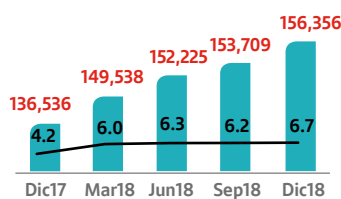
Time deposits
Ch\$ billions
Change% y/y



Mutual funds
Ch\$ billions
Change% y/y



Total savings
Ch\$ billions
Change% y/y



1. Excludes investments from Corpbanca in Colombia and from BCI in the United States

Financial results

The financial results obtained by Banco Santander Chile in 2018 clearly reflect the successful implementation of its strategy and a more favorable economic environment.

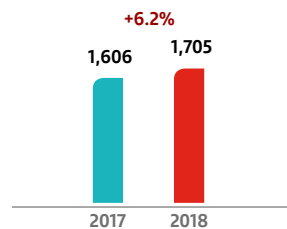
Net income attributable to equity holders reached Ch\$591,902 million in 2018, a figure 4.8% higher than in 2017. Net income before taxes, which does not consider the effects of the increase in the statutory tax rate during 2018, grew 5.7% compared to the previous year. The ROE (measured as net income attributable to shareholders over average equity) reached 19.2%, relatively stable in comparison to 2017. The ROA (understood as attributable net income over average assets) reached 1.58%, a figure similar to the previous year. Efficiency, this is, operating expenses over operating income,

closed the year at 40.0%, which compares favorably with the 40.8% registered in 2017, positioning Santander as one of the most efficient commercial banks on a global level.

These results are a combination of a higher activity due to the growth of the economy (investment in particular); a greater number of loyal clients, driven by the continued improvements in service quality and a wide digital supply; a high growth of current accounts; stable asset quality portfolio; and tight cost control.

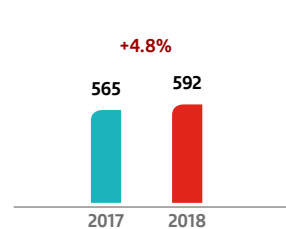
Interest and fee income

Ch\$ billions



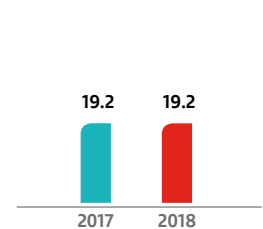
Net income attributable to shareholders

Ch\$ billions



ROAE

Ch\$ billions



Summary of results (MM\$)

	2018	2017	Change 18/17
Net interest income	1,414,368	1,326,691	6.6%
Net fee income	290,885	279,063	4.2%
Gross margin	1,705,253	1,605,754	6.2%
Total financial transactions	105,082	129,752	-19.0%
Other operating income	39,526	87,163	-54.7%
Net operating profit	1,849,861	1,822,669	1.5%
Loan loss provisions	(325,085)	(299,205)	8.6%
Net operating profit	1,524,776	1,523,464	0.1%
Operating expenses	(721,933)	(704,893)	2.4%
Other operating expense ¹	(45,779)	(101,658)	55.0%
Net operating profit	757,064	716,913	5.6%
Net income after tax	596,262	577,263	3.3%
Minority Interest	4,360	12,448	-65.0%
Net income attributable to equity holders	591,902	564,815	4.8%
Net income per share	3.14	3.00	4.8%
Net income per ADR (US\$) ²	1.80	1.95	-7.7%
Loans and accounts receivable from customers ³	30,266,929	27,563,229	9.8%
Interbank loans	15,094	162,684	-90.7%
Total loans	30,282,023	27,725,913	9.2%
Total deposits ⁴	21,809,236	19,682,111	10.8%
Loan / deposit adjusted ⁵	98.0%	100.7%	-270 bps
Equity	3,285,709	3,108,063	5.7%
Net interest margin	4.4%	4.4%	+2 bps
Efficiency ratio ⁶	40.0%	40.8%	-81 bps
Recurrence ratio	40.3%	39.6%	+70 bps
ROAE ⁷	19.2%	19.2%	-7 bps
ROAA ⁸	1.58%	1.58%	-0 bps
Non-performing loans / total loans	2.09%	2.28%	-20 bps
Coverage of non-performing loans	126.11%	128.78%	-267 bps
Expected loss ⁹	2.63%	2.94%	-31 bps
BIS ratio	13.40%	13.91%	-50 bps
Branches	380	385	-1.3%

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. Includes demand deposits and time deposits. / 5. Net loans (including interbank loans) less portion of mortgages financed with loans over total deposits. / 6. Efficiency Ratio: operating expenses excluding impairment and other operational costs divided by operational income. Operational income = net interest income, fees, results of net financial operations and other operating income minus other operating expenses. / 7. Net income attributable to equity holders over average equity. / 8. Net income attributable to equity holders over average total assets. / 9. Loan loss allowances over total loans.



Financial results

Loans

Total loans (including interbank loans) increased by 9.2% in 2018, a growth rate nearly five times higher than in 2017. The Bank's market share in total loans reached 18.6% and held a strong position as number one in Chile.

The rise in investment was the major driver of loan demand in the year. Therefore, commercial loans grew 9.6% in 2018, led by Middle Market, which showed a 13.5% increase in its loan portfolio. As a result, the Bank promoted growth in various sectors. Overall the market share in commercial loans was 16.9%.

Additionally, SCIB, which serves multinational clients and the largest corporations in the country, showed 2.9% growth in its loan portfolio, driven by large investment projects financed by the Bank.

Regarding SMEs, loans grew by 1.1%. The focus in 2018 was to redesign the commercial strategy and its offer, focusing mainly on the larger companies within this segment, with a comprehensive offer that balances income from loans operations with fee-generating products from transactional banking, treasury and others.

Loans to individuals rose by 9.8% in 2018, which allowed a market share of 20.6% to be reached. This expansion was driven by the Santander Select segment, which grew by 14.9%. Loans to middle-income individuals expanded 2.0%, while in the case for low-income individuals- with a remnant of what was Santander Banefe's portfolio- loans fell by 29.9%.

On the other hand, Santander Life, our new commercial model for the mass segment also contributed to the growth of the Bank in the Retail segment. This new customer business model, which was launched at the end of 2017 and which is supported on a digital platform, ended the year with a loan portfolio of Ch\$25,904 million and 34,678 customers, accounting about 20% of all the individual plans sold in the year.

Loans by segment (Ch\$ millions, %)

	2018	2017	Change 18/17
Individuals ¹	16,921,496	15,408,301	9.8
SMEs	3,865,141	3,824,868	1.1
Individuals + SMEs¹	20,786,637	19,233,169	8.1
Middle-market	7,690,380	6,775,734	13.5
Global Corporate Banking (SCIB)	1,681,697	1,633,796	2.9
Others	123,309	83,215	48.2
Total loans²	30,282,023	27,725,914	9,2

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

2. Includes interbank loans. 1. Gross of loan loss allowances.

Loans by product (Ch\$ millions, %)

	2018	2017	Change 18/17
Commercial	15,239,659	13,908,642	9.6
Mortgage	10,150,981	9,096,895	11.6
Consumer + credit card	4,876,289	4,557,692	7.0
Consumer	3,459,137	3,192,712	8.3
Credit cards	1,417,152	1,364,980	3.8
Loans and accounts receivable from customers	30,266,929	27,563,229	9.8
Interbank loans	15,094	162,684	-90.7
Total loans¹	30,282,023	27,725,914	9.2

1. Gross of loan loss allowances.

Cuota de mercado total y por producto (%)

	Santander	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5
Créditos totales	18,6	17,4	13,9	14,0	13,6	10,0
Individuos	20,6	17,1	16,1	15,9	13,0	7,7
Consumo	19,6	17,9	8,5	13,5	14,6	7,1
Vivienda	21,1	16,8	20,0	17,1	12,2	8,0
Comerciales	16,9	17,1	12,8	12,5	13,9	11,8

Fuente: Cálculo Santander en base a datos de la SBIF excluyendo sucursales y filiales en el exterior.



In terms of products, the growth of mortgage loans stands out, with an increase of 11.6% in the year, mainly in the middle and high-income segments. It should be stressed that this growth meant an increase in the quota of 40 bps to 21.1%. The Bank also continued its conservative policy on new mortgage loans, growing along healthy levels of loans-to-value (which represents the amount of each loan to the value of the mortgage guarantee that protects said loans) around 75%.

Consumer loans, which include consumer loans in installments, loans through credit cards and credit lines to individuals, grew by 7.1% in 2018. Conversely, consumer loans in installments increased by 8.3% in the year, while credit cards loans increased by 3.8%. This answers to the growth strategy focused on the high-income segment that demands more loans in installments and, on the other hand, prefers to use the credit card as a means of payment rather than a credit instrument. This is also seen in credit card fees that increased by 29.0% in 2018. As a result of the selective growth in consumer loans, our total share of this product fell 160 basis points to 19.6%. Despite this, the Bank maintained its leading position in the industry.

Client funds

The main source of funding for the Bank are the deposits of our customers (demand deposits and time deposits), which represent 60.7% of the total liabilities of the Bank. These are managed daily by our commercial team and through the Internet. Other relevant sources of funding are bonds, lines of credit with other banks and equity.

In 2018, total deposits grew 10.8%. This increase allowed Santander to maintain its leading position among private banks in total deposits with a market share of 17.9%, which increased 55 basis points in the year. In 2018, the focus was to control fund costs in an environment of high short-term interest rates.

In line with the above-mentioned strategy, a successful increase in demand deposits and the number of current accounts was boosted in 2018. This was achieved thanks to major improvements in quality of service and a greater number of loyal clients, which highlights the growth of 11.3% in demand deposits of individuals. At the same time and in tandem with the leadership of Santander in the products of Transactional Banking, demand deposits from our customers in SCIB increased by 22.7% in 2018.

Overall, Banco Santander managed to strengthen the market share in demand deposits from 19.5% at the end of 2017 to 20.5% at the end of 2018. The number of current accounts grew by 6.7%, totaling 1,021,280 accounts. This development enabled the Bank to strengthen its position by reaching a market share of 21.3% in current accounts.

On time deposits, the Bank focused its strategy on controlling the cost of these instruments rather than on expanding market share, especially in a scenario of short-term interest rate hikes and with a strong growth of sight accounts. Despite this, the share in time deposits increased to 16.5%, 50 bps higher than the level achieved at the end of 2017. Following this strategy, we achieved the lowest cost of time deposits in 2018.

The Bank's commercial network also operates as a broker, exclusive of Santander Asset Management S.A. Administrador General de Fondos. In 2018, the mutual funds administered by this company through the bank's brokerage amounted to Ch\$5,576 thousand million, a figure that reflects a 10.3% increase over 2017. This growth is explained by the positive return on several funds, in particular those of international equity and fixed-income funds. Overall, the total savings of our customers — measured as the sum of demand deposits, plus time deposits and mutual funds— increased by 10.7% in 2018.

Other funding sources

The Finance Division is responsible for managing the Bank's other funding sources, mainly the issuance of bonds and bank lines. In 2018, the bank issued bonds to finance the longer-term assets that are primarily mortgages.

Financial results

Funding sources (Ch\$ millions, %)

	2018	2017	Change 18/17
Demand deposits	8,741,417	7,768,166	12.5
Time deposits	13,067,819	11,913,945	9.7
Total deposits	21,809,236	19,682,111	10.8
Mutual funds ¹	5,576,243	5,056,892	10.3
Total client funds	27,385,479	24,739,003	10.7
Total issued debt instruments	8,115,233	7,093,653	14.4
Adjusted loans/deposits²	98.0%	100.7%	-270 bps

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

2. Net loans (including interbank loans) excluding the portion of mortgages financed with bonds and credit letters. Mortgages are mostly long-term-fixed-rate loans financed mainly with long term liabilities and not short-term deposits. For this reason, in order to calculate the ratio, the mortgages are subtracted from the numerator.

In August 2018, Santander was the first bank to issue a floating rate bond in CLP in the local debt market. The issued bond was Ch\$75 thousand million with maturity as of January 10, 2022 and a local AAA rating of Fitch Ratings and Feller Rate. The placement was done through a Dutch auction and a large part of the investors visited during the roadshow participated, in which 26 one-on-one meetings were held, in addition to an expanded meeting with about 17 more investors, involving mutual funds, AFPs, banks, insurance companies and private banks. These efforts were reflected in the result achieved, in addition to supporting Santander's goal with this new instrument, which is to give greater depth to the Chilean debt market and increase the range of funding sources. In November, a second floating bond was issued in Chilean pesos with an oversubscription of two times. With this placement, Santander continues to develop the floating rate local debt market, seeking to generate a curve of this type of instruments.

Market share in deposits (%)

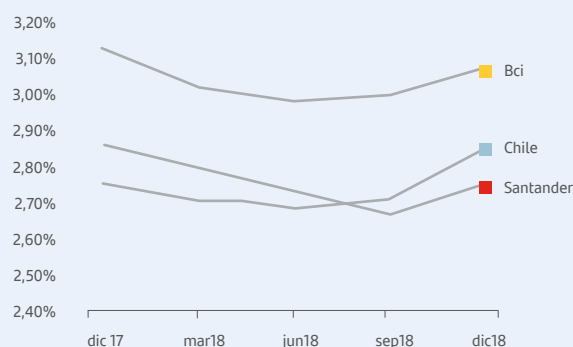
	Santander	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5
Total deposits	17.9	16.6	18.7	12.3	12.8	8.3
Demand deposits	20.5	22.5	22.3	9.6	13.1	5.4
Time deposits	16.5	13.5	16.7	13.7	12.7	9.9

Source: Santander calculation based on SBIF data excluding branches and subsidiaries abroad

Demand deposits by segment (Ch\$ millions, %)

	2018	2017	Change 18/17
Individuals	3,075,457	2,762,751	11.3
SMEs	1,372,167	1,269,157	8.1
Retail banking	4,447,623	4,031,909	10.3
Middle-market	2,666,101	2,427,430	9.8
SCIB	1,263,500	1,029,667	22.7
Total	8,741,417	7,768,166	12.5

Quarterly fund cost vs. competitor's (time deposits in CLP)



Source: Santander calculation based on SBIF data excluding branches and subsidiaries abroad.

Equity

At the end of 2018, the equity attributable to the Bank's equity holders amounted to Ch\$3,239,546 million (US\$4,643 million). This figure is 5.7% higher than in 2017, reaching a core capital (equity attributable to equity holders of the bank on risk-weighted assets) of 11.0%, slightly lower than 10.9% last year. On the other hand, the BIS or Basel Ratio stood at 13.4% on December 31, 2018, similar to the previous year, which was 13.9%. This position reflects the Bank's strategic focus on the efficient use of capital, assigning it to operations with high profitability in relation to its consumption. Thus, the figures show Santander's ability to grow by maintaining a strong position of capital. It should be noted that Banco Santander Chile has not issued new shares in the last 15 years.

The average return on pre-tax equity was 24.7% and 19.2% after tax at the end of 2018. This indicator reflects the focus on profitability of the Bank, improvements in the loan mix and funding mix, without compromising the high and prudential core capital and liquidity levels. In this way, Santander achieves an adequate combination of risk return.

Capital adequacy (Ch\$ millions, %)

	2018	2017	Change 18/17
Core capital ¹	3,239,546	3,066,180	5.7
Tier II ²	862,119	815,072	5.8
Effective equity ³	4,101,664	3,881,252	5.7
Risk weighted assets	30,600,177	27,911,835	9.6
Core capital/Total assets	7.72%	7.92%	-20 bps
Core capital / Risk weighted assets (Tier I)	10.59%	10.99%	-40 bps
BIS ratio	13.40%	13.91%	-50 bps

1. Equity attributable to equity holders of the Bank

2. Subordinated bonds allowed up to 50% of core capital, additional provisions and non-controlling interest.

3. Basic capital + Tier II.

The figures show Santander's ability to grow whilst maintaining a strong capital position.





Results by business segments

60

The net contribution by business segment has been flat in 2018 regarding 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. It is important to note that this stability was mainly due to the 1.2% drop in net interest income and segment readjustments. This, in turn, was primarily due to a change in the interest rate used to calculate the profitability of the balances seen in view of the decline in average interest rates in recent years. Excluding this, interest and adjustments from the business segments would have grown by 0.2%, driven by the increase in credits and offset, in part, by a credit growth focused on lower return business segments.

The net contribution of the individuals and SMEs segment fell by 2.9%, which is mainly explained by the decrease in interest income and adjustments resulting from the change in the compensation of the funds discussed

above. On the other hand, this segment experienced a growth of 6.8% in fees. During 2018, the increase in the number of loyal clients and the improvements in service quality boosted the fees in this segment. Among the products, we highlight the growth of credit card fees, insurance banking and mutual funds. In 2018, in this segment, improvements in credit exposure led to a 5.1% drop in net provisions. Finally, operating expenses increased 3.4% in 2018 due to investments in innovations and technological improvements, such as: the opening of Work Café, Santander Wallet, the new App, the new investment hubs of Santander Select and Santander Pass.

The Middle Market Banking (BEI), increased their net contribution by 2.1% in 2018. In this segment, interest income and readjustments increased 3.1%, driven by credit growth of various sectors of the economy. Fees grew by 1.3% and results from financial transactions rose by 22.5%. This reflects the fact that the Middle-market not only achieved an increase in credit activity, but also an improvement in the revenues of other non-credit services, reflecting a greater the number of loyal clients in this segment.



Results by business segment Analysis (Ch\$ millions)

Net provisions in middle-market rose 36.3% in 2018. This increase is a consequence of the increase in the portfolio in this segment and is also due to the abnormally low level of provisions in 2017 resulting from significant improvements in the risk profile of certain specific customers. Finally, middle-market operating expenses grew by only 0.5%.

The net contribution in Corporate Banking or SCIB rose 5.0% in 2018. Despite the 4.1% drop in interest income and net adjustments due to the change in the compensation of the funds described above, the increase in non-credit income by 26.9% in fees and 13.1% in financial transactions boosted the results in this segment. Support for large corporations in their needs not only of credit, but also of transactional banking, foreign trade, treasury and financial consulting explain the strong growth of these revenues. In addition, the net provisions charge was a net reverse reflecting the low credit exposure in this segment. Operating expenses only grew 3.6%, which means productivity improved in SCIB.

	Individuals + SMEs ¹	Middle Market Banking (BEI) ²	Global Corporate Banking (SCIB) ³	Total business segments ⁴
Net interest income	949,764	272,912	96,722	1,319,398
Change %	(2.1)	3.1	(4.1)	(1.2)
Net fee income	220,532	36,746	35,064	292,342
Change %	6.8	1.3	26.9	8.1
Financial operating results	19,694	16,848	57,340	93,882
Change %	(4.4)	22.5	13.1	10.4
Loan loss provisions	(275,351)	(26,314)	2,339	(299,326)
Change %	(5.1)	36.3	(41.6)	(2.0)
Net operating profit	914,639	300,192	191,465	1,406,296
Change %	0.8	1.6	4.5	1.5
Operating expenses	(553,157)	(92,377)	(64,913)	(710,447)
Change %	3.4	0.5	3.6	3.0
Net contribution by segment	361,482	207,815	126,552	695,849
Change %	(2.9)	2.1	5.0	(0.1)

1. SMEs: companies with sales below Ch\$1,200 million per year.

3. Middle-market: companies with annual sales between Ch\$1,2 billion and Ch\$10 billion, real estate companies with sales of more than Ch\$800 million and large companies with annual sales over Ch\$10 billion and institutions like universities, government entities and regional local governments.

3. Global Corporate Banking: local and foreign multinational companies with annual sales more than Ch\$10 billion.

4. Excluding results of corporate activities.

Income statement Analysis

The Bank's net interest income grew 6.6% during 2018. This favorable growth is mainly explained by:

1.

The interest-earning assets growth of 6.1% in 2018, which are comprised of the assets that generate interests as well as investments available for sale, repos and mainly loans, particularly commercial loans and mortgages;

2.

A better funding mix reflected in deposit rise seen in the year, the decrease in the average cost of total deposits from 1.9% in 2017 to 1.8% in 2018 and an increase in the ratio between free funds (demand deposits and equity) over interest-earning assets that went from 34.4% in 2017 to 35.2% in 2018;

3.

The greater variation of the Unidad de Fomento (or inflation adjusted currency, UF). In 2018 the UF varied 2.9% against 1.7% in 2017. The bank has more assets than liabilities indexed to the UF variation and in 2018 the bank proactively increased this gap by 8.7% from an average of Ch\$4,077,782 million in 2017 to Ch\$4,432,261 million in 2018 to benefit from the highest inflation in the year. As a result, the asset rate increased by 10 bps to 7.0%.

4.

All of this was partially offset by the rise in the cost of total liabilities that rose 25 bps to 2.78% in 2018 mainly because of the greater UF variation on bonds that finance mortgages, also denominated in UF. In addition, towards the end of the year the Central Bank began to raise interest rates again, which began to increase some of the Bank's liabilities. It should be recalled that the Bank's liabilities, being of shorter term than the assets, incorporate short-term interest rate increases more rapidly.

Net interest income (Ch\$ millions, %)

	2018	2017	Change 18/17
Net interest income	1,414,368	1,326,691	6.6
Average interest earning assets ¹	31,835,535	30,009,545	6.1
UF Gap (average) ²	4,432,261	4,077,782	8.7
Average interest earning assets rate ³	7.0%	6.9%	
Average cost of liabilities ⁴	2.7%	2.5%	
Average cost of deposits ⁵	1.8%	1.9%	
Free funds/interest-earning assets ⁶	35.2%	34.4%	
NIM ⁷	4.4%	4.4%	
UF variation ⁸	2.9%	1.7%	
Monetary Policy Rate ⁹	2.75%	2.50%	

1. They represent the assets that generate interest, mainly the investments available for sale, repurchase contracts and loans. / 2. Difference between assets and liabilities denominated by UF, including coverage. / 3. Interest income divided by average interest earning assets. / 4. Interest and adjustment expenses divided by cost liabilities plus demand deposits. / 5. Interest charges and adjustment of time deposits plus demand deposits over the average balance of time deposits plus demand deposits. / 6. Available Funds are the average balance of demand deposits plus the average equity divided by the interest earning assets. / 7. NIM: Net Interest Margin = Net interest income divided by the interest earning assets. / 8. Annual variation of the UF. Source: Central Bank. / 9. TPM: monetary policy rate fixed by the Central Bank.

Net fee income

The Bank's total fee income increased 4.2% in the period. Each year, more and more customers prefer Santander's products, services, digital channels and branches, leading to a healthy growth. This is reflected in increases the number of loyal clients and improvements in service quality. In fact, the base of transactional loyal clients, defined as customers with four products, minimum levels of use and profitability according to each segment, grew 6.8%, reaching 667,591 loyal clients in 2018, which represents 19% of the total customers of the bank, that at the end of the year amounted to 3.5 million. In addition, current account customers rose 6.7% in 2018, reaching 1,021,280, almost a third of total customers. Finally, digital customers operating at least once a month through digital channels totaled 1.1 million, growing 6.2% compared to 2017. As a result of the above, the fees of our business segments increased 8.1%. This was offset, in part, by the fall of other non-segmented fees, that included the impact of a change in the mortgage insurance claims estimation.

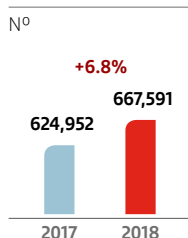
In the individuals and SMEs segment, which accounts for 74% of the Bank's fees, these rose 6.8%. In this segment the number of loyal clients grew 6.9%, reaching 663,618, which in turn translates into a greater use of products and more fees. Among this group, the increase in high-income loyal clients, represented by Santander Select, is notable, which grew by 8.3%. At the same time, customers with current accounts showed a positive variation of 7.2% in 2018 with an 8.1% increase in Santander Select.

By product in Individuals and SMEs highlights the growth of the fees for use of credit card, which had an increase of 29.0%; the increase from 5.7% in fees from mutual fund brokerage; an increase of 9.7% in the fees from insurance marketing; and the increase of 6.2% of the fees of current accounts. This was partially offset by lower fees associated with the use of ATMs as we optimized the

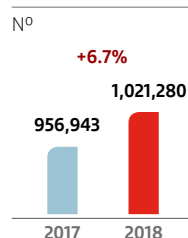
Net fee income (Ch\$ millions, %)

	2018	2017	Change 18/17
Individuals and SMEs	220,532	206,449	6.8
Middle-market	36,746	36,280	1.3
SCIB	35,064	27,626	26.9
Business segments	292,342	270,355	8.1
Others	-1,457	8,709	(116.7)
Total	290,885	279,064	4.2

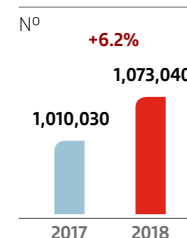
Loyal clients



Current accounts customers



Digital customers



Evolution of fees by product (Ch\$ millions, %)

	2018	2017	Change 18/17
Card service fees	55,108	51,983	6.0
Collections fees	40,077	44,313	(9.6)
Asset management	45,793	43,331	5.7
Insurance brokerage	39,949	36,430	9.7
Guarantees, pledges and other contingent operations	33,656	33,881	(0.7)
Current account fees	33,864	31,901	6.2
Fees from brokerage and custody of securities	9,212	9,232	(0.2)
Lines of credit fees	6,621	7,412	(10.7)
Other fees	26,605	20,579	29.3
Total fees	290,885	279,063	4.2

network throughout the year. It is important to note that while this has a negative impact on fees it generates cost savings and improves efficiency.

In the Middle Market Banking, fees rose by 1.3%, mainly driven by higher fees from transactional banking. On the other hand, there was increased competition in some products, but at the same time the sales results of treasury products in this segment increased by

22.5%, which is reflected in the income line for financial transactions.

SCIB recorded a growth of 26.9% in its fee revenues. This segment is characterized by being strong in the provision of non-credit value-added services, such as cash management, financial consultancy and investment banking in general, which should continue to support the growth of this segment's fees.



Result of financial transactions

The result from financial transactions (ROF) include the lines Net income (expense) from financial transactions and Net foreign exchange gain (loss), which together declined 19% compared to 2017. It is important to note that the Bank does not run significant gaps between assets and liabilities denominated or readjusted in foreign currency. The Bank's spot position in foreign exchange is hedged with derivatives which are considered as trading or accounted under hedge accounting. The former is carried at fair market value 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 hedged element in the net exchange rate gain (loss) line. This creates significant distortions in these income lines, especially in periods of sharp appreciation or depreciation of the exchange rate.

To better understand the result line of financial operations in this section we also present them by Business Area. It should be noted that our treasury does not have a proprietary trading business and that 92% of revenues in 2018 came from business with our customers.

The Bank has the largest treasury of clients in Chile providing various solutions to the needs of coverage and financial advice to commercial clients. The clients' treasury result includes all revenue generated by selling treasury products such as: spot

Accounted ROF (Ch\$ millions, %)

	2018	2017	Change 18/17
Net income from financial transactions	53,174	2,796	1801.8
Net foreign exchange profit (loss)	51,908	126,956	(59.1)
Net result of financial transactions	105,082	129,752	(19.0)

ROF by business area (Ch\$ millions, %)

	2018	2017	Change 18/17
Client treasury	96,728	86,135	12.3
Financial management treasury and corporate activities	8,352	43,616	(80.9)
TOTAL	105,082	129,752	(19.0)

exchange rates, derivatives and specialized transactional banking advice. In 2018, revenue from clients' treasury grew 12.3%. This increase is the result of increased demand for treasury products and advice from corporate clients in a higher investment environment. In addition, there was increased demand for exchange rate insurance, given the increased volatility of the exchange rate.

Additionally, the result of the treasury of Financial Management and Corporate Activities decreased 80.9% in 2018. These incomes include the results of the portfolio of fixed-income securities that the Bank holds for managing liquidity and are mainly composed of bonds of the government of

Chile or the Central Bank and treasury bonds of the United States, so there is a very low credit exposure to the Bank. As inflation expectations began to rise, both locally and abroad, interest rates, local and international rates, medium and long term, went up, reducing the profits for the positions in the portfolio of instruments available for sale.

It is also important to mention that in the case of Financial Management treasury results, the comparison base is abnormally high because of significant incomes achieved in 2017 due to the repurchase of several bonds issued by the Bank in international markets, which was not repeated in 2018.

Loan loss provisions

Loan loss provision expenses decreased 8.6% in the year. This was due mainly to the loans growth which use the parameters and expected loss models outlined by the local regulator, the SBIF. At the same time, net loan loss provisions also grew because of the depreciation of the CLP on provisions constituted on foreign currency loans and due the recognition of an additional loan for consumption of Ch\$20 billion related to a change in the expected consumption loss model to be carried out in 2019.

By segment, the increase in provisions was led by middle-market, which was the business that increased its lending portfolio the most in 2018 and is explained by the fact that in 2017 there was an abnormally low level of provisions resulting from significant improvements in the risk profile of some customers.

On the other hand, in the individuals and SMEs segment, risk indicators improved in tandem with the economy and with the Bank's shift in focus towards medium and high incomes.

Overall, the Bank's risk indicators showed improvement, in line with conservative policies and a positive macroeconomic environment.

Thus, the non-performing loans as a percentage of the total portfolio improved from 2.3% by the end of 2017 to 2.1% by the end of 2018. By product, the non-performing loans indicator improved in demand and mortgage loans by 50 bps to 1.8% and 1.3%, respectively. In demand, the positive effects on the risk of the change of strategic focus, the better macroeconomic environment and the improvement to risk and recovery models can be clearly noticed. In fact, the recoveries of charge-offs increased 6.2%, reaching Ch\$88,481 million due to the progress in management and the positive impact of a better economic environment. It should also be noted that the Bank has maintained the requirements at the time of granting mortgages by focusing on loans with a loan-to-value (LTV) below 80%, thus also controlling the risk of this portfolio.

Loan loss provisions (Ch\$ millions, %)

	2018	2017	Change 18/17
Individuals + SMEs	(275,351)	(290,156)	(5.1)
Middle-market	(26,314)	(19,312)	36.3
SCIB	2,339	4,008	(41.6)
Total net provisions segments	(299,326)	(305,461)	(2.0)
Other provisions not segmented ¹	(5,759)	6,255	--
Additional provisions ²	(20,000)	--	--
Loan loss provisions	(325,085)	(299,205)	8.6
Total average loans ³	29,145,134	27,446,274	6.2
Cost of Credit⁴	1.1%	1.1%	

Credit exposure indicators (Ch\$ millions, %)

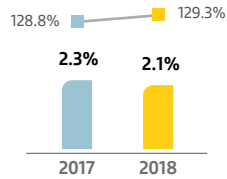
	2018	2017	Change 18/17
Total loans⁵	30,282,023	27,725,913	9.2
Total provisions due to credit exposure on balance sheet (TP)	(796,588)	(815,773)	(2.4)
Non-performing loans (NPLs)⁶	631,652	633,461	(0.3)
Demand NPLs	88,319	103,171	(14.4)
Commercial NPLs	409,451	368,522	11.1
Mortgage NPLs	133,882	161,768	(17.2)
Impaired loans (IL)⁷	1,779,438	1,803,173	(1.3)
Demand IL	274,595	327,126	(16.1)
Commercial IL	1,032,178	1,013,503	1.8
Mortgage IL	472,665	462,544	2.2
Expected loss⁸ (TP/ Loans)	2.6%	2.9%	
Non-performing loans (NPLs) / Total loans	2.1%	2.3%	
Demand NPLs / Demand loans	1.8%	2.3%	
Commercial NPLs / Commercial loans	2.7%	2.6%	
Mortgage NPLs / Mortgage loans	1.3%	1.8%	
IL/Total loans	5.9%	6.5%	
Demand IL/Demand loans	5.6%	7.2%	
Commercial IL/ Commercial loans	6.8%	7.3%	
Mortgage IL/Mortgage loans	4.7%	5.1%	
NPLs coverage⁹	129.3%	128.8%	
NPLs coverage excluding mortgages ¹⁰	151.1%	158.3%	
Demand NPLs coverage ¹¹	316.4%	275.0%	
Commercial NPLs coverage	115.5%	125.6%	
Mortgage NPLs coverage	48.0%	42.7%	

1. It mainly includes the effect of exchange rate movements on provisions for foreign currency credits. / 2. In 2018 the Bank recognized an additional provision of Ch\$20 billion in September to cover future changes in its expected loss of consumption model to be carried out in 2019. These additional provisions are recorded in balance as other provisions in liabilities. / 3. Annual average of total loans. / 4. Total net provisions divided by the annual average of total loans. Includes interbank loans. / 5. Includes interbank loans. / 6. Any portfolio with at least 90 or more days overdue. / 7. Mainly includes the non-performing loans plus other loans with signs of impairment according to the definitions of the SBIF, mainly the renegotiated loans. / 8. Total provisions for credit exposure on the total loans balance. It also includes the Ch\$20 billion of additional provisions. / 9. Total provisions by credit exposure on NPLs balance. It also includes the Ch\$20 billion of additional provisions. / 10. Total provisions of credits and demand loans on credits and demand non-performing loans. Adjusted with the inclusion of the Ch\$20 billion of additional provisions. / 11. Total demand provisions on demand NPLs including Ch\$20 billion additional provisions.

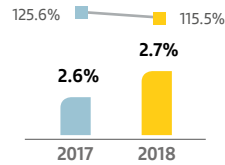
Financial results

Non-performing loans

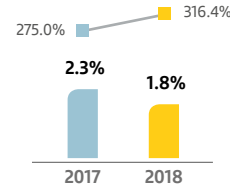
Total loans



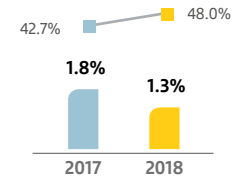
Commercial loans



Demand loans



Mortgage loans

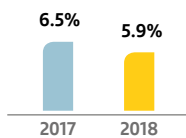


■ Past-due loans
— Coverage¹

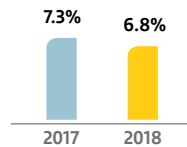
1. Includes additional consumption provisions.

Loans

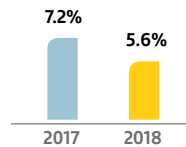
Total loans



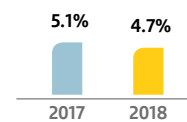
Commercial loans



Demand loans



Mortgage loans



■ Past-due loans
— Coverage

66 In commercial loans there was a slight increase of 10 basis points in the default indicator to 2.7%, mainly in the SME segment.

However, the impaired loans (which considers non-performing loans plus renegotiated loans) over total loans, fell by some 40 basis points to 6.8%, reflecting a better financial situation of commercial customers.

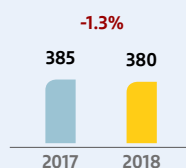
The coverage of the non-performing loans also improved 50 basis points, reaching 129.3%, including the Ch\$20 billion in additional provisions recognized in the year for the consumer portfolio. In this way, the non-profit loans coverage increased to 316.4% from 275.0% by the end of 2017. In mortgage loans, coverage increased from 42.7% to 48.0%. In commercial loans the coverage fell to 115.5% reflecting the increase in the non-performing loans, but not necessarily an increase on par in the expected loss or the deteriorating business portfolio.

The impaired loans, which is a broader indicator of non-payment risk credits and which mainly includes the non-performing loans plus the renegotiated loans, went from 6.5% in 2017 to 5.9% by the end of 2018. All products showed an improvement on impaired loans over total loans, especially in demand loans.



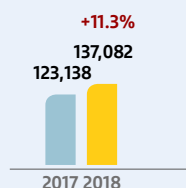
Branches

Nº



Productivity per branch

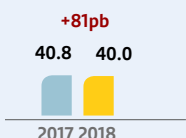
Volumes¹ per branch
M\$



1. Volume: loans plus deposits

Efficiency Ratio

%



Expenses (Ch\$ millions, %)

	2018	2017	Change 18/17
Personnel expenses	(397,564)	(396,967)	0.2
Administrative expenses	(245,089)	(230,103)	6.5
Depreciation and amortization	(79,280)	(77,823)	1.9
Operating expenses ¹	(721,933)	(704,893)	2.4
Impairment	(39)	(5,644)	-99.3
Branches	380	385	-1.3
Traditional branches	287	327	-12.2
Work Café	40	20	100.0
Business centers	7	7	0.0
Select	46	51	-9.8
ATMs	910	926	-1.7
Personnel	11,305	11,068	2.1
Efficiency Ratio ²	40.0%	40.8%	+ 81 bps
Volumes per branch ³	137,082	123,138	11.3
Volumes per employee ⁴	4,608	4,283	7.6
Cost/Assets ⁵	1.9%	2.0%	

1. Excludes impairment and other operational costs. / 2. Efficiency Ratio: operating expenses excluding impairment and other operational costs divided by operational income. Operational income = net interest income, fees, results of net financial operations and other operating income minus other operating expenses. / 3. Loans + deposits divided by number of branches. / 4. Loans + deposits divided by number of employees. / 5. Operating expenses as defined in 1, divided by total assets.

Expenses

Operating expenses, excluding other operational costs, grew by only 2.4%, reflecting significant productivity growth during the year, due technological innovations and other initiatives being undertaken by the Bank. Efficiency, this is, operating expenses over operating income, closed the year at 40.0%, which compares favorably with the 40.8% registered in 2017, and well below the level of efficiency achieved by our competitors.

The relatively low growth of expenditure—virtually in line with the CPI and even though much of it, such as wages and rent, is indexed to inflation or exchange rates—is a direct consequence of the various initiatives implemented to increase commercial productivity and efficiency. The success of the continuous digital and network transformation and distribution is driving increased labor productivity and maintaining high levels of customer satisfaction. Personnel expenses increased by 0.2% from 2017. This is explained by wages only slightly higher due to inflation, as wages are adjusted once a year and specifically during the second quarter, according to the CPI accumulated during the previous twelve months. The low growth of personnel expenses

was achieved despite the 2.1% increase in the number of employees in the Bank. During 2018, the personnel devoted to technology issues increased, but this was balanced with the lowest variable compensation expenditure given the reorganizations carried out in previous years.

The increase in administration and sales costs by 6.5% is partly due to continued investments in technology to develop and strengthen digital channels. At the beginning of the year, the new App 2.0 was launched with better design and greater functionality. In addition, two additional applications were presented, which increase the transaction functions directly from the smartphone: (i) the first was Santander Pass, which enables the client to authorize several transactions without the need for the coordinates card; (ii) and then Santander Wallet, the App that uses NFC technology for customers to pay using only their Android phones. Several cyber security campaigns were also generated for clients, as they are the first security barrier for the Bank against any external threat. Therefore, computer and communications costs increased 13.1% during the year.

By the end of 2018, the Bank had 380 branches, including a network of 40 Work Cafés distributed in each region of the country. The Work Cafés are more efficient than traditional branches, as it has a digitized back office and uses the space more productively. This year also some Santander Select branches began to be transformed into the new format, which are more attractive and with a greater focus in investment consulting. Also, the reduction in the quantity of ATMs, which fell 1.7% in 2018, was finished. The Bank sought to improve the physical location of its cashiers by increasing those in safer places. In this way, it saves on the additional costs involved at the ATMs in open public places, while encouraging customers to use the web, Mobile and VOX channels.

Additionally, the slight increase in depreciation and amortization costs is due to investments in the digital transformation plan and the continuous improvement of internal processes.

With this evolution of expenditure and investment, all productivity indicators improved in 2018. In addition to the above-mentioned efficiency ratio, there was also an improvement in volumes per branch (loans plus deposits), volumes per employee and expenditure over assets.

OREX

Other operational income, which mainly includes income from goods received in lieu of payment, profits from the sale of fixed assets, insurance company indemnities and the release of contingency provisions, fell by 54.7% in 2018. The main reason for this decrease was due to the lower profits from the sale of fixed assets of Bansa S. A., a company consolidated by the Bank due to control and not property. In 2017 this company generated a profit of Ch\$20,663 million. It should be noted that this result did not affect the net profit attributed to shareholders. There were also lower releases of contingency provisions in 2018 than in the previous year, which decreased the operating income.

Other operational costs were reduced by 52.4% in 2018. This is explained by lower provisions and expenses for goods received in payment, as well as lower expenses for fraud and product claims. This reflects the Bank's efforts during the year to educate customers through various fraud prevention campaigns. Also, in 2017 there were extraordinary indemnities of approximately Ch\$12 billion as part of the spending efficiency plan.

Taxes

In 2018, tax spending amounted to Ch\$165,897 million, 15.5% higher than the previous year. This is a consequence of the higher corporate tax rate, which increased from 25.5% in 2017 to 27% in 2018, corresponding to the last increase stipulated in the tax reform approved in September 2014. This result was offset by higher inflation during the period, which led to a higher charge for monetary correction of the capital of the Bank by CPI (Consumer Price Index) for the purposes of accounting tax.

Other operating income (Ch\$ millions, %)

	2018	2017	Change 18/17
Other operating income	39,526	87,163	(54.7)
Income from goods received lieu of payment	23,503	28,477	(17.5)
Release of provisions for contingencies	12,020	29,903	(59.8)
Profit by sale of fixed assets	2,490	23,229	(89.3)
Insurance company compensation	14	1,237	(88.4)
Other income	1,369	4,317	(68.3)
Other operational expenses	(45,740)	(96,014)	(52.4)
Provisions and expenses for goods received in lieu of payment	(17,574)	(35,618)	(50.7)
Contingency provisions	(21)	-	-
Other expenses	(28,145)	(60,396)	(53.4)
Result for investments in companies	5,095	3,963	28.6
Total	(1,158)	(10,532)	(89.0)

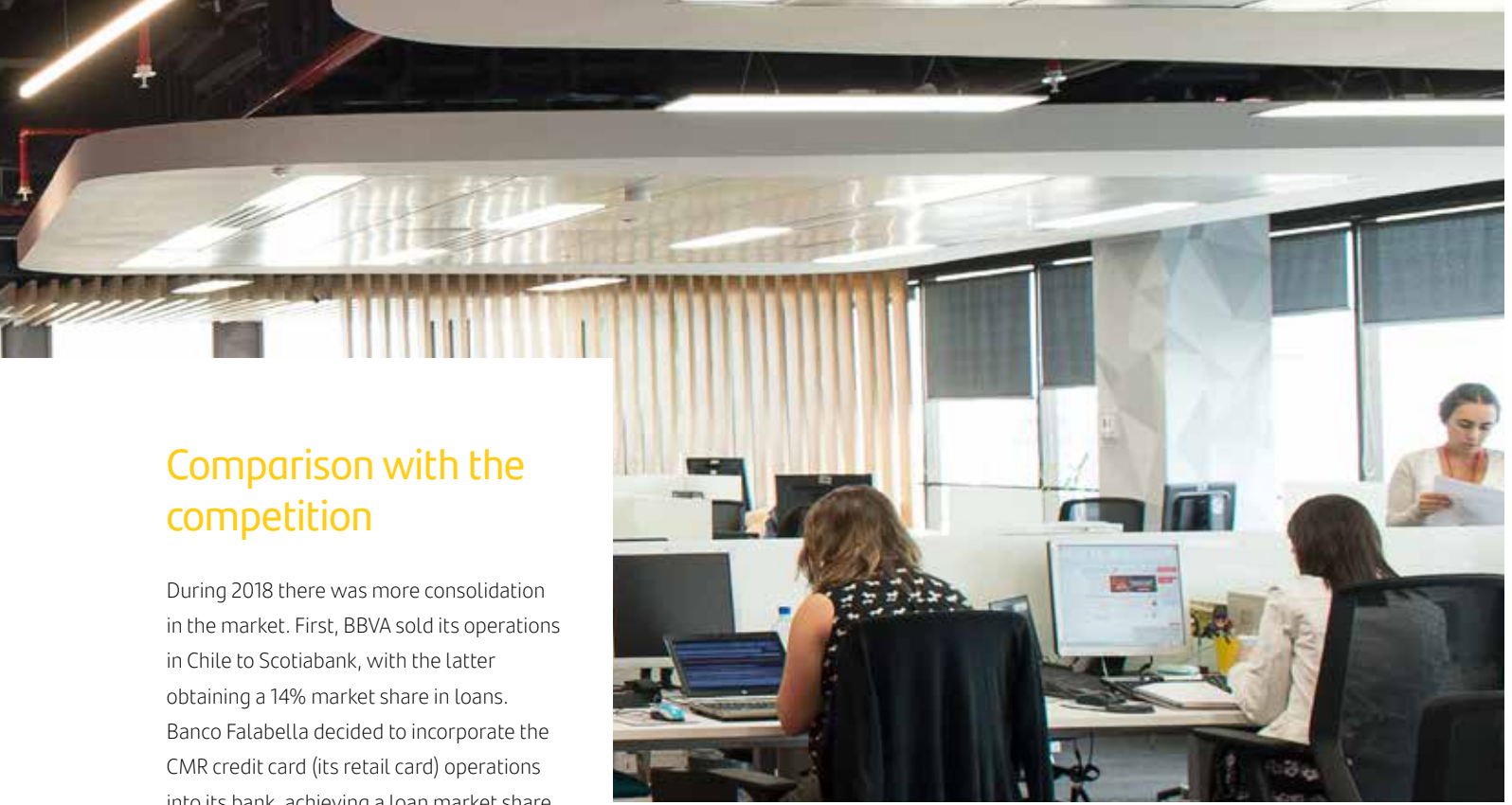
Taxes¹ (Ch\$ millions, %)

	2018	2017	Change 18/17
Net profit before tax¹	762,159	720,876	5.7
Monetary correction of capital ²	(111,242)	(75,109)	48.1
Net profit before tax adjusted by monetary correction	650,917	645,767	0.8
Tax rate	27.0%	25.5%	+150bp
Income tax expense at statutory tax rate	(175,748)	(164,671)	6.7
Tax benefits ³	9,850	21,057	(53.2)
Income tax	(165,897)	(143,613)	15.5
Effective tax rate	21.8%	19.9%	+184bp

1. This table is for informational purposes only. Please refer to note 14 in the consolidated financial statements for further information.

2. For tax purposes, capital is indexed to CPI inflation.

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.



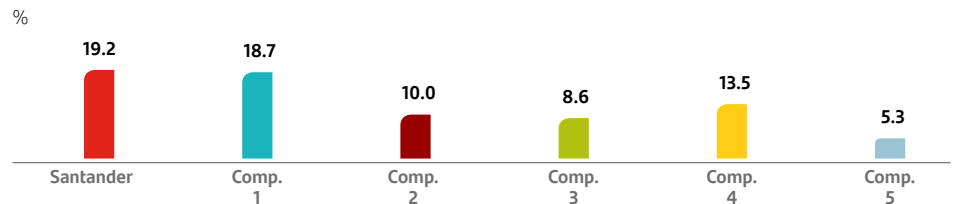
Comparison with the competition

During 2018 there was more consolidation in the market. First, BBVA sold its operations in Chile to Scotiabank, with the latter obtaining a 14% market share in loans. Banco Falabella decided to incorporate the CMR credit card (its retail card) operations into its bank, achieving a loan market share of 2% and bank credit cards of 5% in terms of the monetary amounts. In addition, Bci has included the operations of TotalBank, bought by its American subsidiary and completed the acquisition of Walmart's credit card, reaching a market share in Chile of 14%. Even considering these changes in the market, Santander remains a leader in total loans with 18.6% and consumer loans (including credit cards) with 19.6%.

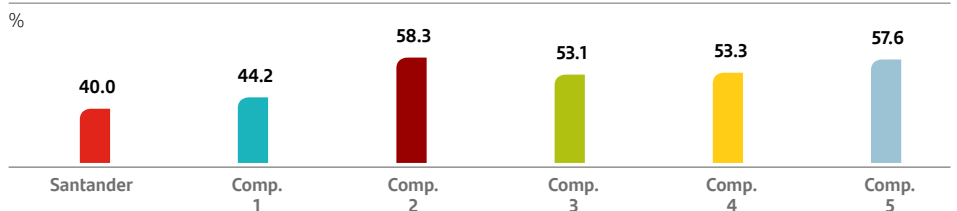
One of the main pillars of Banco Santander Chile's long-term strategic plan has been its high efficiency. The bank seeks to allocate its resources efficiently, investing in projects that increase productivity and keep it at the forefront of the industry. At the end of the 2018 financial year, Santander Chile achieved an efficiency of 40.0% (41.1% according to the SBIF methodology), a rate below that observed by the main competitors.

Likewise, the bank seeks to make profitable use of its resources by allocating capital to those most profitable operations. Thus, at the end of the financial year, the net interest margin, that is, the net interest income over average interest-earning assets, reached 4.4%. Likewise, ROE, this is net income attributable to shareholders over average equity, was 19.2% (19.1% according to the SBIF), above the rest of the main competitors.

ROE

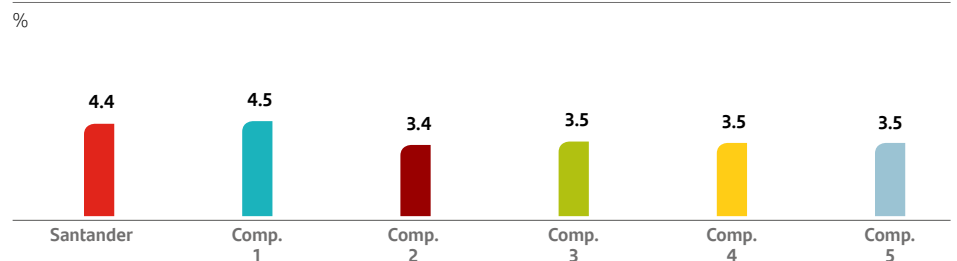


Efficiency



Source: Santander calculation based on information from the SBIF (so it can vary from what the regulator published)

Net interest margin

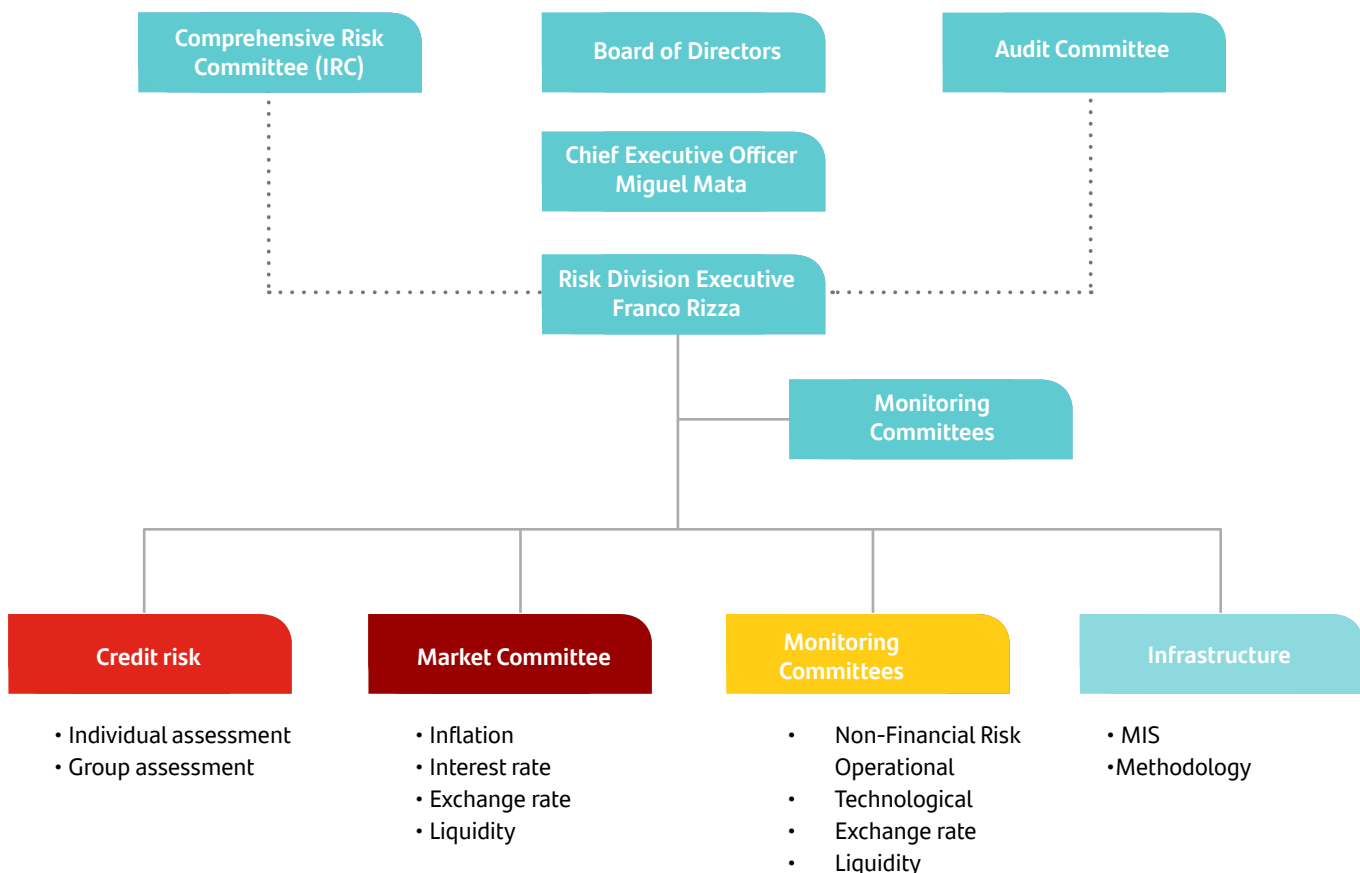


Source: Superintendencia de Banks and Financial Institutions (SBIF) Net interest margin: Santander calculation based on SBIF's data

Risk management

The Risk Division is in charge of monitoring, measuring and controlling the risks the Bank faces in a comprehensive manner. This area reports to the Risk Management Executive who in turn reports to the Chief Executive Officer. The Risk Committee must review the risk outlook among other functions, while the Board of Directors and Audit Committee check and review internal processes to ensure its correct implementation.

70



Credit risk

This is the risk caused by one of the parts in a financial instrument contract ceasing to fulfill its contractual obligations due to insolvency or incapacity, causing the other a financial loss.

The Risk Area is largely independent of other business areas. Risk assessment teams interact continuously with customers, especially those with significant transactions. There are several approval committees, which include staff from both the Risk and the Commercial Divisions, responsible for verifying the qualitative and quantitative parameters of each case.

Roles:

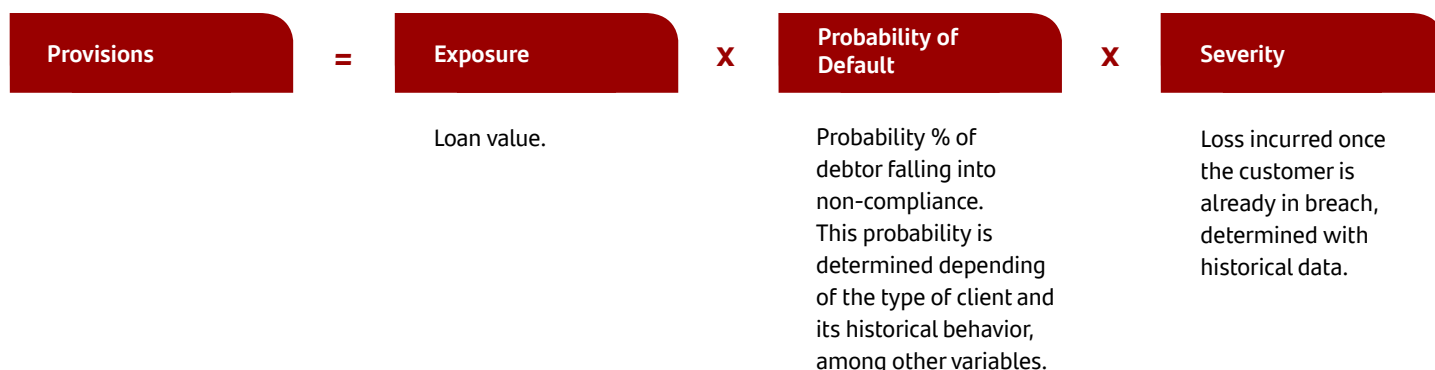
- Formulate risk policies, comply with warranty requirements, assess loans, rate risks, submit reports, comply with regulatory, legal and internal requirements.
- Approve or reject loan applications, either individually or in groups, via credit scoring.
- Establish the structure for approving and renewing credit claims.
- Develop a risk culture throughout the organization.
- Determine the risk appetites that the Bank wants to assume by customer and sector. Limit concentration of counterparty exposure to geographical areas or industries, and by issuer, credit rating and liquidity.
- Develop and maintain risk classifications and models for the purpose of quantifying expected loss.

Mechanisms:

- The Comprehensive Risk Committee (CRC), Executive Credit Committee and the Bank's risk departments are responsible for the management of this risk as entrusted by the Board.
- Assignment of credit risk concentration limits by particular debtor, debtor group, industry segment and country. Approval levels are assigned by hierarchy, as well as being continually reviewed.
- 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.

Provisions estimate:

- The provisions estimate is based on expected loss models in line with Chapter B1 of the Accounting Standards Compendium of the SBIF. The loans portfolio is divided between loans analyzed in group basis and loans analyzed individually. Within each group there are different models of provisions for consumer loans, mortgages, and commercial loans. All models and methods used to classify loans and establish their respective provisions must follow the following principles, which have been approved by the Board of Directors. In a simplified way, provisions for most loans are determined with the following expected loss formula:



Provisions for individual assessments

For loans over Ch\$400 million, the Bank assigns a risk category for each debtor and their respective loans, considering the following Risk Factors in the analysis: industry or sector, partners and administration, financial situation, payment capability, and payment behavior. All parameters used in internal models are continuously reviewed, both the probability of default and the expected loss. Similarly, the client's status is also reviewed periodically.

Provisions for group assessments

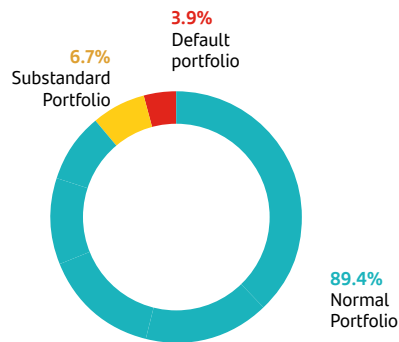
Most loans to natural persons or small businesses are approved through a standardized risk system. This is a decentralized, automated system based on multiple parameters, including demographic information and specific credit behavior. Through these variables a logical regression is established, considering the payment behavior with the Bank and the behavior with other banks, which delivers a certain level of risk to the client in question. Then, transactions with similar credit characteristics that indicate the ability to pay the debt –with its capital and interest– are placed under a common profile and the actual historical loss that the bank has had with that type of profile is used to calculate the expected future loss.

Our models are reviewed monthly in terms of predictability and stability, using indices that seek to capture the underlying trends of current loss behavior. When a client has an

amount of debt or has skipped payments, said client moves into a different segment with a larger expected loss, capturing current trends in each profile risk.

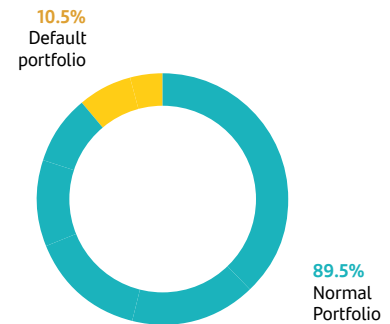
Commercial portfolio analyzed on an individual basis

Ch\$11,017,291 million



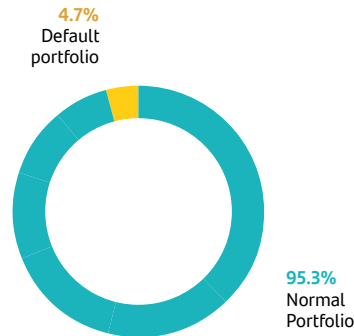
Commercial portfolio analyzed on a group basis

Ch\$4,237,462 million



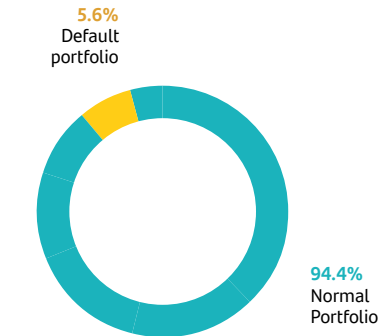
Mortgage portfolio

Ch\$10,150,981 million



Consumer portfolio

Ch\$4,876,289 million



Normal portfolio: It comprises debtors whose ability to pay allows them to meet their obligations and commitments, and where there is no sign this condition will change, according to its economic and financial situation.

Substandard portfolio: it comprises all debtors with financial difficulties or significant deterioration of their payment capability and where there are reasonable doubts about the full repayment of capital and interest in the agreed contractual terms, showing a low level of slack in meeting their short-term financial obligations.

Default portfolio: It comprises debtors and their loans for which recovery is considered unlikely, as they show impaired or no payment capability. This portfolio also includes debtors who have ceased to pay their debts or with obvious indications that they will cease to pay, as well as those who require forced restructuring of debts, reducing the obligation or postponing the principal or interest term.

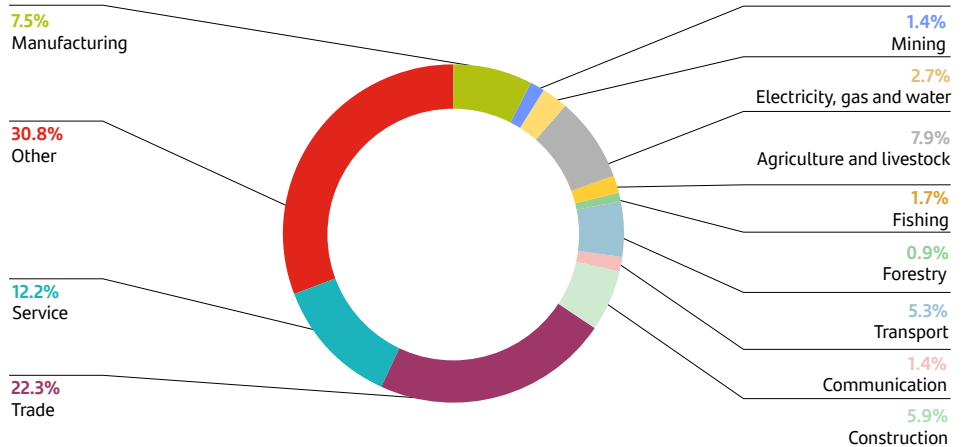


By economic sector, the Bank's portfolio is highly diversified, never having a significant percentage exposed to a particular industry. This makes it possible to have a stable portfolio quality over time.

The impaired portfolio is defined as the default portfolio plus a part of the substandard portfolio that is close to entering the default portfolio. 59.8% of the impaired portfolio is guaranteed debt.

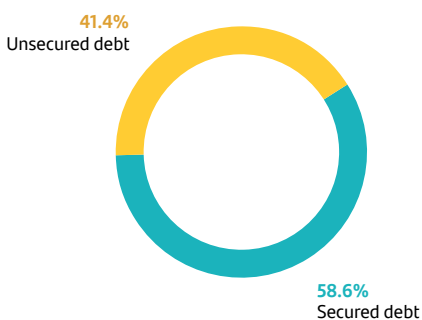
Total commercial portfolio

Ch\$15,254,753 million



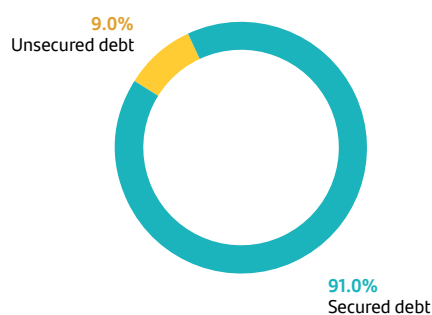
Impaired commercial portfolio

Ch\$1,032,179 million



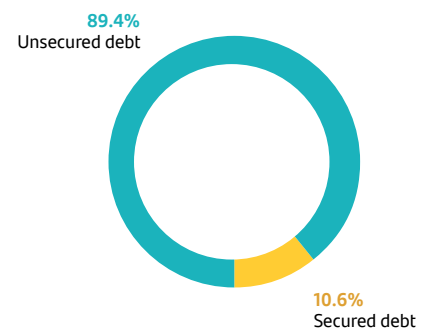
Impaired mortgage portfolio

Ch\$472,665 million



Impaired consumer portfolio

Ch\$274,595 million



Market Risk

Market risk arises due to activity within markets, through financial instruments whose value may be affected by changes in market conditions and reflected by changes in different assets and financial risk factors. This risk can be mitigated through hedges using other products (assets/liabilities or derivatives), or by undoing the open transaction/position. The goal of market risk management is to manage and control market risk exposure within acceptable parameters.

There are four major market risks that may affect the Bank: exchange rate, inflation, interest and liquidity. Market Risk Management, which is part of the Risk Division, is the area in charge of measuring and controlling these market risks. The limits for these risks are approved by the various board committees where these topics are analyzed, mainly the Market Committee and the Assets and Liabilities Committee.

Liquidity risk

Liquidity risk is the risk caused by the Bank having difficulties to meet the payment of its financial commitments. The Bank's main sources of funding are demand and time deposits, bank bonds and issued debt. The Finance Division actively handles liquidity risks through a portfolio of liquid assets to ensure that the Bank always maintains enough liquidity to cover short-term fluctuations and address long-term funding, in order to meet structural liquidity requirements. The Finance Division is also responsible for managing the Bank's balance sheet, liquidity and sensitivity issues. This unit, separated from the clients' treasury, has the following functions which are all supervised and controlled by the Assets and Liabilities Committee of the Bank's Board of Directors and the Risk Division:

- Optimization of the cost of liabilities by looking for the most efficient funding strategies, including the issuance of bonds and bank credit lines.
- Management of long-and short-term liquidity policy limits.
- Management of inflation risk.
- Management of the risk of fees in local and foreign currency.

High-quality liquid assets

An important component in both ratios are high quality liquid assets (HQLA). HQLA are balance sheet assets, mainly financial investments that are not used as guarantees, with a deep secondary market and are generally assets of low-risk loan. These assets are divided into three levels, with Tier 1 assets being the most liquid and Tier 3 assets being the least liquid. As of December 31, 2018, the HQLA of the Bank amounted to Ch\$ 4,084 billion consisting mainly of liquid Tier 1 assets, primarily comprised of Republic of Chile bonds, Central Bank bonds and American treasury bonds.

In terms of liquidity, the main metrics managed by the Finance Division of the Bank are:

1. Regulatory Liquidity Ratio at 30 and 60 days.
2. Liquidity Coverage Ratio (LCR).
3. Structural Liquidity (LS).

Liquid assets (consolidated)

Millions of Chilean pesos/ as of December 31, 2018



1. Regulatory Liquidity Ratio at 30 and 60 days

The Regulatory Liquidity Index measures and limits net capital inflows and net income. The 30-day mismatch cannot exceed the Bank's core capital and the 90-day mismatch cannot exceed twice the Bank's capital. As of December 31, the 30-day indicator reached 25% of core capital and the 90-day indicator represented 39% of twice the Bank's core capital.

2. Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) is a measure of liquid assets over net expenditure of 30 days and is a measure of liquidity used globally by banks, as part of the Basel III standards. Starting from 2019, Chilean banks will be required to have a minimum level of 60%, and reach 100% by 2022. The goal of the LCR is to promote the short-term resilience of the liquidity risk profile of banks. To this end, the LCR ensures that banks have a suitable background of High-Quality Liquid Assets (HQLA), free of charges, that can be converted easily and immediately into cash in private markets to meet liquidity needs in the short term. At the end of 2018, Banco Santander Chile's LCR indicator stood at 151.6%, well above the minimum required by the current

standard and already above the 100% required by 2022, which reflects the conservative liquidity policies set by the Board through the ALCO.

3. Structural Liquidity

The Bank defines structural liquidity as the difference between liquid financial assets and non-structural financial liabilities. The methodology applied distinguishes between liquid assets, client loans and fixed assets. In this model the liquid assets are mainly comprised by the Bank's cash and the financial investments that are mainly bonds of the Republic of Chile, bonds of the Central Bank of Chile and U.S.A. treasury bonds. The Bank seeks to ensure that these liquid assets account for at least 103% of non-structural financial liabilities.

To maintain this ratio, the Bank not only needs a surplus of liquid assets in relation to its non-structural liabilities, but it must also finance its loans with structural liabilities composed mainly of equity, demand deposits, time deposits of retail customers, structural time deposits of wholesale customers, bonds and bank credit lines. In terms of the last three, they generally become non-structural sources when their maturity date is less than 120 days.

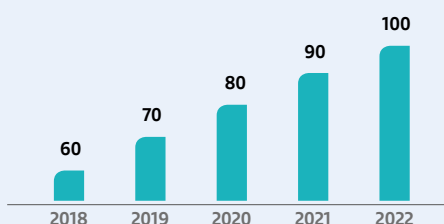
Sources of funding such as the Commercial Paper program in the United States are also included in the non-structural liabilities. During the period, the difference between liquid financial assets and non-structural financial liabilities was US\$2,015 million or 104.2%.

Exchange rate risk

The exchange rate risk is that which is derived from the variations in the value of the Chilean peso in relation to other currencies, which may affect the Bank's financial position and results, mainly due to the Bank having a significant portion in foreign currencies, primarily in US dollars. Since both the value of the instrument and its effect on profit --either paid or earned interests or results achieved by the sale of these assets-- is converted to Chilean pesos for accounting purposes, the financial statements may be affected by the changes already noted. Due to the rules of the Assets and Liabilities Committee (ALCO) and the Market Committee, the Bank should not have a significant exposure to foreign currencies. Therefore, almost all exchange rate risk is included in the trading book and is measured and controlled with Value at Risk (VaR) limits. Below are the VaR values of our exchange rate exposure:

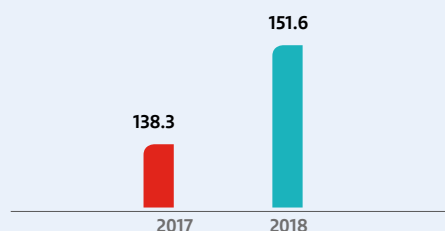
Gradual convergence scheme with Basel III standards

Minimum level of LCR required by the regulation %



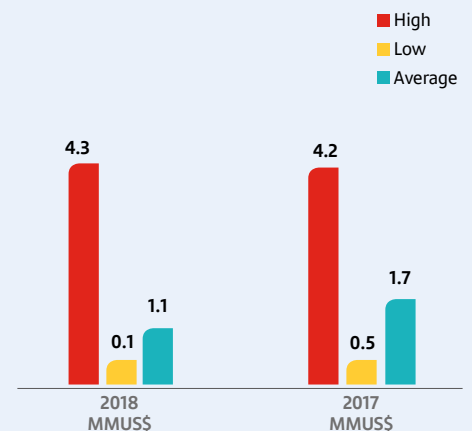
LCR

%



VaR exchange rate position

US\$



Source: The Central Bank of Chile

Interest rate risk

Financial management portfolio

The financial management portfolios include all financial investments that are not considered in the trading portfolio. That is, most of the Bank's non-trading assets and liabilities, including the loan portfolio. For these portfolios, investment and funding decisions are influenced by the Bank's business strategies.

Interest rate risk affects earned and paid interests based on assets and liabilities and the book value. The Bank has more liabilities exposed to short-term rates than assets, so liabilities adjust faster to changes in rates. Therefore, when the short-term rate drops, less interest is paid for liabilities and there is a positive effect on the Bank's margins.

However, when the short-term rate rises, the margins are pushed down. Conversely, because assets tend to last longer than liabilities, when long-term rates rise, the Bank receives more interest.

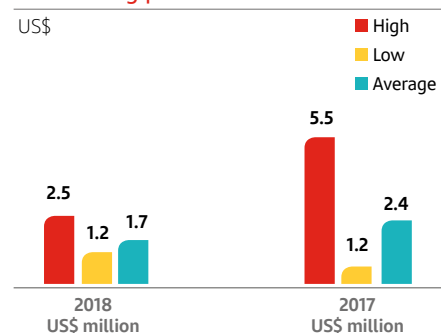
The Bank applies a sensitivity analysis to measure the market risk of this portfolio with respect to local and foreign currency. A simulation scenario compares the present value of future flows in the base scenario (current market) against their value under a chosen scenario (curve with parallel movement of 100 bp in all its sections). All positions in inflation-indexed currencies (UF) are adjusted by a factor. The same simulation is carried out for net foreign currency positions and interest rates in US dollars. Finally, limits are set in relation to the maximum loss these interest rate movements may have on capital and the net financial income budgeted for the year. The table below provides a summary of the actual limits

and values of our financial management portfolio based on sensitivity to interest rate movements.

Trading portfolio

The Bank's trading portfolio is also subject to interest rate movements. In this case the rate risk is measured and controlled with Value at Risk (VaR) limits.

VaR trading portfolio



Market Risk-Financial Management portfolio

December 31st	2018		2017	
	Effect in financial income	Effect in capital	Effect in financial income	Effect in capital
Financial management portfolio - local currency (Ch\$ million)				
Loss limit	48,000	192,001	48,000	175,000
High	43,742	189,725	37,148	141,287
Low	27,854	170,450	22,958	112,818
Average	37,569	180,972	29,110	128,506
Financial management portfolio - foreign currency (US\$million)				
Loss limit	30	75	30	75
High	12 38 16 42	38	16	42
Low	4	(10)	4	15
Average	9	22	10	23
Financial management portfolio - consolidated (Ch\$ million)				
Loss limit	48,000	192,002	48,000	175,000
High	45,492	192,848	38,249	142,442
Low	29,167	168,766	23,571	112,277
Average	38,908	182,557	29,948	128,360

Inflation risk

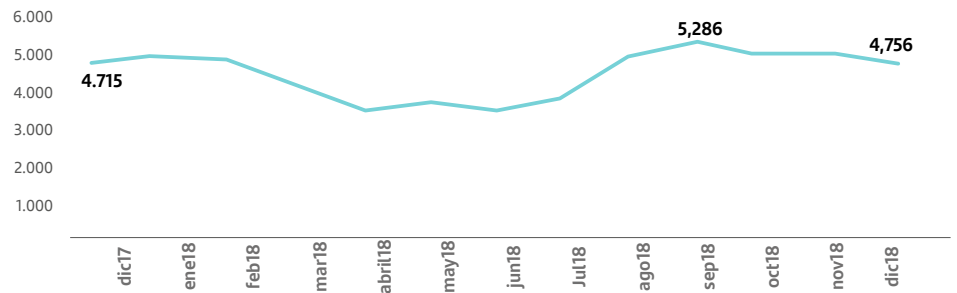
The risk of inflation is actively managed within the Bank due to the relevance of the assets and liabilities indexed to inflation through the UF. The UF is revalued in monthly cycles according to the fluctuation of the Chilean Consumer Price Index of the previous month. A significant portion of the loan portfolio is indexed to UF and as there are not enough deposits or other funding on the Chilean market, the Bank is exposed to inflation fluctuations. When inflation goes up, we receive more net interest, and on the contrary, when inflation goes down, we receive less interest. To control this risk the ALCO sets certain limits on the total size of the difference between the assets and liabilities denominated in UF.

The following graph shows the evolution of the net difference between assets and liabilities denominated in UF:

To control this risk, the ALCO sets certain limits on the total size of the difference between the assets and liabilities denominated in UF.

Gap UF

Ch\$ million



A Responsible Growth Model

Strategy and value creation	80
Business areas	84
Technology and innovation	90





Strategy and value creation

During 2018 a new Strategic Plan was launched, in which we defined our purpose, vision, style, seal and aspirations for our four stakeholders: customers, people, shareholders and communities. Work centers were also established for each, accompanied by a strategic map.

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Our purpose

Help people and businesses thrive.



Our vision

To be the best Bank, earning the loyalty of our customers, shareholders, people and communities.



Our style

Simple, Personal and Fair.



Our seal

Excellence in execution.



CONTRIBUTE because we know we're not the endpoint. We are a means for people to achieve what they want.

PROGRESS because we want to offer a better life. We believe there is a chance at building a better society for a better world, but it is all part of a process. We are working towards this goal, to accomplish the little things in the day to day.

PEOPLE AND BUSINESSES have plans, dreams and goals. Our role is to support them so they can succeed. It is when people and businesses achieve their goals, that we will achieve ours, and that of our shareholders and employees.

Our Bank is:

Simple | Personal | Fair

Additionally, in 2018 we continue to advance our SPF STYLE. To concrete our mission, we rely on three concepts that constitute our style of doing things: Simple, Personal and Fair.

Simple is to offer our customers products that are easy to understand, being agile and responsive to their needs. For this we need our systems and processes to be easy to operate, allowing our employees to deliver clear answers with the agility that our customers require.

Personal is to have differentiated service models, offering each customer a service tailored to their individual needs. It also means to engage with our employees to develop their full potential and achieve their goals.

Fair is playing by the rules, respecting and enforcing them. It is fair play. We must be transparent in our relationship with others and keep our promises, to be able to be a contribution for the community. In short, we must treat others as we would like to be treated.

We also wanted a challenging seal: excellence in execution, so that our processes and teamwork can achieve that everything we do is done well from the start.



Our corporate behaviors to be more SPF:



I am respectful



I listen carefully



I speak out



I keep my promises



I promote collaboration



I work passionately



I support people








I boost the change

Strategic priorities

This year we succeeded in meeting the targets set. Technological development and the contribution of collaborators, together with a greater SPF culture, allowed us to move towards an even more sustainable and profitable business model, with a greater commitment to the environment and society.

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	Declaration	Key metrics ¹	Results 2018
 Customers	"We want to be the best bank for clients, leading in digital excellence and experience, obtaining their loyalty"	<ul style="list-style-type: none"> Satisfaction Index Digital Plan 	Top 2 100%
 Employees	"We want to be the best and greatest company to work in Chile, attracting and developing talent, committed to our SPF culture"	<ul style="list-style-type: none"> GPTW talent identification 	110% #1 ²
 Shareholders	"We want to be the most profitable and sustainable bank, with strong levels of capital, attractive dividends and optimal risk management."	<ul style="list-style-type: none"> ROE Solvency 	19.2% 10.6%
 Society	"We want to be recognized as a responsible Bank that contributes to society."	<ul style="list-style-type: none"> Corporate volunteering initiatives Techo/Santander learning centers 	7,725 10 centers
 Excellence in execution	"We want for everything we do to carry a seal of excellence in execution."	<ul style="list-style-type: none"> Self-Generated Claims Paperless 	-4.5% -16.3%

1. Selection of the main indicators followed in the Board.

2. Number 1 in companies with more than 5,000 employees, Number 5 in total.

Santander Brand

Previous Logo



New Logo



During 2018, we re-imagined our brand with a new, more modern and digital logo, in search of a more horizontal relationship with our customers, to create greater closeness and empathy, and to show greater commitment to society. This transformation can be reflected as part of our own changes and evolution towards digital advancement and technological development, to deliver an improved service experience to our customers.



Business areas

Innovation has become a major challenge for the financial industry. The commercial transformation launched by Banco Santander seeks to address the new challenges arising from the digital revolution and the growing use of technology.

In this context, business areas have had to adapt their strategy to respond to new customer demands and behaviors, guaranteeing assistance together with personalized and simple products and services, which result in more transactions and greater loyalty.

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Commercial Banking

The strategy of this division is to keep the client at the center of its offer while emphasizing risk-free income and cost management for the Bank. In 2018 Commercial Banking outlined three priority areas. In first place, to continue to refine the Work Café model with the aim of expanding this new format throughout the country. Secondly, to continue to strengthen the Life value proposal for mass income clients, which rewards customers for good credit behavior, and the completion of pooling of middle-income clients instead of assigned to specific executives. Finally, to take advantage of the challenges and opportunities given by technology to advance towards digitalization, the development of an innovative offer and a series of improvements aimed at answering the new expectations and needs of customers.

All these actions are aligned with the Bank's mission of contributing to the progress of individuals and companies. Commercial banking accounts for approximately 46% of the Bank's net income and has a differentiated value offer for the segments of Individuals and SMEs. The former covers people with high, medium and mass incomes. SMEs work with small and medium sized businesses with sales below Ch\$1,200 million per year.

To establish a long-term transactional relationship with customers, the Bank has structured a variety of products and services such as consumer and mortgage loans, credit and debit cards, current and saving accounts, savings and investment products and insurance. In addition, it offers specialized loans for working capital and foreign trade, state-guaranteed loans, leasing and factoring.

Highlights of 2018

- At the end of the year, the goal of opening 40 new branches of the successful attention model Work Café throughout the country was met.
- The new Select Private Banking model was also launched, with a focus on the comprehensive equity advice for our clients.
- Life ended the year with more than 34,000 customers, achieving the target goal.
- The implementation of the comprehensive model for the entire middle-income segment, aimed at simplifying and improving attention, was completed.
- The NEO Evolution intelligence tool and the new commercial system were enabled throughout the network.
- The digital offer was strengthened with the launch of App 2.0 and Santander Wallet.
- The Santander Latam Pass commercial partnership, one of the most successful in Chilean banking, was renewed.



Middle-Market

This division brings together clients of medium-sized companies with annual sales from Ch\$1.2 billion to Ch\$10 billion; large companies with sales of over Ch\$10 billion; and real estate companies that include all companies in the field that execute projects to sell to third parties, as well as construction companies with annual sales of more than Ch\$800 million. It also works with the institutions segment, covering organizations such as universities, government agencies, municipalities and regional governments. It offers a wide variety of products, including commercial loans, leasing, factoring, foreign and mortgage trade, credit cards, current accounts, transactional and treasury services, financial consulting and investment banking, savings and investment products and insurance.

Middle-Market generated 27.2% of profits for Banco Santander Chile, equivalent to Ch\$207,815 million. Its strategy during 2018 was directed by three key points: being the number one in quality and customer service, with a focus on personalized advice with each of them, to exceed their expectations; optimizing the use of capital, with the goal of having the best profitability with each client aiming for greater transactions; and having the best offer of products and digital platforms for companies in this segment.

In this respect, Middle-Market is building a value offer that seeks to transform it into the Best Digital Banking Company in the market, to optimize customer time by providing self-service tools. In this line, the Middle-Market made improvements and strengthened infrastructure and processes, while creating new features on the transactional site Office Banking and in the App Office Banking. In addition, it made improvements so that its collaborators' work is also supported with technological implementation, which allows

more time invested in the relationship with customers.

Middle-Market also joined the Santander Academy, a training plan at a banking level, with different curricula according to the role of each collaborator and a two-year study plan. These were carried out in different universities, with specialist lecturers related to the course, as well as in the Bank itself, with internal lecturers who are experts in products and services.

Account executives had 40 hours of training this year, in courses such as Advisory Sales, Transactional Products, among others. The Training Plan for managers this year included 28 hours in courses such as Financial Macroeconomics, Commercial Strategic Management and Financial Analysis, among others.

Highlights of 2018

- In May VOX One was released, a new specialized attention model where the Contact Center, Post Sales and Middle-Market segment work together to deliver a better service to a significant percentage of Middle-Market customers.
- The Onboarding Middle-Market was created, welcoming companies and institutions to banking, with a defined workflow that comprises the entire process of entry for new clients. It covers from signing of the contract to the training in the use of products and services.
- Middle-Market took a new step in digitalization with the entry of Limit Control, a technological implementation that seeks efficiency in all units and processes related to the granting of credits related to operational lines and punctual operations.

It allows agility and more information at the time of the operation, identifying the available amount of our clients.

- It allows agility and more information at the time of the course, identifying the available and willing amount of our clients.
- A new attention model for Companies and Large Companies. The distribution of portfolios was changed with differentiated subsegments and according to the industry of each client, to enhance the specialization of the executives in these fields by delivering a more complete service.
- In 2018, the Office Banking Evolution project was developed, where the transactional site was strengthened, giving the client greater security and speed in its operations. New features were also created simplifying management and making customer time more efficient. This was also applied in the Office Banking App.
- In terms of Product Protection, Middle-Market advanced in improving existing supply and procurement flows related to portfolios of Commercial Guarantees and Leasing. An insurance coach joined the division, accompanying the executives in their advisory role. New Santander Companies Fraud Insurance protects the banking products contracted with the Bank against eventualities in bank accounts, corporate credit cards and remote transfers.
- At the end of 2017, Middle-Market won, for the first time, the first place in Commercial Credits against others in the industry, while in 2018 it managed to consolidate this title by upholding it throughout the year.

Corporate & Investment Banking

Focused on the investment banking business, Corporate & Investment Banking (CIB) is responsible for offering comprehensive advisory services to corporate and institutional clients that, due to their size, complexity or sophistication, require tailor-made services or high value-added wholesale products. It is present in 22 countries where it meets all the needs pertaining funding, investment and risk coverage of Chilean institutional and corporate clients with operations abroad as well as foreign clients with operations in Chile.

It has four specialized units to meet the clients' needs: Corporate & Investment Banking, Global Transactional Banking, Financial Solutions & Advisory, and Global Markets. Santander CIB represents approximately 19% of the Bank's net results.

During 2018, Santander CIB established itself as a benchmark in M&A operations, especially as a financial advisor to clients from different parts of the world, standing out in mergers and acquisitions in the energy sector as well as in the funding of the main infrastructure projects of the country.

Highlights of 2018

- To align with the world's investment bank nomenclature, in mid-2018 this Division changed its name from Global Corporate Banking to Corporate & Investment Banking
- Funding of the Cerro Dominador project, a photovoltaic plant and energy concentrator, located in María Elena, in the Antofagasta region. With an investment of US\$1,700 million, it is the largest project in the world of its type.
- Funding improvements and the construction of 111-kilometre dual carriageway routes of the Loa, in addition to the construction of 25 kilometers of a Ring Road around Calama. Through this structuring process and full underwriting, Santander created an innovative financial solution for the local market, which has enabled institutional investors to optimize their liquidity and deliver better prices and deadlines for a construction risk asset, benefiting the profitability of the project's shareholder. In this process, Santander contacted a number of institutional investors and distributed 90% of the syndicated convertible credit to bonds before the financial closure in September 2018.
- Santander CIB was an advisor to Brookfield Infrastructure Partners on the sale of its 27.8% of Transelec to China Southern Power Grid International, with a value of US\$1.3 billion, one of the milestones of the business of M&A. Brookfield Infrastructure Partners is a leading global infrastructure company. It owns and operates high-quality, long-term assets for the public services, transport, energy and communications infrastructure sectors in North and South America, Asia Pacific and Europe, as well as listed on the New York and Toronto Stock Exchanges.



Outstanding projects

In recent years, CIB has consolidated its position in the funding of emblematic projects that contribute to the sustainable development of the country and the improvement of its citizens' quality of life.

2016

- Antofagasta Highways
- Transmisora Eléctrica del Norte (TEN)
- Hospital Félix Bulnes
- Santiago airport

2017

- VAT funding, Aela project

2018

- Road concession Rutas del Loa
- Hospital del Salvador
- GasValpo acquisition
- Cerro Dominador
- Spence Desalination Plant
- VAT funding, Eólico San Gabriel
- VAT funding, Prime Energía

Spence Desalination Plant

It is a water desalination plant in Bahía de Mejillones that will provide water to a copper mine through a pipe of 150 kilometers.

The desalination plant will contribute to the production of copper, which is the country's main industry, allowing a reduction in the impact of water use, and mitigating the problem related to the high needs of this resource for mining in the region.



Investment amount
US\$620 million

Road concession Rutas del Loa

Improvement and double track extension work of the current Ruta 25, which covers 111 km. In addition, the concession company will have to build 25 kilometers of new road located on the Eastern Ring Road in Calama, in the Antofagasta Region.

The project will increase safety levels on this road, which is primarily used by large mining companies transport, therefore reducing the number of accidents currently affecting the route, which are mostly frontal. In addition, the improvement in the road infrastructure will allow greater development and competitiveness in the mining sector, which will encourage industrial and commercial activity in the area.



Investment amount
UF 9.4 million

Hospital concession: Hospital del Salvador and National Institute of Geriatrics

The project consists of the design, construction and maintenance of two hospitals in Providencia, Santiago. It is part of the investment portfolio in hospital infrastructure of the Government and focuses on the improvement in the supply of hospital infrastructure and the technical standards and services to final users.

It comprises three hospital blocks, four stories high and three stories underground, as well as the improvement of two pre-existing hospital wards in Hospital del Salvador. The total area built will be approximately 170,000 m², with a total capacity of 641 beds, 213 examination rooms, 15 emergency rooms, 19 dental rooms, 24 pavilions and two angiogram pavilions, among others.



Investment amount
UF 11 million

Cerro Dominador

Construction of two complementary renewable energy projects: a photovoltaic plant and a solar concentration plant. It's the first with this technology in Latin America. It should be noted that this type of project represents progress in the development of a renewable energy matrix for the country, as it allows the use of renewable energy sources for 24 hours.



Investment amount
US\$1,700 million

Technology and innovation

Technology has become a key lever in the digital transformation driven by Banco Santander in recent years. To streamline processes and facilitate customer experience, the incorporation of technology has become a fundamental tool.

During 2018, the Technology and Operations Division was in charge of cementing the change in the model of technological development and of strengthening the field of cybersecurity, to provide greater trust in the use of digital channels and media. Added to this was a strong investment aimed at modernizing infrastructure and innovation in face-to-face attention models that provide greater security and a growing level of service, cementing Banco Santander as the leader in digital banking.

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In this context, the most relevant milestones of the year were:

In business continuity, and a fundamental aspect to improve client experience, Banco Santander achieved a record for reducing incidences in technological platforms, which became the best practice of the Santander Group. In 2018 incidences decreased by 45% compared to 2017, and by 65% compared to 2016.

Along with this, technological obsolescence was reduced to 8.8% in databases; 6.8% in operating systems; 0.2% in end points; 7.8% in network devices; 5.9% in virtual servers and 0.0% in ATMs. Fundamental to this achievement was the high amount of the year's investment in infrastructure bordering the US\$40 million, which gives an account of the commitment to quality and service for clients.

Another important aspect related to the above was the agreement reached with Entel to move the primary site to one with Tier IV classification, the most demanding of the industry, which improves the continuity and increasing management of the on-premise infrastructure in the active-active modality.

In cybersecurity, a significant and growing risk today, the conviction to strengthen our framework in terms of the pillars of detection, protection and defense has remained. In this area a total investment of US\$13 million was made, which allowed us to incorporate in our infrastructure, with focus on the assets exposed to the internet, the most advanced tools in detection of advanced anti-malware, network segmentation, access control and anti-phishing. The above, together with multiple internal engagement campaigns with collaborators, allowed us to reach a Bitsight index of 640 points, with a growth in this variable of 19% compared to 2017, and to reach an internal ethical phishing indicator of 1.4%. In addition, we develop the Santander Pass transfer application and the Wallet application for credit card payment by NFS technology through smartphones, which delivers world-class security standards to the digital process most used by our clients.

In services and operations, the improvement and strengthening of various processes allowed the optimization of service levels, reducing by 56% the time of resolution of customer requirements. The improved level of service enabled a 12% reduction in the number of complaints received by customers. In a growing transactional environment, this reduction reached very high levels in mortgage products, 25%; insurance, 21%; and payments, 18%. 52% of these claims were resolved through digital channels. During the latter half of 2018, Banco Santander consolidated the bases and outlined the conditions that will allow it to develop in 2019 a complete plan of automation and robotization of operations related to the products of the Bank, mainly in approval, operation, payment and after sales.

As for the management of ATMs, the average up time of the year reached 97.86%, higher than required by the regulatory entity and the average of the industry in Chile. Along the same lines, Banco Santander cemented the printing and issuance of cards in virtually all branches with immediate delivery, as well as the printing of checks; both services are unique in Chile and in many other parts of the world.

Conversion of the technology model, during the first quarter of the year the Bank migrated its technology model from a company related to an internalized development management, into new and adequate dependencies.



Overall processes were simplified, and a focus was made on project delivery. In addition, the mass of collaborative work and the use of the Agile methodology allowed the development of 28% of the system plan, ending the year with 30 cells implemented. In addition, the APIfication of components allowed it to increase the productivity of the equipment by 20% and to reduce the costs of the projects by 17%. The results were the deployment of 638 projects with 98% compliance in implementation deadlines, which were carried out with a technical, functional and implementation quality level of more than 95%.

The creation of the Capacity Analysis

Unit has enabled the Bank to foresee client's requirements regarding products and channels, therefore contributing to the perception of quality and improvement in service. Proving this is the fact that in an environment of increasing demand for digital channel transactions, the performance of these channels was improved. In 2018 transactions grew by 64.1% above the previous year in the different digital channels - with the growth of 147% of the Individuals App standing out— and their availability in December 2018 was 99.7% for Home Banking and Office Banking and 99.3% for the Individuals App. In terms of performance, the transactions were handled in less than five seconds, the results were 98.4% for Office Banking, 98.2% for Home Banking and 99.6% for the Individuals App.

Innovation policy

For Banco Santander, innovation is a continuous process that comprises the organization as a whole. It has a significant impact in the business by gathering preferences and trends—or getting ahead of them— while allowing the development of initiatives that add value for customers.

Innovation contributes to a clear improvement in client service and perception. This leads to an increase in revenues and efficiencies through process optimization, either because they are simplified or because the application of new models or technologies allows the reduction of operating costs. The methodology that is commonly applied by the internal teams is concept testing and SandBox testing, to speed up the tests and apply them in real environments. During the year several pilots were developed in this regard, among them the release of two light branches, called 2.0, which in their first year already have facial recognition, beacons, Smart Wi-Fi, totems of self-service for customers and non-customers, digital on-boarding for future customers, depository cashiers and automatic vending machines, among other tools.

These developments and the institutional policy behind them enabled Banco Santander to be recognized as the number one innovation bank at the quality benchmark. The jury of the PwC Chile 2018 Innovation award bestowed Banco Santander the first place in the Business Innovation category, while according to the Best Place to Innovate ranking it stood out as one of the 50 companies that are best managing innovation in Chile.

Cybersecurity policy

In recent years cybersecurity has become one of the main risks of the industry. For the same reason, Banco Santander has paid special attention to this issue and has given it priority, through a multi-year corporate plan, which seeks to permanently raise levels of protection.

The Cybersecurity Framework of Banco Santander defines the Chief Information Security Officer (CISO) as the head of cybersecurity, a role played by the manager of Technological and Operational Risk. In turn, there is a government based on three lines of defense, with supervisory bodies that include the Cyber Security Committee, the Non-Financial Risk Committee, and the Risk Committee and the Manager's Committee. This architecture allows the generation of results aimed at identifying and correcting cyber risks; the development of a culture and education in cybersecurity; the inclusion of cyber-scenarios for advance management; and the compliance to updates of the regulatory framework of the Superintendence in the matter, among others.

In terms of areas, there is a constant raising of risks in the entity's processes, relating it to mitigation and continuous improvement, in addition to executing a transversal program of education and culture of cybersecurity that aims towards a responsible use of information technology by all collaborators. This plan, in force since 2016, seeks to communicate and raise awareness about how to manage the risk of cybersecurity through e-learning campaigns, presentational lectures, monthly notices, as well as contingent information disseminated from senior management. These actions have allowed the achievement of excellent results in the tests and measurements for Santander collaborators in the field.

A Sustainable Bank

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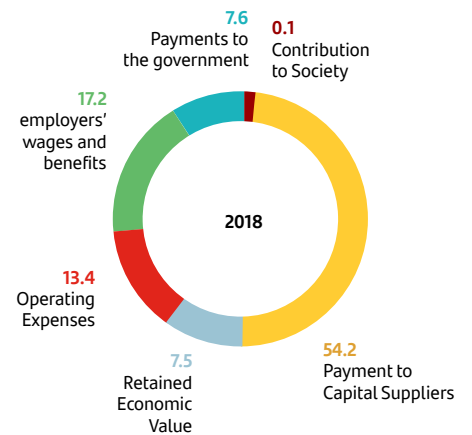
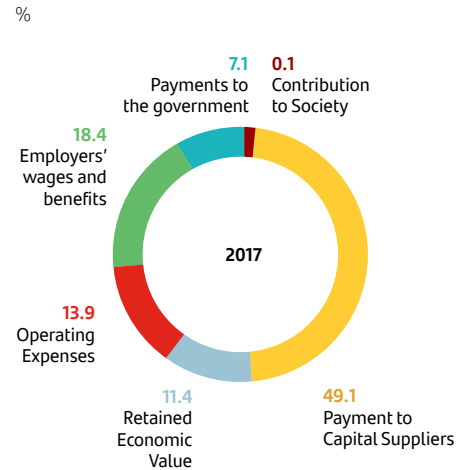


Sustainability Management in Santander Chile

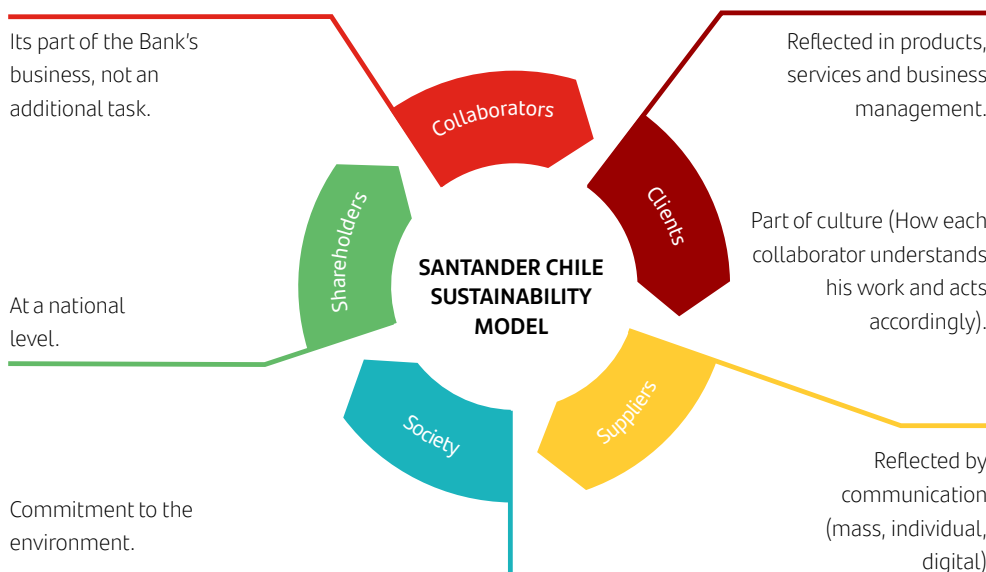
Banco Santander is committed to sustainability, which is why it considers ethical social and environmental criteria in its strategy, business model, policies and internal processes.

It consists of a comprehensive approach that applies to all spheres of activity and relationships with groups of interest. Compliance to this mission is promoted by contributing to the progress of individuals and companies, with the goal to become the best commercial bank, acting in a responsible manner and earning the trust and loyalty of its collaborators, clients, shareholders, suppliers and society as a whole.

Economic value created and distributed



92



Sustainability Governance

To manage this approach and to safeguard the insertion of sustainability to the business model, Banco Santander counts with a Sustainability Committee lead by the Chief Executive Officer Miguel Mata-where the President and Country Head, Claudio Melandri, participates as a permanent invitee-, and composed by the higher administration. The presence of executive officers corresponding to each division helps with the integration of all areas to ensure the Bank is sustainable. This committee meets at least twice a year, to promote, coordinate and monitor the Bank's main initiatives aligned to the Group's general strategy and to the local policy.

Sustainability Implementation

The Bank has created a series of socioenvironmental policies stating the prohibited financial activities and regulating those that are restricted (see more on pgs. 39 and 40). Santander also adheres to diverse national and international initiatives that promote sustainability and responsibility in the area, along with its relationship to the Sustainable Development Goals (SDGs) and to the Paris Agreement on Climate Change (see more in pages 95 and 147).

Furthermore, it has a series of relevant initiatives that also comply with this mission: issues that contribute to society from different perspectives, such as work in social inclusiveness, the promotion of entrepreneurship, and being environmentally friendly (all topics developed in the chapter "Creation of Value to Society").

Responsible Banking: Challenges and Opportunities

A concept that specially acquired relevance during 2018 was that of Responsible Banking. Towards the end of November, the United Nations Environment Program Financial Initiative, UNEP-FI, (to which Corporate Santander is part of along with some other 27 financial institutions) disclosed a draft with the Responsible Banking Principles that will define the industry's role and responsibility to guarantee a sustainable future.

The principles under public consultation fix a global standard definition of what being a responsible bank means and seeks to guarantee that financial institutions commit to create value to

its shareholders as well as society, aligning their efforts to the UN Sustainable Development Goals, and to the Paris Agreement on Climate Change.

In Banco Santander's case this involves facing two challenges:

- To adapt to a new business environment, with the approach of the Simple, Personal and Fair culture that strengthens trust and support to individuals, clients, shareholders and the community
- To promote and consolidate inclusive and sustainable growth to ensure the access to progress for everyone, highlighting the protection of the environment.



Groups of Interest

Banco Santander takes care and promotes bonds of trust with its different groups of interest, understanding they form part of their mission and vision. Therefore, along with complying to regulations and legal commitments daily, it goes beyond this with its Simple, Personal and Fair culture in everything it does.

The Bank's goals regarding its stakeholders:

Collaborators:

To attract and engage the best talents to contribute to society by offering them a safe and attractive workplace for them to grow and advance with a balance between work, family and personal domains.

Clients

To build long term relationships based in trust, transparency and loyalty, offering them customized products, with fair, adequate and clear information.

Suppliers

To promote relationships of trust and mutual benefit, maintaining fairness in the administration of the purchasing process and recognizing good practices.

Society

To contribute to the economic, social and environmental progress and development of individuals through programs that invest in the community, with education, social inclusion and support to entrepreneurship being the main spheres of action.

Shareholders

To create value through a responsible management of resources, guaranteeing egalitarian treatment and clear, true and adequate information.

Benefits of improving the management of risks and opportunities

Improve the management of risks and opportunities



A better understanding of the social, economic and environmental context



To promote innovation: new processes, products and/or services



To increase the reputation and confidence of the company

Communication channels

With the goal to keep a permanent and open dialogue, Santander has created multiple channels to keep up with its stakeholders' interests and expectations, and to ensure the success of activities throughout the chain of value.

Colaboradores	Cientes	Accionistas	Proveedores	Comunidad
Global Commitment Survey	Commercial Channels	General Shareholders' Meeting	Service Assessment and Monitoring Process	Press room
Corporate Intranet with a bidirectional communication (employers can manifest their opinion)	Corporate and segment webpage	The shareholder's inbox, e-mail communication, telephone assistance and SMS messages	Awards for suppliers	Sustainability website
Virtual Centre of Attention (CAV), In-person, fixed and mobile attention services (CAP and mobile CAP)	Satisfaction Surveys	Forums and meetings with shareholders	Corporate Complaint Channel	Santander Commitments: a monthly digital newsletter, informing clients about the diverse actions carried out by the Bank and its teams to engage in a more sustainable Chile.
IDEAS magazine and special editions: internal publications in paper and digital format	A claims app and web that channels complaints in a simple way that can track the state of the resolution	Publications for Shareholders (Annual Review, 20 F)		Collaborations with NGOs, universities, sectorial organizations, groups of work and other institutions.
Bulk e-mailing	Social network profiles: Facebook, Twitter, YouTube, Instagram and LinkedIn	Shareholder and Investor Relations web page		Social network profiles: Facebook, Twitter, YouTube, Instagram and LinkedIn
Complaints inbox	Social network campaigns, Santander App, and VOX Client Service			

SDGs and creation of value to groups of interest

Santander creates a sustainable value for its stakeholders in the development of all its activities, contributing to the compliance

of several of the United Nations 17 Sustainable Development Goals (SDGs):



1. Eradication of poverty
2. Fight against hunger
3. Good health and well-being
4. Quality education
5. Gender equality
8. Decent work and economic growth
9. Innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Fight against climate change
17. Partnerships for SDGs achievement.

Materiality

With the aim to identify the most relevant aspects for groups of interest in Banco Santander's economic, social and environmental spheres, a materiality analysis was carried out. This exercise, along with a permanent dialogue with the different interested parts, was carried out throughout the Bank's entire chain of value, with the analysis of qualitative and quantitative information of internal and external sources in agreement with the GRI Standards (see more in pg. 154)

At the end of the exercise, the subjects chosen as most important ("material") by internal and external stakeholders, resulted in the following matrix, that shows fourteen of the most relevant issues and considers the elaboration of this document.



The main topics

The following shows the material topics, the subtopics contained, their coverage (internal/external) and their link to the Sustainable Development Goals.

Category	Sub-category	Topic	Definition	Cobertura	ODS vinculado
Economic	Risk Management	Cybersecurity and protection of information	To protect the Bank's electronic assets from malicious damage and inadequate use	Internal/external	
Economic	Risk Management	Risk Management	Mechanisms to control and manage risks (operational, technological, compliance, ethical etc.)	Internal/external	
Economic	Risk Management	Reputational Risk	Banco Santander's perception among its groups of interest	External	
Economic	Economic	Economic Performance	Long Term profitability	Internal	
Economic	Client Satisfaction	Client Satisfaction	Quality of attention and client experience. Transparent and honest sales' practices. Fulfill and exceed client's expectations	Internal/external	
Economic	Products and Services Innovation	Multichannel and Digitalization	Available platforms to operate digitally. Innovation and development of new platforms or devices	Internal/external	
Social	Products and Services Innovation	Commercial Offer with positive social impact	Development of products or services with financial inclusion	Internal/external	 
Social	Human Capital	Human Capital Development	Attraction and engagement of talents. Motivation and productivity with collaborators. Fair Compensation	Internal	 
Social	Human Capital	Diversity and Inclusion promotion	Equal opportunities in the work force	Internal	
Social	Social Investment	Social Investment Programs	Banco Santander's social commitment and the different activities the Bank carries for the community	External	   
Corporate Governance	Products and Services Innovation	Commercial Offer with positive social impact	Development of products and services with a positive impact in the environment	Internal/external	 
Corporate Governance	Environmental Risk	Environmental Risks for Business	Deficient environmental practices by clients of the Bank that can reduce the value of warranted property and/or increase the prospect of fines or legal responsibility, that reduce the debtor's ability to make payments to the Bank, and that can additionally affect the Bank's reputation	External	 
Corporate Governance	Environmental Impact	Environmental Management	Systems and procedures to ensure environmental compliance, the sustained improvement to monitor and manage natural resources consumption and waste-creating activities.	Internal	 

Presence in external initiatives

Santander adheres to the main initiatives regarding sustainable development and responsible banking.

In Chile

- United Nations Global Compact.
- PROhumana Foundation
- Companies' Action (Chilean chapter of the World Business Council for Sustainable Development, WBCSD)
- Citizen Peace Foundation (Fundación Paz Ciudadana)

At a Corporate Level

- United Nations Global Compact
- Banking Environment Initiative (BEI)
- World Business Council for Sustainable Development (WBCSD)
- UNEP Finance Initiative
- Wolfsberg Group
- Equator Principles
- Roundtable on Responsible Soy (RTRS)
- Responsible Investment Principles (RIP)
- Sustainable Livestock Work Group
- CDP (Carbon Disclosure Project)

Santander in the primary sustainability indexes

Due to its performance and transparency in sustainability issues, Banco Santander Chile was invited by the 2018 version of the Dow Jones Sustainability Index (DJSI), which counted with the assistance of 133 financing companies of the world stock market.

In consideration of the score obtained, the Bank integrated for the fourth consecutive year the local version of the index (DJSI Chile) and, for the second consecutive year (since its creation) the DJSI MILA. Only 16 companies from the industry were summoned to the latter, with two banks achieving membership.

In view of the above, during 2018 the Bank upheld its position in the FTSE4Good Index Series, formed by a series of stock indexes of the London Stock Exchange, and comprised exclusively by companies that have the best corporate practices.

Human Rights

Banco Santander Chile adheres and applies the Human Rights Corporate Policy. This outlines its scope of action and management within those aspects related to the above. Furthermore, the Bank is a signatory of the Global Compact, it collaborates with the compliance of the Sustainable Development Goals and it abides by the Equator Principles in terms of project funding operations (see pgs. 39, 40, 95 and 148)

In this context the following policies disclose their commitment to Human Rights

- General Code of Conduct
- Personnel Division Policies
- Health and Security Policies
- Labor Harassment Policies
- Diversity and Inclusion Policies
- Labor Inclusion of Disabled People Policies
- Clauses for suppliers that commit to abide the United Nations Global Compact Ten Principles.



In order to implement sustainability in its daily activity, Banco Santander has developed several policies that cover social and environmental domains. These safeguard the adequate performance of financial activities and encourage the Bank's contribution to society from different perspectives, such as working towards social inclusion and the promotion of entrepreneurship and education.



Creation of Value for our Clients

As part of the Commercial Transformation Plan, Banco Santander has been implementing several initiatives centered on becoming the best bank for its clients.

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This systemic effort has involved setting forth several actions of great caliber. In this context, the strategy employed during 2018 was oriented towards consolidating an important part of already existing processes, products and services. Standing out are the changes to the model of commercial attention, an original proposal of value for the mass income segment and the growing consolidation of digital banking. All of this with a favorable impact in the clients' experience and the Bank's performance, which has allowed it to uphold its position of leadership in the industry.

The change has been taken by Santander as an opportunity to increase the satisfaction

and bond with clients, inspiring confidence and loyalty under the Simple Personal and Fair culture. Through these proposals the growth, profitability and sustainability of business is being promoted, placing at the client's reach a suitable offer oriented towards the support of their progress and development.

The applied strategy has already produced results, with a significant marker being the sustained growth of the loyal clients' base, with a 6.8% rise in 2018, which reached 667.591 towards the end of the year.

Likewise, digital clients grew 6.3%, rising to 1.1 million at the end of the annual review.



A Focus on Quality of Service

The satisfaction of our clients is one of Banco Santander's strategic pillars. Therefore, the Bank seeks to improve comprehensively the client experience, moving ahead in the resolution of their needs, placing them at the business center and accompanying them throughout the interaction. Because of this permanent effort, in 2018 the Bank achieved its set target by reaching the second place among the relevant competition in the Satisfaction of Clients Benchmark.

Likewise, the Bank won the first place in corporate reputation, with an ample advantage over its main contenders, in terms of performance as well as the recognition obtained by the Villañafe & Associates Financial Journal, that includes eight of the country's financial institutions.

This was achieved by means of a coordinated and collaborative work carried out by diverse areas along with the strengthening of several measures that had a positive impact on results. Additionally, the implementation of a more robust way to measure the clients' perception has enabled the identification of precise management focal points that inspired the compromise of every team and were reflected in the important recognitions given to innovation matters.

To collect and interpret the clients' voices, the Bank carries out a wide variety of research on loyalty, mass digital surveys to a significant percentage of the portfolio, employing tools such as business intelligence, models of loyalty management related to concrete plans and initiatives centered on the client.

This methodology began its application in December 2017, with continuous daily surveys. This created a disruption in the comparability of the 2018 results regarding the previous year.

Among the main operating metrics, the Satisfaction Benchmark is highlighted. This is carried out with Banco Santander's clients and clients from the main competitors. The survey measures all the aspects related with the experience of the Banks's clients, among which stand out:

QUALITY OF SERVICE

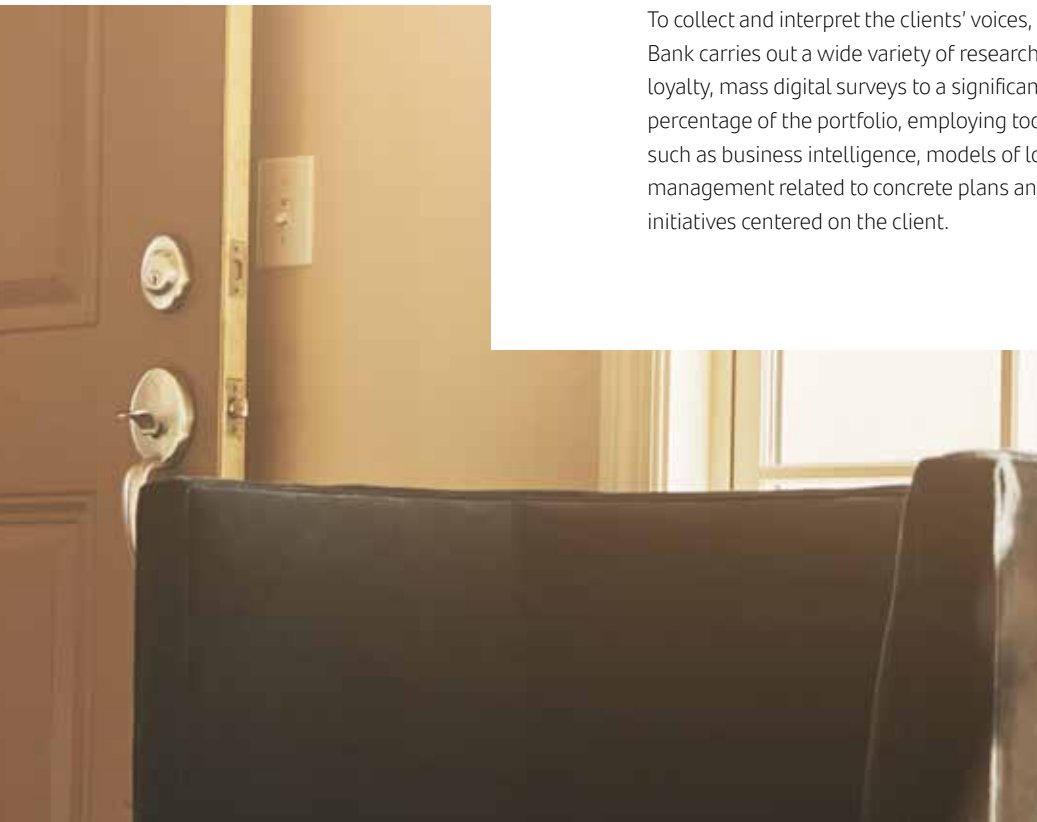
IMAGE

QUALITY OF PRODUCTS

CHANNELS OF ATTENTION

CLIENTS' BENEFITS

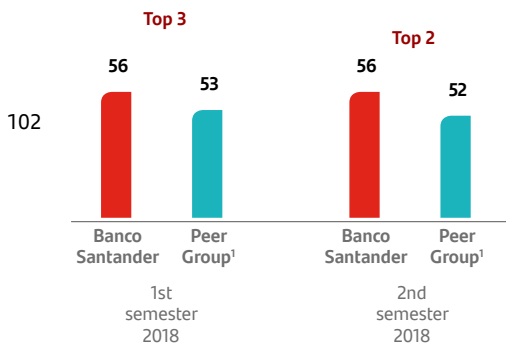
In 2018 the Bank achieved its set target by reaching the second place among the relevant competition in the Satisfaction of Clients Benchmark.





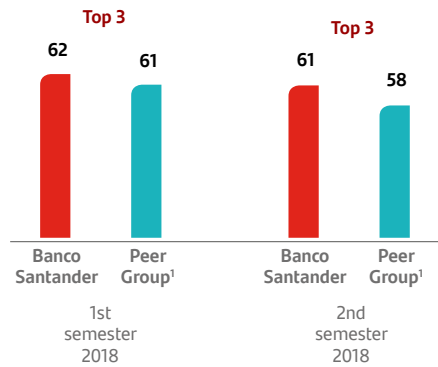
Individual Clients Global Satisfaction²

Net evaluation %



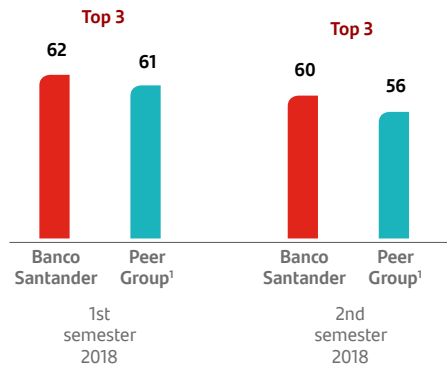
Product Quality²

Net evaluation %



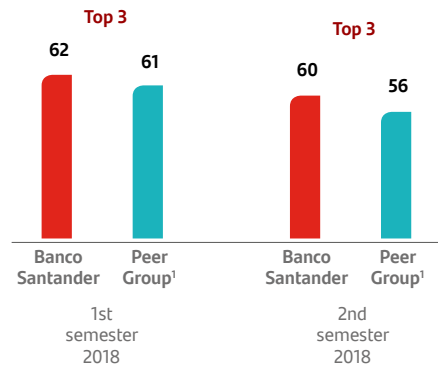
Quality of Service²

Net evaluation %



Image²

Net evaluation %



1. Average assessment of our competitors

2. Net Satisfaction: percentage of clients that assess with grades 6 and 7, minus clients with grades 1 through 4

Complaints Management

During the first half of 2018 (last information available), the ranking designed by Chile's National Financial Consumer Service (SERNAC), that considers complaints received for every 10 thousand debtors, reflected a decrease of 12% for Banco Santander in comparison to the same period last year, with a fall in the complaint rate from 9.34 to 8.21 (more information on page 88). This decrease has been upheld during the last three years as can be observed in the attached graph.

Banco Santander's clients have the possibility to notify their grievances through different channels available, such as the Web, App, branches and VOX, which are then entered into the system to deliver in the most agile manner a solution. The channel that registers the greatest possible amount of complaints is VOX, with 68% total. It is followed by branches with a 15%, while digital channels such as the Web and the App absorb 11% and 6% of complaints respectively.

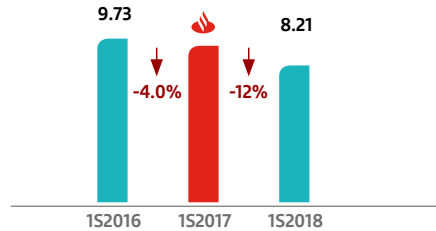
New Comprehensive Attention Model

Banco Santander has kept transforming its commercial model, enhancing digital channels to offer more availability and proximity for clients without neglecting personal service. Following this line, it has led the innovation in client service models. The best example is Work Café, a renovated branch design launched in 2016 and that is changing the client's experience, becoming a touchstone of the new forms of banking.

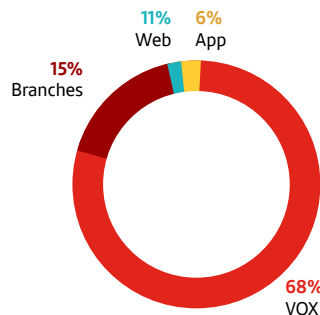
This format, thought as a multi-segmented business center, does not have cashiers or a banking hall because it is oriented towards 100% digital self-service, autonomous and without papers, though it does count with personal executives. It operates until 18hrs continuously, and it offers collaborative working tables for entrepreneurs, meeting rooms, Wi-Fi and cafeteria.

Financial SERNAC Ranking

Complaints every 10 thousand debtors



Complaints entered by channel



During the first half of 2018 (last information available), the ranking designed by Chile's National Financial Consumer Service (SERNAC), that considers complaints received for every 10 thousand debtors, reflected a decrease of 12% for Banco Santander.

The year 2018 ended with 40 operational offices throughout the country, 15 in regions and 25 in Santiago, achieving the target of the expansion plan proposed for the period. These offices, entirely designed by Banco Santander Chile, aim to offer a better client experience, increase efficiency and raise incomes.

Furthermore, during the year the Work Café 2.0 model was launched in two offices, with executives seated within the areas of client attention, self-service technology and a more compact cafeteria. (More information in page 89)

The success that these open offices have had among clients and non-clients has distinguished the Bank with various recognitions at a national and international level on innovation and excellence in the

commercial strategy. Among them, the PwC Chile Innovation Award, the Gold Effie and the Award for the Best Business Model given by a European consultancy company. Additionally, this is being replicated in various countries where the Santander Group is present.

Other relevant measures directed towards changing the service model is the design of a comprehensive model for middle incomes. During 2018, the integration process of this segment, that comprises 500 thousand clients, ended. In this way, clients with current accounts went from having an assigned account executive to an entire platform of available executives in any branch. Furthermore, this is supported by NEO Evolution, an intelligence tool that has proven key to broadening the knowledge about the client and increasing service coverage and the levels of satisfaction and productivity.

Strength of VOX

VOX or Contact Center is a very important supplement to the branch network and key in the omnichannel strategy. This channel is part of a new comprehensive branch model that ascertains contestability and resolutions for clients that contact traditional branches, including retail and SME branches along with Work Cafés and the majority of Middle Market branches.

With the incorporation in 2017 of Comprehensive Executives and the reinforcement on the service model based on the online resolution to any requirement, in 2018 the Contact Center remained in first place of the industry benchmark for being the best in resolution conduct, expertise, speed and waiting time, as voted by clients. VOX has also supplemented Digital Banking, advising clients on the use of digital platforms, answering their requests and requirements and achieving a relational and commercial bond.

In the companies' area a service upgrade was made with the implementation of VOX One, the new priority attention model where, together with post-sales and branch executives, it aims to deliver the best specialized service and attention, with monitoring and traceability of requirements of a considerable percentage of Middle Market clients. Supplementing this attention model is confirming management and, more recently, factoring management.

Currently, the Contact Center contributes with 27% of the Bank's consumer sales, 48% of insurance and 10% of current account plans, along with many more products and services offered to the client making the best of each contact point.

Life: a proposition to endorse financial education

With the incorporation of Banefe clients to Banco Santander, a new offer of value for mass income clients centered on bancarization, transactional banking and financial education was set forth.

Life is an innovative value offer that promotes good financial behavior of clients. It operates through a program that rewards appropriate response towards banking commitments, granting clients tangible benefits like the postponement of installments, rate reduction, changes in payment dates among other incentives.

After a year from its launching, Life finished 2018 with more than 34 thousand clients.

Life allows access to a new generation of products that are more flexible and simpler such as debit and credit card, personal credit and current account, which can be taken in person or digitally through On Boarding.

The merit and recognitions are the key to the client's relationship. They have access to financial benefits structured in five levels, like

discounts in specific stores, payments without interest, flexibility or reduction in loan fees, and incentives oriented towards supporting clients in the adequate administration of their finances.

In 2018, 9 thousand clients reached level 2, accessing a 5% discount in supermarkets, 3 to 6 payments without interests, and the possibility to postpone the payment of a fee for 15 days. Likewise, 2 thousand clients passed on to level 3, which has additional recognitions such as the benefit of 9 payments without interest and, for the first time in the financial market, the possibility of reducing the loan rate by 15%, with which Banco Santander marks a milestone in the Chilean financial system.

To enhance the omnichannel and the flexibility of interaction with the Bank, the Meritolife platform can be accessed from the App as well as from Home Banking, fostering client's conduct as digital users. As with the emblematic Work Café, Life has also been considered a model example of sustainable management and improvement of client experience. Currently, the program is being promoted through the integration of new features, products and recognition sources, with the purpose of endorsing it as a financial education platform that helps clients take better online decisions, with the Bank's goal to contribute with the progress of people.

Currently, the Contact Center contributes with 27% of the Bank's consumer sales, 48% of insurance and 10% of current account plans, along with many more products and services offered to the client making the best of each contact point.

SMEs

Banco Santander seeks to become a strategic partner of SMEs growth in our country. For this, it has defined as a goal a greater proximity with clients, putting their needs as the focus of management.

During 2018, a number of projects were displayed that allowed a 7% growth (December 2017 regarding November 2018) of loyal clients of this segment. Among this we highlight.

Banco Santander expanded and improved the offer for high net worth clients, merging the Select model with Banca Privada.

New strategy for this segment with a focus on "principality" understood as a 360° relationship to the SME covering loan and transactional issues.

Expansion of the offer of value with Companies Plan (Plan Empresas), which grants differentiated benefits, along with new loan and insurance products.

New models of attention, emphasizing a relational management backed by remote channels. Additionally, it entered the Work Café model, with an office exclusively for the segment and specialized platforms in other offices.

Design of initiatives destined to simplify the contract process, reducing the time and documentation needed, along with the contract size.

Santander Select Private Banking

In October 2018, a new model designed to expand and improve the offer for high net worth clients, merging the Select model with Banca Privada was launched. It is intended to attend clients with liquid investments over Ch\$40 million or a positive balance between debt and equity, deducting the mortgage, of over the Ch\$100 million. It comprises more than 5 thousand clients that require customized consultancy.

This new format centers on consultancy by means of a specially designed structure. It counts with a wealth manager that relates to the client on 360°, that is, it is responsible for all the available products offering a comprehensive service. The wealth manager is supported by a number of specialists: an investment advisor, a real estate investments' advisor, a concierge, an insurance advisor and a pension advisor. The offer of products is wider and more flexible than the existing in the branch network, given the client can invest in investment funds, structured notes, forwards and others.

The clients have preferential spaces in the branch, where they can access first rate meeting rooms, specialty cafeteria, and a press room with a digital wall where the main financial markets and the most prominent economic media are available. Furthermore, it has an auditorium designed for internal lectures or presentations for clients, with economists and discussions of topical issues. It currently operates in one of the city center's branches, with a short-term expansion plan being carried out.



Digital Innovation

The technological advances and the growing digitalization of the financial industry have allowed Banco Santander to start an intense and speedy innovation process that has been reflected in the creation of agile and trustworthy platforms, with more modern, customized and simpler products and services that allow the Bank to be present in the life of its clients always.

Through an increasingly robust digital banking, the Bank aims to place at the client's disposition services and products that will create value at lower costs, improving their experience, easing their self-service and protecting their security.

Santander has outlined four basic conditions for the development of digital banking:

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1

Mobile first

The Bank's developments and innovations are oriented towards mobility so that all designs prioritize the mobile platform

2

Omnichannel

Completely integrated channels that enable the client to operate with a digital platform, an office or VOX interchangeably.

3

Contextual, Customized and relevant

An offer that answers to the client's context, wherever and whenever he requires it.

4

Full transactional and 100% digital

To do all types of transactions and operations, not only of a financial nature, without intervention of people at parts of the process.

Flexibility, customization and availability.

Banco Santander has developed an end-to-end traceability model, unique in the industry, to determine effectiveness of the source media, as well as the type of product or service subscribed by the client, enabling the development of strategies to increase the customer base and the degree of loyalty in more efficient and intelligent manner.

One of the Bank's main goals is to understand clients, and from there, adapt to their needs. Through permanent research, and quantitative and qualitative analysis Santander seeks to determine what people need when they use diverse platforms, to offer them a relevant and timely solution. In this sense, digital channels play a fundamental role given their flexibility, customization and 24/7 availability, in relation to traditional banking models. The possibility of taking a loan in just three clicks by means of all digital platforms, or becoming a client through a 100% digital process, has allowed digital channels to acquire increasing relevance in the Bank's business model. In the same way, digital channels have allowed process to be simplified and achieve greater efficiency, productivity and profitability. If we add to this the fact that digital media are 100% measurable, we are in the face of a highly manageable channel, adaptable to the business needs (see more information in page 89)

Given this background, in tandem with increasing the satisfaction and loyalty of clients, a significant rise in the number of digital clients has been observed, a figure that on December 2018 reached 1.1 million, which suggests a rise of 6.3% in comparison to the previous year. Added to this is a notorious increase in the digital transactions and sales. While the former climb to 39.9% (including Internet, Mobile, Web pay and virtual Pos), the second represent the 32.8% of the total sales (assets + liabilities + insurance).

Mobility and transactional banking

In terms of transactional banking and purchases, during 2018 two new digital applications were released:

App Santander Wallet, the first application in Chile for Android cellphones that enables payment through phones with Mastercard Santander credit cards, in businesses and shops with contactless technology.

Once the client downloads the application and adjusts the settings for use, they can start buying by holding their unblocked cellphone at the POS contactless terminal, just as they do with a contactless card. It's worth noting that 90% of POS in Chile possess this technology.

This application reinforces the Bank's security measures, given the phone needs a blocking system (pin, pattern, print, facial recognition) for the client to use it, along with another password required to buy at the business terminal. Furthermore, transactions using this mechanism do not show the card's number as it is carried out with dynamic data, only valid for that sole purchase.

Its main characteristics are:

- Digitize MasterCard credit cards, to pay in an easier and faster way.
- To pay in Chile and abroad in contactless stores without the need to carry the card.
- To track the card's balance and movements in the mobile with Santander Wallet
- To pay up to 10 times with Santander Wallet without having Internet connection
- To block and unblock cards for mobile payments
- To have access to the same discounts and benefits than with physical cards.

App Santander Pass, is an application that enables clients to authorize monetary transactions from their cellphones replacing the Super-password code card.

Likewise, the strategy has been to adapt mobile devices to digital development. In this line stand out:

App 2.0 Santander Personas, renewed application that aims to improve the client's experience adding new features. It was designed after collecting clients' opinion to determine their needs and likes. In this way, the technology incorporated the need for speed and availability of service clients demand of this channel.

Furthermore, diverse features were enabled to commercialize the Bank's financial products. Among them stand out 123 Click, in a 100% mobile version that contributes to 27% of the total sales of this tool.

More than 400 thousand clients use the App Santander Personas, and on average, enter it every other day. Currently a third of consumer loans in number of operations are taken by clients through the app. Also, the sales of consumer loans through the web doubled in a year time, going from Ch \$11 thousand million to Ch \$25 thousand million.

New web page, 100% adapted for mobile devices, validated to the same digital experience of the Individuals App.

Additionally, there were a series of developments and strengthening of operational products and services.

On Boarding, improvements in experience and performance. Each client that enters an On Boarding process is contacted by the Bank.

Home Banking (Santander Personas Portal), relevant features were simplified and modernized for clients, such as consolidated balances, subscription to Automatic Account Payments (AAP), installment advances from the credit card, blocking and changing password, checking the availability of bank checks, among others.

Office Banking (Santander Companies Portal), migrated toward a new architecture to offer greater security, better response-times and channel stability. At the same time, new features were added for the client's self-management.



1.1 million
Digital clients



6.3%
annual increase
in digital
clients



1/3
of consumer
loans by number
of operations
were sold
through the App

Middle Market is building an offer of value that seeks to transform it into the best digital banking of for companies, optimizing the client's time by giving them tools for self-service.

In this line it strengthened infrastructure and processes, while also creating new features in the banking site Office Banking and in the Office Banking App. Furthermore, it created improvements to support the work of its collaborators, with the implementation of technology, which allows it to invest more time in its relationship with the client.

Payment Methods

The Payment Methods Area also showed significant developments during 2018, with a growth of 16% in credit card sales and a market share of over 30%, figures that confirm Banco Santander's leading position.

During the year, the Payment Methods Area focused on three key aspects highly valued by clients: agility in processing, innovation, and a potent benefit strategy.

Agility

The reissuance of cards was consolidated, allowing their express reposition. Clients can obtain a new card within five minutes and activate it right that instant. Currently, 80% of Banco Santander Chile's branches are equipped with embossers that allow immediate issuance of chip cards.

On off Blocking, enables a card's blocking and unblocking from a cellphone, as well as permanent blocking, with the possibility of withdrawing a new card from the client's branch of choice.

Upgrade of products allows to transfer their financial movements to a new card without needing to go to a branch to close the previous card.

A decrease of 18% of self-generated complaints (relative to product performance and promotion among others), made possible by a methodology of collaborative work among several areas, prioritizing management of those with greater impact on clients, which allowed among other achievements, to shorten response times.

Innovation

Travelling Client service that allows the Bank to be informed on the client's travel period and destination to request card monitoring. With this, preventative card blockings due to unusual transaction movements are avoided. Enabled for credit and debit cards, it can be adjusted through the web, covering up to ten countries at once.

Chip cards, 1 million 200 thousand cards without chips were replaced with chip technology. As of two years ago, new cards issued use this technology and now

it is approaching the restocking of existing valid cards, so that a complete mandatory replacement process is achieved without cost for the client.

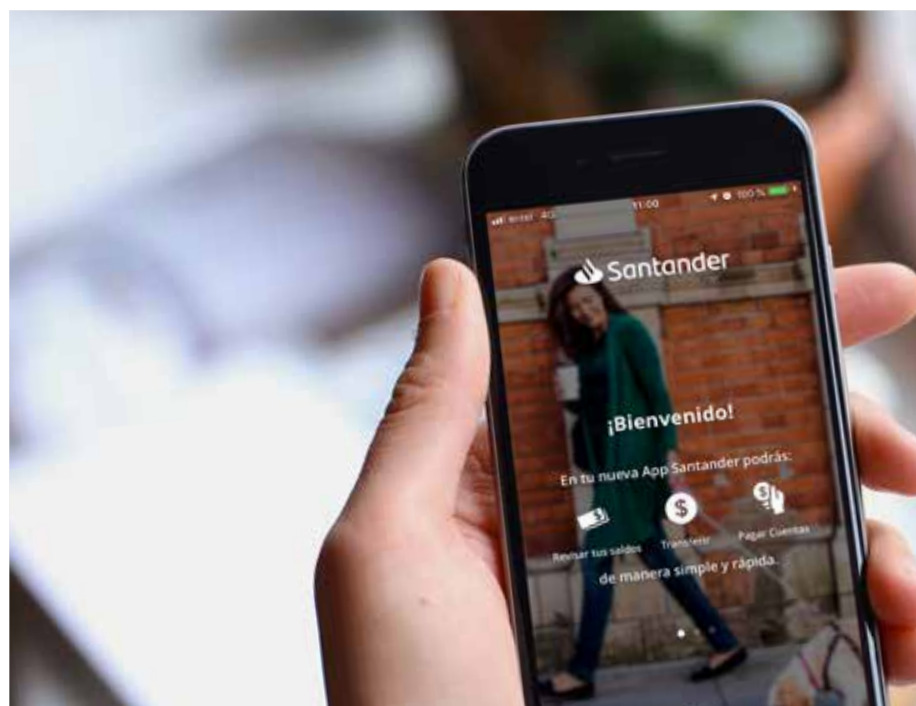
Santander Wallet is one of the most relevant innovations of the year (more information on pages 88 and 106)

Benefits

Renovation of the commercial partnership with LATAM Pass, favoring more than a million clients. It consists of the loyalty scheme with the highest success in the Chilean banking, allowing clients to earn miles when using their credit cards, which can be redeemed in trips with Latam Airlines or with products from the catalogue.

Everyday discounts of up to 40% in restaurants, cafeterias, ice-cream shops and pharmacies, among other stores, which is added to related products' special sales on first rate brands.

Association to Amazon, the most important e-commerce company of the world, with the goal to offer clients benefits. One of the first initiatives was a campaign carried out during November and December with the aim to offer Banco Santander clients exclusively purchases in Amazon.com in three interest-free payments in Chilean currency.





Insurance

In the Insurance Area, Banco Santander obtained results above the target set for the 2018 period, with a 31.3% growth in gross sales of premiums in Open Market (cars, life, home and fraud), and 6.1% growth in Credit Related (consumer and mortgages). This enabled the Bank to uphold its position of leadership in the area within the financial industry.

Santander has strongly encouraged the car insurance sales, which increased 31.2%, along with life and home, which increased 27.7% at the end of December.

The Bank's strategy in this business has been to promote the concept of "protection", with a comprehensive offer of products that are characterized by their flexibility and adaptability to the specific needs of clients.

Additionally, sales through digital channels is increasingly stronger. On December 2018, 10% of insurance policies sales were done by these means. In this line, the Santander Insurance App was designed, providing information of all products and allowing the client to check the insurances it has hired; to access the detail of insurance policies, coverage, payment and renovation date; to obtain information of product-related support or emergency in case of losses, among other features.

Other releases aimed at improving the offer value also stand out:

Personal Loans

- Increase in the coverage amounts with a simple health declaration for purchased insurances for consumer loans. Insurance contracted in person increased from UF 2,000 to UF 2,500, while internet contracts through 123 Click rose from UF 2,000 to UF 4,000

Open Market

- Flexible Life launch.
- Oncological Telemarketing, withdrawing the need to visit branches.
- Personal Accidents with increased capital, with an insurance policy rise from UF 500 to UF 1,000 after a year, as a long-service bonus.
- Wide range, with 394 models of 9 car brands being incorporated, allowing insurance from UF 2,000 to UF 4,000.

Among this year's developments we highlight Fast Track for the payments of insurance losses related to consumer loans, in particular accident and life, which permitted a significant reduction of payment terms for recipients.

Creation of Value for our Collaborators



Banco Santander aims to become the best bank to work, to attract and engage the best talents to share the mission of contributing to the advancement of people and companies.

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Focus

1. More efficient and simpler processes

2. Enhance commitment and productivity

3. Collaborate with Business

4. Promote cultural transformation



Adjustments and modifications in 2018

- All the processes of this area were mapped and structured
- The results were analyzed for the contribution to the mission and to improving operational excellence.

The leadership model was redesigned and worked with leaders, as well as starting the Santander Academy (further explained ahead)

- In 2018, the design of the curriculum was completed to provide knowledge and promote internal mobility
- The talent management model, fundamental to attract and engage people that demonstrate an SPF Behaviour, high performance and potential for continued growth, was reformulated.

- Initiatives from previous years continued to be implemented to achieve the goal of both focus points:
- To have a strategy that contributes to the accomplishment of goals set by the Bank and its business
- To enable the organization and its leaders for the new global/digital challenges
- To cement Santander culture in the organization and among leaders.



Cultural Change

In 2015 Santander began a process of cultural change to install an SPF (Simple, Personal and Fair) culture, that included three stages. Towards the end of 2018, the implementation of the last stage, settlement was set forth.

The internalization of SPF Culture had 20 protagonic initiatives, carried out by some of the Bank's strategic divisions, such as Risk Management and Clients Division, along with the Individuals, Communications and Sustainability Division. Its goal is to further the cultural change and achieve the first visible results for working behavior in a more efficient and collaborative manner.

Some of the primary actions taken were:

Barret Survey: a survey was carried out to measure cultural values in the organization to manage and internalize SPF culture.

Team Journey: this program aims at strengthening collective leadership in agreement with the SPF culture. In 2018, 97 executives participated, and exercises were based on the previous survey.

Stage 1

ASSIMILATION

November 2015 to June 2016.



Stage 2

INTERNALIZACIÓN

July 2016 to December 2018.



Stage 3

SETTLEMENT

January 2019>

Mobilizers: it was created to develop leadership abilities-according to the new model created in this domain in 2018- and abilities of mobilization to support the cultural change process. 53 people participated, derived from the Bank's 12 divisions.

New ways to work: Many initiatives were implemented to create ways of working with greater flexibility and collaboration were advanced; to increase effectiveness and productivity, and the teams' ability to adapt when facing the Bank's and global challenges. Standing out among these are Flexiworking, the remodeling of 7 of 14 floors of Central Services, incentivizing new working methodologies to promote the interarea collaboration and innovation. Furthermore, the Diploma for Innovation and Digital Technology

offered by Universidad de Chile, commenced with 50 collaborators from different divisions assisting. Likewise, Microsoft Office 365 pilot tests began, considering it is an operative system with tools to promote collaboration and flexibility.

Communications: Corporate behavior and the recognitions to those that better represent it inside the organization began to be published, in order to disclose monthly progress, through the StarMeUp global platform.

Además, se siguieron llevando a cabo iniciativas como la Semana Santander, que transmite y fomenta el orgullo de pertenencia de los empleados, y BeHealthy, el programa global de salud y bienestar para los colaboradores (descrito en "Salud y seguridad").

A Sustainable Bank

The supervision and governance of this cultural change is rooted in the SPF Committee, comprised of the Executive Committee representatives, which guarantees the process transversally and the commitment of key executives. This committee monitors monthly its progress and management, adapting and modifying the strategy according to the needs of a very dynamic organization.

Progress is measured through a Global Commitment Survey taken by the entire Santander Group. This year it recorded a participation rate of 85% (9,760 collaborators answered) and a commitment reaching 90%.

Additionally, The Personnel Division periodically evaluates the collaborators' performance.

Building the best place to work

To achieve this goal, Santander promotes its teams' commitment and motivation, where the leader embodies an essential role as team manager, being responsible for keeping a favorable climate among working teams and inspiring trust. Furthermore, it promotes a balance between private and professional life, recognition, and the creation of a healthy environment.

During 2018, the improvements in personnel management policies and practices carried out by the Bank positioned it in the Great Place to Work ranking (GPTW), as the best company to work in Chile among companies with more than 5 thousand collaborators, and fifth place in the general listing.

This meant moving forward seven places in comparison to the previous year, and the highest score ever obtained by Santander since its first participation in 2001.

Talent Management

Another relevant factor in the Santander's goal towards becoming the best workplace is the attraction and engagement of talents. One of the milestones that stands out in these terms are the reformulation of the Talent Management Model, whose goal is to identify those professionals qualified to ensure the Bank's sustainability, by means of a formal process with unified criteria.

In 2018, all leaders assessed for the first time the growth potential of members of their team, information relevant to implement development plans that can accelerate the professional growth of collaborators.

During the year the global development program "Young Leaders" began, with 280 professionals from all countries including the Bank participating. Among them 22 Chileans assisted, who were suggested by their own teammates to be part of this formative experience, which seeks to identify talents with a leading potential to accelerate Santanders' transformation.

To reinforce the attraction of talent, a series of programs were concurrently implemented, such as the "Santander High Potential Youth", which seeks to create a breeding ground of this kind in different areas of the Bank. This is achieved by means of a comprehensive offer of value that includes being part of diverse strategic projects, access to differentiated training and special benefits, such as three extra vacation days, and a free year to the Bank's gym and country club, with the possibility to apply to the development program.

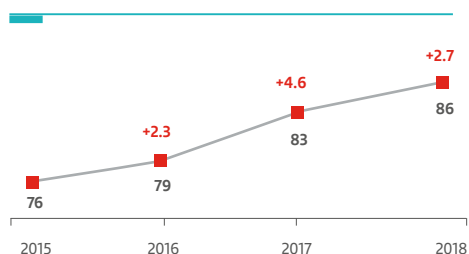
Likewise, traditional programs continue to be provided, with constant participation and edition levels. The exception was signaled by international internships, which have experienced permanent increases and that group the following programs:

- **Santander World:** three-month internship in any city with Santander Group presence, entailing the benefit of including good practices in Santander Chile.
- **Crossing Borders:** created in 2012 to improve English, through a two-months stay abroad, with paid leave and a sum to fund studying costs.

Sixth Place in Merco Talento

As a result of efforts done during 2018, Santander reached the sixth place in Merco Talento, a ranking that measures companies in terms of employers attraction and retention. This meant a climb of 24 paces, where the Bank reached the thirtieth place.

GPTW Scores (average of overall vision and corporate vision)



Development of Human Capital

Counting with qualified collaborators to carry out the Bank's strategies is another key challenge for the Personnel Division. With this goal in mind, it provides the necessary tools to comply with mid and long-term targets set, creating proposals of value for different segments of collaborators so that these can progress in knowledge, performance, and in their professional career.

One of the major 2018 milestones was the reinforcement of leadership, with an SPF culture centered model, that guided all related actions such as recruitment and selection of new management among others.

Furthermore, the Santander Academy was launched, which aspires to be recognized as a learning management model in the Chilean financing industry and Santander Group. This because of its impact in business and in the attraction, development and loyalty of Banco Santander's collaborators.

The Academy is comprised of sixty plans distributed in 15 curricula, which offer training to all collaborators so they can improve their performance and be prepared to take charge of positions of greater complexity in the future, while also collaborating with the compliance of the Bank's goals.

Another relevant initiative this year was a program created to strengthen the leadership and executive abilities of women, counting with the participation of 35 collaborators. This, in consideration of the message given by Banco Santander's president Ana Botín, of incorporating more women in executive positions. The program extends for six months and has workshops, coaching sessions, headquarter mentorships and expert lectures.

2018 Results

297% of increase in training hours 2018 versus 2017.

578 thousand hours of training.

87,2% of the collaborators participated in at least one course.

1.420 persons attended courses and workshops of the Extension Center of the Santander Academy.

Training by Gender

	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
Training hours	254,103	216,318	96,314	97,881	303,862	274,225
Total number trained	6,625	5,599	6,177	5,287	6,848	5,903
Average by gender	38.86	38.64	18.51	44.37	44.37	46.46
Average number	90.5%	94%	92.5%	97.6%	97.6%	98.1%

Training by Position

	2016			2017			2018		
	Hours	Number	Average	Hours	Number	Average	Hours	Number	Average
Executive managers	17,279	387	45	6,507	320	20	15,178	312	49
Professionals and technicians	217,324	6,796	32	124,857	6,963	18	395,869	8,167	48
Collaborators	235,818	5,041	47	62,831	4,181	15	167,040	4,272	39

Santander, sole bank certified in ISO 10.667

In 2018, Banco Santander received from the company Aenor the international certification ISO 10.667 standard. This endorses the assessments efficacy, criteria uniformity and the improvement of personnel selection and recruitment processes. Likewise, it guarantees the legal compliance and

objectivity, it reduces bureaucracy and increases the precision of selection processes, increasing the trust in assessments as well. This is done through standardized processes based on evidence with objective and measurable methods, applicable at a global level.



Promotion of Diversity and Inclusion

In the year, Banco Santander Chile launched its first Diversity and Inclusion Policy, with a campaign aimed at creating awareness and promoting an inclusive culture under the title "Welcome all". This policy not only answers to the Law of Work Inclusion (Law N°21,065, which entered into effect the 1st of April 2018). The initiative came in tandem with a video showcased in Santander's Intranet, where Country Head Claudio Melandri, and the Bank's Chief Officers by division, welcomed this initiative, which helped place this issue at the forefront within the organization.

Subsequently, another video was exhibited where 50 collaborators from different nationalities, age, gender, and disabilities discussed the topic with the Director of Human Resources and Communications, María Eugenia de la Fuente.

114 Also, a survey within the Bank was done to determine how many collaborators have a disability (regardless if they have a disability credentials or an invalidity pension), and to determine those who present significant difficulties but do not have notions of the disability they possess. Additionally, the inventory sought to answer the condition of disability of the collaborator's immediate family.

Survey Results

4,128 people answered the survey.

82 collaborators indicated they have a disability.

36 collaborators disclosed not having a credential from the National Disability Registrar.

667 collaborators have immediate family members with a disability.

54 collaborators were interviewed by a specialist to determine whether there was a disability. From those, 29 qualified to process their disability credential.

Managing diversity is one of the strategic pillars of Banco Santander, which answer to its mission and vision, and forms part of the Corporate Policy of Human Rights.

How to apply the SPF in this domain

Simple: understand and create awareness that diversity is something natural, guaranteeing inclusive systems, installations, processes and policies.

Personal: respecting and valuing the different skills and contributions of individuals without distinction.

Fair: Equal opportunities and conditions for all collaborators promoting proactive non-discriminatory policies.

The Inclusion Committee exists within the Bank since 2017, comprised of collaborators of different areas and representatives of those collaborators with disabilities. It meets on a monthly basis to safeguard compliance the Law of Work Inclusion, as well as promoting the effective labor insertion and autonomy of collaborators with disabilities.

Among the activities carried out by the Bank in terms of inclusion during this period, the virtual and on-site sign-language courses deserve special mention, with the participation of 670 assistants, along with the training for teams where an employee with a disability operates.

In terms of accessibility, office modification and adaptations to workplaces have been carried out as well as the implementation of necessary technical courses: licensing of JAWS software for blind people, interpreters of sign language for collaborators with auditive impairment and installment of evacuation chairs in Central Services for people with a physical disability or reduced mobility. A new web site for the Bank is under construction so people can be autonomous in their browsing.

The five primary focuses of the policy

	Work inclusion of people with disabilities	Gender Equality	Generational Diversity	Cultural Diversity ¹	Sexual Diversity and Gender Equality
2018 Statistics	See survey figures	54% women 46% Men	(<=25) = 5.2% (26-35) = 35.7% (36-45) = 31.4% (46-50) = 11.7% (>50) = 16.1%	6.2% foreigners (655 collaborators)	No information available yet

1. In 2017 there were 338 foreign employees working for Santander

Employee breakdown

According to what can be observed in the following tables, the figures related to the Bank's employee universe, as well as their composition, have remained stable for the last three years.

By Region

	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
I Tarapaca Region	64	56	59	54	56	57
II Antofagasta Region	167	95	163	88	162	80
III Atacama Region	49	28	41	30	43	27
IV Coquimbo Region	119	120	113	113	111	113
V Valparaiso Region	375	282	357	273	350	270
VI Lib. B. O'Higgins Region	114	91	114	81	111	80
VII Maule Region	192	170	184	163	186	156
VIII Bio Bio Region	326	293	306	269	307	252
IX Araucania Region	187	149	183	139	179	134
X Los Lagos Region	155	176	146	167	142	164
XI Aysen Region	19	12	18	12	18	13
XII Magallanes Region	57	41	51	39	48	40
XIII Metropolitan Region	4,325	3,536	4,258	3,505	4,319	3,747
XIV Los Rios Region	53	44	48	38	50	35
XV Arica y Parinacota Region	32	27	31	25	27	28
Total	6,234	5,120	6,072	4,996	6,109	5,196

By type of contract

	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
Full-time permanent	6,134	5,048	6,032	4,967	6,075	5,154
First fixed-term	47	39	16	12	21	25
Second fixed-term	53	33	24	17	13	17
Total	6,234	5,120	6,072	4,996	6,109	5,196

By type of working day

	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
Full-time	5,789	4,959	5,679	4,856	5,887	5,119
Part-time	445	161	393	140	222	77
Total	6,234	5,120	6,072	4,996	6,109	5,196

Employees by age and position

	2016			2017			2018		
	Less than 30	From 30 to 50	More than 50	Less than 30	From 30 to 50	More than 50	Less than 30	From 30 to 50	More than 50
Managers and executives		235	101		209	96		178	97
Professionals and Technicians	1,144	4,378	790	1,217	4,629	856	1,226	5,000	1,019
Employees	1,484	2,417	805	1,203	2,056	802	1,095	1,910	780
Total	2,628	7,030	1,696	2,420	6,894	1,754	2,321	7,088	1,896

Employees by position

	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
Managers and executives	88	248	87	218	75	200
Professionals and Technicians	3,556	2,756	3,859	2,843	4,047	3,198
Employees	2,590	2,116	2,126	1,935	1,987	1,798
Total	6,234	5,120	6,072	4,996	6,109	5,196



54%
Women



46%
Men



38.1 average age
and **9.2** average
years working in
the Bank



40.7 average
age and **10.7**
average years
working in the
Bank



1,532
people began
working at the
Bank in 2018



1,208 were
promoted,
almost 11% of
total employees



3,6%
voluntary turnover.
1,4% less than in
the market



Compensation Policy

Santander has a system of compensation and benefits that seeks to fairly compensate the contribution, effort, and compromise of its collaborators, fostering a good working environment. It is comprised of a fixed amount plus variable that depend on the quality of performance.

Fixed amount

Acknowledges and compensates the role and level of responsibility of the collaborator's position.

Variable amount

Compensates performance according to:

- Meritocracy
- Attainment of the individual or team's goals

It also considers how these goals are obtained regarding:

- Leadership
- Commitment
- Development
- A strict management of risk
- Alignment to long-term goals

Even though the compensation policy is not discriminatory by nature, at a corporate level an analysis of the income situation was carried out in attention to the Gender Pay Gap (GPG), to detect possible differences and instances for improvement, which will be presented during 2019.

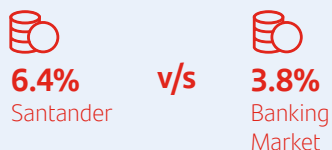
During the year reported, the minimum income paid by the Bank was 264% above the Chilean minimum wage (gross amounts considered), paying a total amount of Ch\$397,564 million. It has remained equal for both genders as can be observed in the following table.

Employees of the Bank

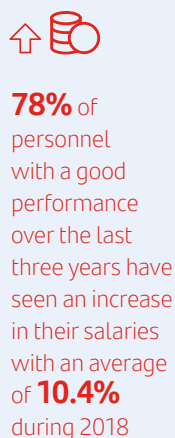
	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
Initial Wage in Santander (IN)	625,000	625,000	650,000	650,000	760,875	760,875
National minimum wage (NMW)	257,500	257,500	270,000	270,000	288,000	288,000
IN/NMW Ratio	2.42	2.42	2.40	2.40	2.64	2.64



Salaries (nominal increase)



Readjustments to Salary due to Performance



Variable Compensation



Salary Readjustments by Gender



Benefits

The benefits and incentives that the Bank offers are classified into three types: academic, end-of-the-year, and other benefits, such as support benefits. They were created to assist Santander collaborators to reconcile work and family life, and to support their continued professional development and formation. Also, they help motivate the achievement of goals and results within the Bank.

Academic

- 213 scholarships for employees' children
- 269 scholarships for employees
- 150 bonus payments for students to attend pre-university programs
- 15 PSU awards
- 3,581 awards to academic excellence
- 5 Iberoamerica scholarships for employees' children
- 5,571 schooling incentives

End of Year

- 11,598 Christmas bonus
- 11,582 Christmas packages
- 6,524 Christmas presents
- 12,074 attendees at the end-of-the-year party, for children from the Metropolitan Region
- 3,288 attendees at the end-of-the-year party in other regions of the country
- 5 Iberoamerica scholarships for employees' children
- 9,936 attendees to the Fantasilandia outing

Support

- 2,575 Assistance on Site CAP (Assistance to Collaborators from far-off branches)
- 3,704 uniforms delivered to administrative and Work Café personnel
- 611,866 lunches (for all collaborators)
- 10,224 breakfast for security guards
- 6,984 bonuses for economically dependent people under employee's charge
- 11,753 National Holidays Bonus
- 6,282 bonuses for winter vacations
- 443 commitment and loyalty bonuses
- 355 child daycares
- 544 kindergarten

2018 Awards

Best of the Best

For the second consecutive year Santander received the Award for Best Company for Employee Financial Future, bestowed to companies that take care of the financial welfare of its collaborators.

Carlos Vial Espantoso Award

As a recognition to the work carried out for years with its collaborators and unions, Banco Santander obtained the Carlos Vial Espantoso Foundation Award, given to companies that stand out for their good labor practices, for their effort in creating bonds of trust and collaboration with its employees, and that have a strong human resources management as a strategic business partner.

Corporate Volunteering

For Banco Santander, volunteering is a valuable tool to promote commitment, motivation, a pride of belonging, and solidarity among its collaborators, and to contribute towards the progress and welfare of the communities where it is present. The Bank has a Volunteering policy, making sure to provide its collaborators with a varied offer of possibilities for them to address their social concerns which are always encompassed within the Bank's mission and in line with the community's needs.

During 2018, 31 activities of this kind were held, 15 of which correspond to "Solidarity Projects" suggested by the Bank's collaborators, where Ch\$1 million were allocated to each for their development.

The corporate volunteering undertaking encompassed a wide range of issues taking place throughout the country, benefitting 7,525 people.

In total, 1,828 collaborators participated, with 2,973 hours granted by the Bank and reaching 10,789 volunteering hours in total, which meant a contribution of Ch\$57,328,543. These activities have gathered increasingly more collaborators, recording a peak in the year being reported.



225
volunteers
2016

492
volunteers
2017

1.282
volunteers
2018

Health and Security

The Bank has risk prevention and occupational health initiatives in place to avoid accidents at the workplace and prevent profession related diseases. Overall, it applies strategies related to work security, occupational health, fire prevention and other related fields to improve the health, security and welfare of people in the Bank.

In terms of its collaborators' health, the BeHealthy initiative stands out, aimed at promoting exercise, diet, the knowledge of tools to control and improve health, and stress management. Numerous activities throughout the year centered around four key pillars: Move, Eat, Balance and Know Yourself.

Activities included the BeHealthy Week, which covered initiatives such as the healthy fair, a family trekking, lectures on healthy eating and living (conducted by local chef Connie Achurra), cooking and exercise workshops. Also, a mini site for the program was launched, the new version of "Healthy Santander".

In terms of absenteeism, 2018 presented a slight raise, but nevertheless, Santander still maintains the lowest marker from the financial market, of 7.8% (figures include maternity leaves).

En relación con la tasa de ausentismo, 2018 presentó una ligera alza, pero a pesar de ello, Santander sigue teniendo el indicador más bajo del mercado financiero, que registra un 7,8% (ambos porcentajes incluyen licencias maternales).

Freedom of Association

In Santander, unions play an important role, given they help balance the relationship between the company and its collaborators, highlighting the primary interests of the latter, such as wellbeing and working conditions. Therefore, the Bank has a relationship plan that creates permanent meeting and communication instances to receive their propositions and to safeguard their alignment towards the strategic goals of the organization.

To concrete this plan, periodic meetings are held twice a year with all the unions and President and Country Head Claudio Melandri.

A result of this constructive relationship is that, at the beginning of this year, a collective negotiation was closed earlier than expected, with an agreement that applies to all the Bank's collaborators, including non-unionized workers.

Index	2016	2017	2018	2016		2017		2018	
				Women	Men	Women	Men	Women	Men
Absenteeism rate	4.0%	4.4%	4.7%	5.6%	2.3%	6.2%	2.3%	6.6%	2.5%

	2016			2017			2018		
	Nº	% of allocation	Nº unions	Nº	% of allocation	Nº unions	Nº	% of allocation	Nº unions
Unionized collaborators	8,208	71.6%	24	8,351	75.5%	22	8,487	75.1%	23
	Nº	% of allocation	Nº agree-ments	Nº	% of allocation	Nº agree-ments	Nº	% of allocation	Nº agree-ments
Collaborators covered by agreement	11,354	100%	n/a	11,068	100%	n/a	11,305	100%	n/a

Creating value for society

Banco Santander contributes to the economic and social development of communities by promoting an inclusive and sustainable growth.



1. Education

- Higher Education Support Program (PAES)
- Primary and Secondary Education
- Financial education
- Compromiso País (Commitment Nationwide)
- Sailing Training Courses

2. Social inclusion

- Learning centers "Un Techo para Aprender/ Santander"
- Santander Oficinos scholarships granting
- "Ciudad sin Límites" Campaign
- Charitable Work Café

3. Entrepreneurship

- Ideas X
- BRAIN Chile
- Santander X
- Work Café Radio
- Work Café Lectures

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1. Education

Banco Santander firmly believes education to be a fundamental engine driving the progress of individuals and communities. Therefore, for many years it has worked on developing programs currently implemented at a domestic level and abroad, which provide tools and opportunities for everyone to prosper and achieve a better quality of life.

The programs are aimed at Higher Education, School Education and Financial Education.

Higher education support

The Higher Education Support Program (PAES in Spanish) has been promoting higher education for two decades in all countries Santander is present, including Chile. This is an effort significant for its differentiating element, contributing to the progress of students attending universities around the world. In Chile, through Santander Universities, work has been done in the following areas:

- Scholarship awards to help in the training of tomorrow's leaders and to contribute to the country.
- Entrepreneurship support.

Santander scholarships

During the three-year period of 2016-2018, Santander provided more than 1,500 scholarships in Chile, exceeding the goal.

During the reporting year, 517 scholarships were awarded, with a focus on promoting international mobility for students and academic staff, as well as supporting SMEs. These were: Ibero-America Undergraduate Students Grant, Ibero-America Young Teachers and Researchers Grant, International Mobility Grant and grants aimed towards the support of professional practices.



Scientific Research Award

Another initiative carried out in the context of the Higher Education Support Program (PAES) is this contest, that in 2018 was held for sixth time, and that invited participants to focus their research presentations on the topic of population ageing in Chile. In the Senior Researcher category, first place—that rewards US\$50 thousand— was given to the research

“New horizons for a successful ageing: Effect of dysregulated microglial in neural functionality and Alzheimer’s disease. In search of an early functional biomarker”, led by Dr. Rommy von Bernhardt, tenured professor and director of the Neuroscience Laboratory of the Faculty of Medicine of Pontificia Universidad Católica de Chile.

In the Junior Researcher category, first place was obtained by Roberto Bravo-Sagua, assistant professor at the University of Chile and member of the INTA Laboratory of Obesity and Energy Metabolism in Geriatrics and Adults. He was awarded US\$20 thousand for his research on “Association between cellular energy metabolism and the quality of aging in older adults”.

Promoting university entrepreneurship

Furthermore, and complying with our mission to promote university entrepreneurship as an important driving force for progress, by the end of last year, the first edition of the Ideas X award made its debut.

This initiative seeks to train, accelerate, fund and accompany the innovative ideas of undergraduate university students who have the opportunity to develop their entrepreneurship for ten months.

During 2019, Ideas X will select the best 60 projects, where students will be trained in entrepreneurship. Through a bootcamp day, the 40 best ideas that pass the initial phase will be supported by experts and mentors

to be presented in front of a select jury that will select the 20 best ideas. These will have the possibility to accelerate their project by receiving starting capital. In the grand finale, ten final winners will be chosen, with a net prize of Ch\$50 million. In addition, the Bank will accompany and monitor their business development for the next three months.

The call for this contest was made through Santander X, the international digital platform that aims to become the largest university entrepreneurship ecosystem worldwide. The platform serves as a bridge between students and entrepreneurs from around the world to share ideas and knowledge, as well as to attract investment. Until 2018, there were 19 universities in the agreement or in the process of signing and opting-in.

BRAIN Chile

BRAIN Chile must also be highlighted in the context of supporting and encouraging university entrepreneurship. This program was created in 2015 to encourage initiatives based on the application of technology and science to entrepreneurships that add value to the country. It is organized by Banco Santander and the Innovation Center of the Pontificia Universidad Católica de Chile.

Results 2018

626 participants (**6%** more than in 2017).

238 projects received (**8%** more than in 2017).

25% participation from other countries: Mexico, Peru, Colombia, Ecuador, Argentina and the United States.

Four projects won and shared the award of **Ch\$40 million**: first place received Ch\$21 million, second and third place received \$Ch7 million each, and fourth place received Ch\$5 million.

Universia

It is the largest university cooperation network with Banco Santander's patronage, bringing together 1,341 universities from 20 Ibero-American countries. In Chile, it has the participation of 60 public and private higher education institutions.

Universia's most relevant contributions in 2018 were related to its support for the digital transformation of universities and its promotion of education as a means to achieve greater employability. In the first field Metared Chile was launched, a project of a global and collaborative nature comprised of the Information Technology managers of Iberoamerican universities. At the launching event, the current situation of higher education institutions regarding this issue was reviewed, and during the year four working teams were formed with the purpose of sharing improved practices, success stories, and to create technological developments and studies, such as the first "IT Management Indicators Study 2018".

- 122 During the year, several seminars, meetings and videoconferences were held on topics related to digital transformation.

In terms of the promotion of education and employability, during the year two relevant events were held: first, the 2018 Eighth Postgraduate Courses and Continuous

Education Expo , organized by Universia and Trabajando.com, which was attended by 2,493 people, and in which Universia gave away five grants of up to three thousand dollars. In addition, Universia has continued to promote the employment and self-employment insertion course with a 100% e-learning format, which at the end of the year registered the participation of 21,844 students from universities and professional institutes in the country. From the second half of 2014 to date, 24 institutions have incorporated this course into their academic offer, with a total of 84,000 students enrolled.

Results 2018

29,594 first jobs were obtained by new graduates.

310,808 jobs in total were offered through the working community Trabajando.com

Deans' Meeting

The XVI University Deans' Meeting was held in Valparaiso. Organized by Universia and Santander Universities, the activity took place in the Universidad Técnica Federico Santa María Hall of Honor, and focused on the institutional framework and funding in higher education.

The deans agreed to come together for the presenting of proposals for a better implementation of the Law on Higher Education, especially regarding the Superintendence and the assurance of quality.

in 2018, Universia stood out for supporting the digital transformation of universities and for promoting education as a means to achieve greater employability.



Support for Primary and Secondary Education

Another of Banco Santander's contributions to education is through its partnership to the Fundación Belén Educa, since the foundation's beginnings. Over the course of 18 years, this active cooperation has been reflected by grants, internships, funding of workshops, lectures and tutorships for middle school students, among other initiatives.

Results 2018

4 students received the Santander Academic Achievement Scholarship, which allowed them to receive a contribution to continue their university studies. To date **45** scholarships have been granted.

30 students did their internship in the Bank.

40 high-school senior students received tutorship from **39** Santander volunteers. In 2018, this program reached its 10th year of uninterrupted operation at the Bank.

Thanks to the integration of Banco Santander into the Pro Bono Foundation, this social organization became committed to freely consultancies for Fundación Belén Educa. The agreement will run for one year and will benefit more than **14,000** students and their families.

Children and families from Belén Educa and TECHO-Chile enjoyed the Cirque du Soleil show Amaluna, invited by Banco Santander in an exclusive charitable show, which brought together more than **2,500** people.

14,260 students benefited from academic programs in language arts, mathematics, english and pastoral training.

Nationwide Commitment (Compromiso País)

Banco Santander became part of the plan Nationwide Commitment, created by the Government of Chile to benefit 16 vulnerable groups in the country. Roundtables were set up where issues relevant to the country were discussed. They were led by Government Ministers and comprised of representatives from academia, business and civil society.

Fulfilling its commitment to the progress of people and to supporting education as a relevant lever for progress, Santander Chile will lead from the private sector to help one of the most affected groups: the nearly five million people over 18 years of age (4,910,880) who are not studying or have not completed their schooling. According to figures compiled by the executive branch, about 30% of this segment has not completed the 12 years of schooling required by law, a situation that has a direct impact on their employment and social opportunities.

Currently, Santander is actively participating in a multi-sectoral roundtable to develop a long-term plan of action, and provide opportunities in order for these people to complete their school years.

Financial education

Sanodelucas.cl

Since the creation of Sanodelucas in 2013 –a pioneering program in the banking industry– Santander became committed to financial education, developing tangible programs and actions to provide tools that improve the financial knowledge of the entire society, and in consequence decreases the information gaps.

Currently, Sanodelucas.cl Santander is a digital platform that offers information and financial literacy programs, both for entrepreneurs and for society at large. During 2018, the site was visited by 670,342 users, who accessed one of the four following mini sites:

- Sanodelucas Tips and Advice
- Sanodelucas Education
- Sanodelucas First Steps
- Sanodelucas Expert

Another category that should be highlighted is that of users who comply with Santander's category of having visits of higher quality and time, consuming content and downloading practical tools to order personal finances or to interact with the site to consume more information over a stipulated time. In the reporting period, these amounted to 796,872 people.

Given its current relevance, the platform also incorporated the topic of cybersecurity, providing relevant tips so that people can learn to protect their personal data, as well as promoting self-care in their interactions through the different digital channels with the Bank and other institutions.

Program for Financial Education at School

Since 2016 Santander has supported the Program for Financial Education at School, in a conjoined effort with the Public Policies Center of the Pontificia Universidad Católica de Chile. It was created to improve the financial skills and knowledge of students from educational establishments throughout the country, by means of innovative and comprehensive methodologies (more information in the Sanodelucas Education chapter).

In 2018, the third version of this initiative considered the following activities:

1

A course to train the executive branch of educational institutions throughout the country, aimed at directors and leaders of state-subsidized and partially state-subsidized schools, with the potential to impact their educational communities and, above all, their students. 87 directors participated during the year.

2

A Qualitative research carried out within the Financial Education program "Student Experience with the financial world", which investigated the perceptions, beliefs and life experiences of Chilean students regarding the financial world. This acquires relevance when we consider that by 2019 all institutions will have to implement financial education programs in secondary education.

Among the primary findings, stood out the teachers and students' perception about how financial education is only useful after school completion, even though young people are users and makers of financial decisions at an early age, especially considering e-commerce. Furthermore, teachers stated they lacked the knowledge necessary to implement a financial education program, which evinces the need to aid their preparation.

Also, the existence of gender gaps was revealed, in terms of the reduced economic independence and financial management of women.

This research and added recommendations were submitted to the Ministry of Education, in view of public policies and possible implementation in schools, serving as a reference for the creation of educational programs that consider socio-economic, cultural and biographical specificities.

3

A "Finances for Daily Life" course, which trained parents and guardians of students of the Fundación Belén Educa network of schools, on issues of basic financial literacy and budget management. This course was designed out of the parent's needs and concerns and was taught during 2018 to 80 representatives of San Alberto Hurtado and San Damián De Molokai schools, located in the communes of Pudahuel and Cerro Navia respectively. The participants were mostly women (98%), who had an entrepreneurship or the desire to undertake one, along with people who needed to sort out the finances of their homes to save money and to start new family projects, such as a car purchase.

Results 2018

57,479 recipients of the "Financial Education inSchool" course.

2,071 parents and guardians trained in the "Finances for Daily Life" course.

"Ciudad sin Límites" Campaign

Another significant milestone during 2018 was the launching of this campaign, which aims to tear down societal borders to achieve greater inclusion and integration of all people, as well as sustainable development.

Organized by TECHO-Chile in cooperation with Banco Santander, Sodimac and Ripley, the initial kick-off of this initiative was a football match at Paseo Bandera, in which

representatives of collaborating companies, social leaders of villas and camps and NGO professionals participated, as well as prominent figures from different sectors.

During 2018, several activities were carried out to raise awareness on this issue.

Among them is the meeting with some of the 140 families of the EMATI housing project – made up of the Hermano Eyraud, Maestranza y Los Tilos de Estación Central

camps, whose initials make up the name Emati – in which the leaders of the partner companies joined in, among them Claudio Melandri, Country Head and President of Santander Chile. On this occasion, Melandri stressed that one cannot think of a developed country where social segregation still exists. This campaign is characterized by the purple color, which is born from the mixture of the white, red and blue colors of the Chilean flag, symbolizing inclusion and encounter.



2. Social inclusion

A second focus for Santander Chile is to promote and develop initiatives that foster greater social inclusion within the country, especially for the most vulnerable communities. The long-standing partnership with the TECHO-Chile Foundation is placed in this context. During over 21 years of collaborative work, the Bank has joined the NGO in the promotion of the habitability or livability, improving the quality of life of families and communities through various projects that seek to promote education in the camps and villas.

Furthermore, Santander as always helps out in emergency plans, as in the cases of the 2017 wildfires, the 2015 floods and the earthquake of 2010 in the central south of Chile, where it implemented programs to support the affected territories.

Un Techo para Aprender Santander Learning Centers

The alliance between TECHO-Chile and Banco Santander created these spaces to complement the formal education of children and adolescents living in high-vulnerability contexts. They provide playful educational programs that promote the development of 21st century skills such as collaboration, personal and social responsibility, critical thinking and communication.

Thanks to this Bank-funded project, in which volunteers from both entities collaborated,

Santander benefited 249 children in 2018, and impacted 1,023 families in the localities of Buin, Colina, La Pintana, Lampa, San Bernardo, Talagante and Pelluhuín (Lake Region).

President Ana Botín's visit

The relevance of the alliance with TECHO-Chile motivated President of Santander Group Ana Botín to meet with the leaders of this NGO along with neighborhood leaders of Camp Ribera Sur de Colina during her last visit to Chile. She was received by the Chaplain of the foundation, Juan Cristóbal Beytia S. J., and Sebastian Bowen, its Executive Director, who invited her to meet one of the ten "Un Techo para Aprender Santander" Learning Centers that were built during 2018. Ana Botín also toured the camp and visited the temporary houses built by the foundation.

Santander Technical Studies Scholarships

It is a technical studies training program that seeks to develop and enhance the skills of people who belong to the most vulnerable areas of the country, providing tools that promote self-employment and entrepreneurship.

Carried out in conjunction with TECHO-Chile, the program included in 2018 the delivery of 100 scholarships to residents of villas and camps in the Metropolitan Region, helping

them to develop in domains such as hair dressing and gastronomy.

The recipients of the first version of this program came from Villa El Bosque and Villa La Primavera of La Pintana; Villa Andes I of San Bernardo, and Santa Teresa and San Francisco camps (also from La Pintana), all vulnerable areas where TECHO-Chile is present.

The training courses were conducted by Infocap in the neighborhood centers of the communities involved.

Charitable Work Café

In addition to strengthening their position as a new form of banking, the Work Café offices have also become important meeting and co-work spaces for customers and non-customers, where various activities that contribute to society are developed, such as lectures for entrepreneurs and the Work Café radio.

Therefore, during 2018 the Charitable Work Café project was carried out, an initiative that raised funds to support charitable causes and to promote the development of local suppliers. In 21 branches within the Metropolitan Region, a limited edition of Charitable Food Bowls, Gres ceramic bowls handcrafted by Chilean ceramists, was put up for sale. The incomes obtained from its sale to the public were donated to the construction of 100 emergency housing units for camp families.

3. Support for entrepreneurship

Banco Santander fosters several initiatives that encourage entrepreneurship and innovation in different areas. Since 2017 it is part of a signed agreement with the Asociación de Emprendedores de Chile, ASECH (Chilean Association of Entrepreneurs). This partnership involves the Bank's participation in all main activities at a national level, as well as accompanying and providing solutions to entrepreneurs who are starting their activities.

It also has non-financial offers for SMEs, such as the Conecta tu Pyme (Connect your SME) program, which creates a web site free of charge for customers in this segment. The goal is to aid them with their online sales, offering them hundreds of html5 designs for all types of businesses. The program also includes the tools needed to update and manage websites.

With the help of Santander Universities, the initiatives already described of Ideas X, Santander X and Brain Chile (see more on pg.121) were developed to promote entrepreneurship in the student sphere.

Finally, the innovative concept of the Work Café also encouraged entrepreneurship through a radio program and talks on the subject.

Work Café Program

The Work Café branch of Bombero Ossa 1068, located in downtown Santiago is at a walking distance from the Bank's headquarters, and served as the location for the daily broadcast of Radio Zero's Work Café program. The program is focused on bringing attention to the experiences of national entrepreneurs and to debate public policies aimed at promoting this and other issues such as education, social inclusion and sustainability.

It is led by journalist Catalina Allendes and it has, as a stable panelist, the manager of Corporate Communications and Sustainability of Banco Santander, Roberto Sapag. Broadcasting began in August and can be heard through the radio station's signal (97.7 from the FM dial in Santiago), as well as via streaming on Santander Chile's Facebook page.

Work Café talks for entrepreneurs

In addition, Work Café spaces continued to be used as a strategic center in 2018 to give lectures given by prominent guests, related to entrepreneurship and innovation.

Results 2018

20 talks

1.200 assistants

3.800 visits via streaming





Corporate Volunteering

More than 1,200 collaborators participated in diverse community contributing initiatives carried out during 2018 that benefitted children, young adults and the elderly in foundations, hospitals and schools from social risk areas throughout the country (see more on page 119).

Foundation/ Institution	Number of Volunteers	Number of Recipients
TECHO Chile	564	2.669
Belen Educa	80	2.039
Amor y Esperanza	20	775
Schools and kindergartens	83	534
Hogar de Cristo	143	497
Novo Millenio	52	300
Pequeño Cottolengo	122	300
Sename	92	130
Church and Parishes	47	90
Hospitals	43	70
Mujer Levántate	16	50
Hogar Oncológico Valdivia	10	47
Fundación Las Rosas	10	24
Total	1.282	7.525

Contribution to culture

In the last decades Santander has stood out for promoting and disseminating different cultural and artistic expressions because it considers them a relevant contribution to the comprehensive development of people.

Throughout 2018, this commitment to culture was consolidated through diverse activities:

Theater Touring of Group "Bank to Theater Booth"

Eight cities (Arica, Antofagasta, La Serena, Valparaiso, Rancagua, Talca, Temuco and Punta Arenas) were visited by the tour, presenting two plays for adults ("Our women" and "I'm a mess"), and two family-oriented plays ("Alice through the looking glass" and "The Little Prince"). In total, 3,378 people attended the plays.

Juan Diego Flórez Recital

A free concert given by the outstanding Peruvian tenor to an audience of almost 12 thousand people at the Movistar Arena.

National Fleet Book

10 expert authors in the field of the Chilean naval history tell the story of the 200 years of the National Fleet, in cooperation with the Chilean navy and the Chilean Cultural Heritage Corporation, through the Cultural Donations Act.

More than 500 copies were freely given to DIBAM, to the Chilean Culture and Artes Council, and overall to all public organization.

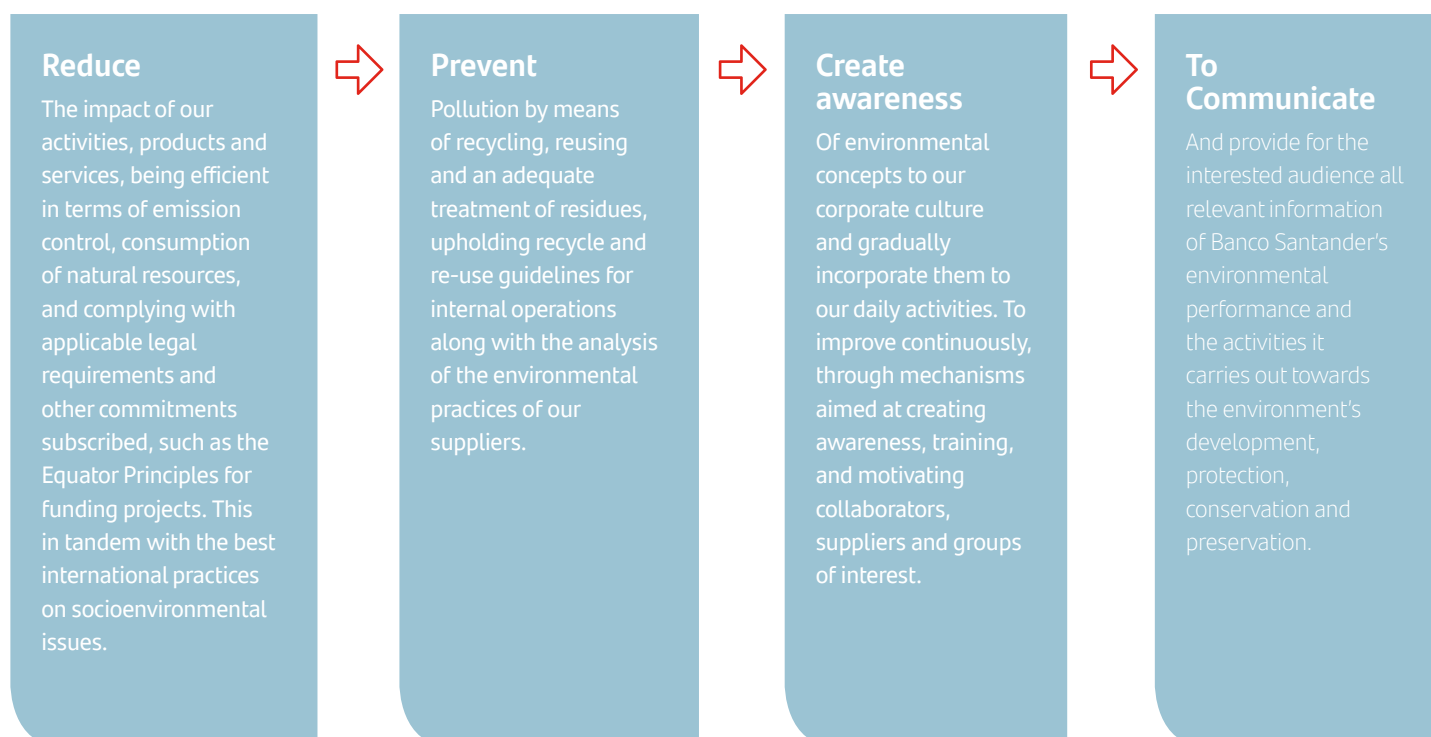
Cultural Project "Fava va!" (Ch.aco)

Santander gave resources to the FAVA foundation to carry out diverse educational activities aimed at promoting the best of culture and contemporary art through expositions in schools.

Commitment to the Environment

The protection and care for the environment represents a fundamental axis for the Bank's sustainability management, in terms of its internal operative and its development of financial and banking activity, with the aim to contribute towards the economic and social development of the communities where the Bank is present. The Bank's acting principles and commitments in this subject are held within the policies that address sustainability, the risk management by sector, and environment and climate change.

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Internal Operations

Environmental Management System

For the sixth consecutive time, Banco Santander counts with the Environmental Management System (EMS) certified under the international regulation ISO 14001:20151 valid up to July, 2019 for its re-certification, as it has been for 16 years, with España Aenor as certifying and regulating entity, beginning in the ISO 14001:1996 version and updating its system up to its current form. Through this system, environmental risks and opportunities are identified that allow timely and efficient measures to be set.

The EMS is led by the Sustainability Committee, that is headed by the Chief Executive Officer, and comprised of the divisional executives, which enables the strategic implementation of the environmental management.

Eco-efficiency Operating

Energy²

In the year reported, an initiative developed overseen by the Energy Efficiency Plan (EEP) was set in motion to reduce the energy consumption, maintaining adequate eco-efficiency standards in 58 offices in the Metropolitan Region. This is a remote-control monitoring system of energy and its demand in peak hours, warning where and what time will peaks be recorded. This information enables the appropriate measures to be taken to reduce consumption.

Other initiatives fostered by the Energy Efficiency Plan (EEP) was the modernization of twelve lifts in the main central buildings. The installment of this last generation equipment with advance calling achieve an energy efficiency of 30%.

Changes to the air conditioning were carried out in twenty offices, offering greater energy efficiency and comfort of working places.

It is due to these initiatives that the total energy consumption has been reduced yearly, achieving a 7% saving between 2016 to 2018. The goal is to reduce another 7% of consumption by 2021.

Paper³

Being aware it is one of the most used consumable product in its internal operations, in June 2018 Santander initiated a replacement process of printers with latest generation technology in offices and central buildings. This enabled the reduction of these devices from seven thousand to two thousand, installing printers with greater energy efficiency, that use the printing mode known as "Follow me Print". This feature enables printing to be done in any of the Bank's printers with the previous authentication with the employee's credential, which allows monitoring to reduce paper waste, while simultaneously making more efficient and safer the printing of documents.

As a result of all these efforts, a decrease in consumption was achieved, with an outstanding drop of 29% between 2016 and 2018, and a saving of 9% between this and the previous annual report, above the set target of 5%. A reduction of 15% was set as a target for 2021.

Water Sources⁴

All of Banco Santander buildings are supplied with drinking water from the public services of authorized sanitation companies. Therefore, water consumption does not affect or involve protected areas or other types of sources.

Due to remodeling and modernizing plans of sanitizing and piping system, the consumption of drinking water shows a clear decrease starting from 2016 (-33% if the 2016-2018 period is considered), a reduction that has been upheld throughout the reported year.

Recycling

An important part Santander's environmental commitment is recycling, which centers in paper, cardboard and electronic waste (E-waste). In 2018, progress achieved includes:

- An increase of 226% in comparison to 2017 of recycling paper and cardboard waste. This is explained by the fact that starting 2018, information regarding the amount of paper stored in the general archives was included, sent at first for destruction, and subsequently to recycle, widening the coverage of this environmental performance marker
- In relation to E-waste, a significant progress can be observed since 2016, with the amount of recycled waste almost tripling.

1. The environmental management system has a concrete plan for Banco Santander Chile's three central buildings (Bandera 140, Bandera 150 and Bombero Ossa 1068). These building gather 21% of the workforce/2. The energy data covers 88% of Banco Santander's buildings, including branches and offices nationwide/3. The data of paper consumption covers 100% of the Bank's operations, including branches and offices nationwide./4. The data informed covers 52% of the Bank's buildings, including branches and offices nationwide.

Carbon Footprint

An important part of the commitment to help with the fight against climate change consists in measuring and reducing the Bank's carbon footprint, a goal that has been gradually achieved, as can be observed in the following graph.

The breakdown of this reach on different aspects is as follows.

Total Emissions:
18,378.5
t CO₂ eq

Scope 1: 226.8 t CO₂ eq

Scope 2: 13,775.5 t CO₂ eq

Scope 3: 4,376.2 t CO₂ eq

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To continue improving our performance, and to strengthen our commitment, during 2018 a reduction of 5% of total emission by 2021 was set.



Energy

	2016	2017	2018
Consumption (GJ)	111,114	106,557	102,888
Reduction 2016-2018		-7%	
Goal 2021		-7%	



Paper

	2016	2017	2018
Consumption	2,124	1,662	1,512
Reduction 2016-2018		-29%	
Goal 2021		-15%	



Water

	2016	2017	2018
Consumption	154,068	107,074	103,420
Reduction 2016-2018		-33%	
Goal 2021		s/i*	



Carbon Footprint

	2016	2017	2018
Consumption	19,044	18,558	18,378
Reduction 2016-2018		-3%	
Goal 2021		-5%	



Recycling

	2016	2017	2018
Paper and Cardboard (tons)	164	172	534
Increase 2016-2018		226%	
Goal 2021		s/i*	
E-Waste (tons)	48	132	148
Increase 2016-2017		208%	
Goal 2021		s/i*	

(*) Santander is working towards these goals, which will be published in 2019

Promotion of an environmental culture: re-using, recycling and education

"Clean Mapocho" Project

Public-private initiative to recover the south bank of the Mapocho River, to create opportunities for spatial development that involves the design and construction of a public place that is safe, clean and counts with the community's active involvement, allowing the project's physical, environmental and social sustainability. During the year being reported, works in the Carrascal Bridge zone were carried out, funded by Banco Santander and Megacentro company, corresponding to the first part of this project.

Reusable Bags

During the year, Banco Santander handed out reusable bags to clients and non-clients, covering four million units. Overall, the firm seeks to create awareness over the environmental impact of plastic bags, and to support the new law that restricted these types of products. The bags are printed with illustrations of native wildlife in danger of extinction.

Environmentally Friendly Materials.

In December 2018, the withdrawal of poly paper glasses and plastic straws was launched

throughout the entire Work Café network. These will gradually be replaced by products of organic or recyclable material.

Zero Waste Party

The "zero waste" goal of the six parties celebrated under the "Santander Carnival" concept at the Bank's Country Club, meant the recovery of 1,380 kilograms of solid waste.

This initiative additionally fostered progress in collaborators' education and awareness about the importance of a respectful behavior with the environment.

Climate Funding

Banco Santander's indirect environmental impact is represented primarily by the funding of renewable energy and energetic efficiency projects, which aim to collaborate in the transit towards a low carbon economy and represent a business opportunity.

Santander complies with the Equator Principles since 2009, where all projects above ten million dollars must be studied to determine, evaluate, and manage socioenvironmental risks.

Project Finance

During 2018, the Bank participated in the funding of new renewable energy projects and infrastructure (see more on pgs. 86 and 87).

Equator Principles

During 2018, 35 projects were analyzed at a global level within the Equator Principle, all part of the funding projects category. The majority are classified within the B and C categories, which correspond to medium and low risk.

Socioenvironmental Risk Analysis

Within the sustainability policies framework, socioenvironmental risks were analyzed in all operating of funding projects.

Policy by Sector

Santander has policies by sector that gather the criteria for the socioenvironmental risk analysis of activities done by clients that operate on sensitive areas, such as: defense, energy, soft commodities and mining-metallurgy and other related (see more on pgs. 39 and 40).



Creation of value for our suppliers

For Banco Santander, suppliers are strategic partners that support daily operating through the delivery of services centered in satisfying the clients' needs. Like they Bank they are committed towards inclusion, society and the environment.

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Outsourcing and management of suppliers' model

The Bank has a relationship model with suppliers, which manages and safeguards the compliance of requirements outlined in this area. This model has progressively stressed the prevention of risks related to the operation and management of third parties.

The Suppliers Committee reviews the issues of greater relevance in terms of risks and ensures the adequate management and monitoring of suppliers' behavior. It is assisted by the service managers, who inform periodically of the management and the possibilities of improvement in this area, making easier the decision-taking in the face of the chain of value.

Suppliers Risk Management

Technological risk regulations are applied to third parties, along with cloud security national corporate risk guidelines and cybersecurity.

A strict approval process is carried out from the expenditure point of view, that reviews the financial health, the compliance to social laws and possible money laundering among others. Therefore, possible reputational risks due to breaches or failures of the supplier are prevented. During 2018, this approval process was renewed for 98% of the 3,575 companies providing services or selling products.

The approval is carried out annually to all the relevant suppliers, ensuring the compliance of current policies.

2018 Highlights

The most relevant developments of the year reported were

1. Increasing flexibility of working contracts to speed up the necessary processes to acquire services and/or products of the required quality in the minimum time possible.
2. The incorporation of cybersecurity and data protection policies
3. The incorporation of clauses in contracts with suppliers, which govern, control and ensure the use of our information in cloud.
4. The inclusion of two additional bodies in the Suppliers Committee, Data Management and Strategic Planification, which foster the progress in risk prevention and reduction
5. The incorporation of Empresas B in the bidding and procurement processes.

Contributions as a responsible Bank

Banco Santander has implemented and upheld a series of social responsibility measures. Therefore, in this domain of action it has forged partnerships with some of its suppliers of up to three years. Furthermore, since 2011 it has the Sello ProPyme (ProSMEs Seal), initiative that guarantees the payment to suppliers within no more than thirty days, time limit that Santander complies with ease. In 2018, it achieved an average payment time of 8.3 day, which meant a reduction of 21% in comparison to 2017 (10.6 days).

In the socioenvironmental domain, suppliers such as Empresas B have been incorporated. These companies operate with high socioenvironmental and transparency standards. Not only do they consider the financial interest of their shareholders, but also other long-term interest such as those of their employees, providers, clients, their community and the environment.

Finally, Banco Santander adheres to the 10 Principles of the United Nations Global Compact since 2003, which means that in all bidding and procurement bases a protocol is included that establishes the suppliers' commitment to respect and comply with these social, working and environmental principles .

Relationship to Providers

For almost two decades an annual award ceremony has been celebrated to recognize those suppliers that deliver high quality and innovative products or services, exhibiting the best practices towards their workers and have the best financial health along with a robust risk mitigation. In 2018, 21 external entities were recognized, selected among a universe of 500 companies that offer services.

Also, a seminar for small companies was carried out, where relevant issues for each sector were covered.

	2016		2017		2018	
Type of Supplier	Quantity	M\$ Purchased	Quantity	M\$ Purchased	Quantity	M\$ Purchased
Relevant Suppliers	59	172,414,757	58	182,784,344	62	122,072,893
> M\$770,000 CLP	81	194,684,029	81	200,076,285	84	198,233,604
< M\$770,000 y M\$116,550 > CLP	260	74,838,837	309	92,234,539	275	82,378,290
<= M\$116,550 CLP	3,845	32,825,089	3,586	35,605,685	3155	35,857,834
Total	4,245	474,762,711	4,034	510,700,852	3,576	438,542,622

Type of Supplier	National or International	Quantity	M\$	Supplier Amount	M\$ Bought	Supplier Amount	M\$ Bought
SMEs Supplier	Purchased	Quantity	M\$	3,858	175,080,053	3,392	170,549,081
SMEs Supplier	Purchased	Quantity	M\$	0	-	0	-
No SMEs Supplier	Purchased	101	305,144,472	96	302,949,206	102	230,899,573
No SMEs Supplier	International	81	21,429,179	72	32,671,593	81	37,093,968
Total		4,245	474,726,711	4,026	510,700,852	3,575	438,542,622

Banco Santander in the world

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Santander During 2018

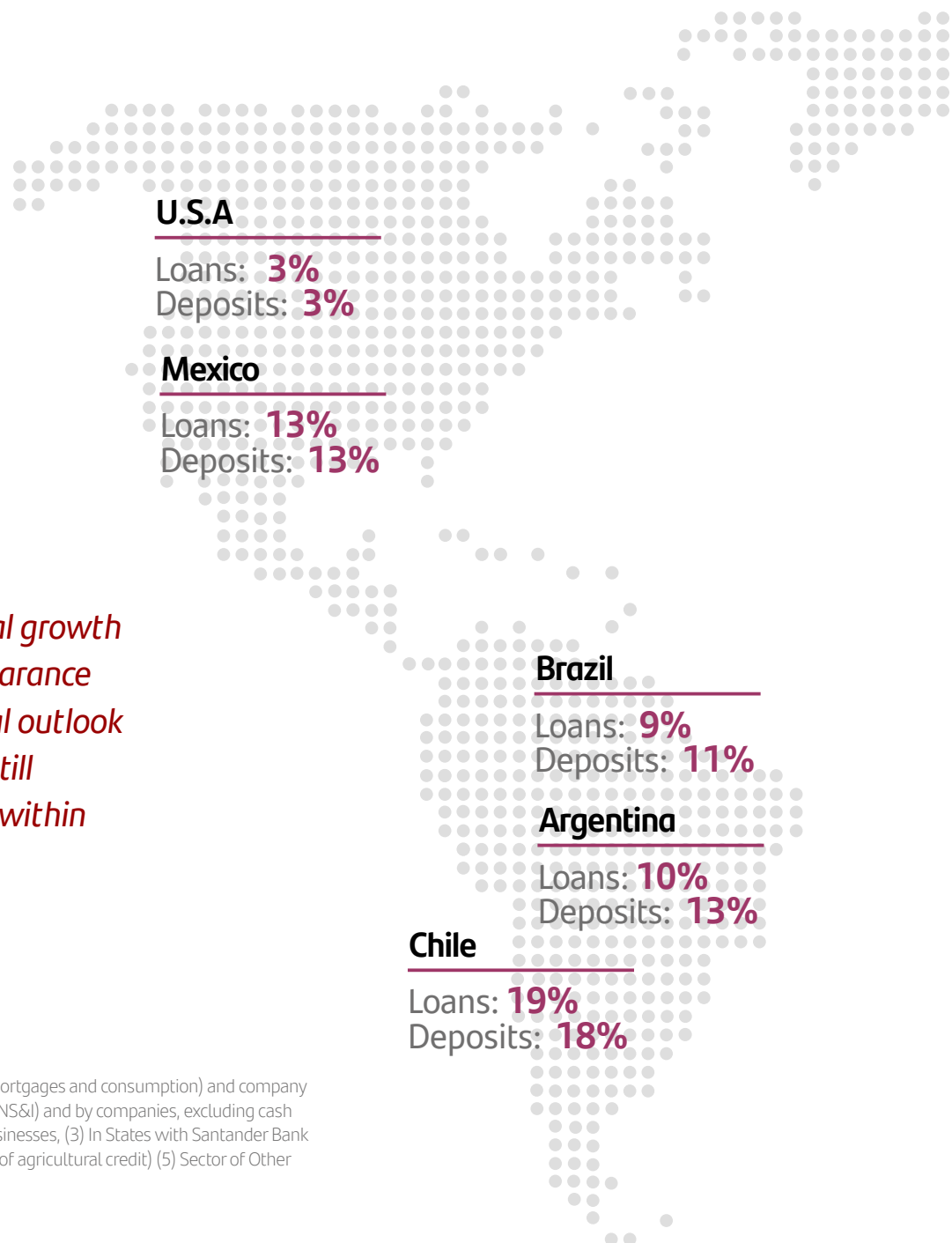
"The result of our strategy is reflected by the achievement of the goals we set ourselves during 2015: we created growth, profitability and financial strength."

"We have built more diverse teams at a domestic as well as a Group level. Furthermore, we have strengthened our corporate governance and embedded a new culture. All this has contributed to reinforce the Santander's already solid bases."

We keep our leading position in our major markets.

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"Even if a slowdown of the global growth is taking place due to the reappearance of commercial tension, the global outlook for economic growth by 2019 is still reasonably positive, particularly within the markets we operate"



Dec. 18 Market Share or last available. (1) Individual loans (mortgages and consumption) and company loans. Deposits include those by individuals (with banks and NS&I) and by companies, excluding cash holdings. (2) Includes Santander Consumer Finance (SCF) businesses, (3) In States with Santander Bank (4) Includes demand, savings and time deposits, LAC (letters of agricultural credit) (5) Sector of Other Residents in Spain

"For the last three years we have taken measures that have raised our capital levels and improved allocation, therefore increasing our profitability".

"To meet expectations and do our work with excellence is fundamental, but it is no longer enough: we need to demonstrate our business creates benefits that impact society."



Ana Boti,
President of
Banco Santander

United Kingdom

Loans: **10%**
Deposits: **9%**

Poland

Loans: **12%**
Deposits: **12%**

Portugal

Loans: **12%**
Deposits: **12%**

Spain

Loans: **18%**
Deposits: **18%**

SCF

Top **3**

Santander's aim is to be the best open platform of financial services, by acting in a responsible manner and earning the lasting loyalty of our people, shareholders and of communities

"Our digital transformation is essential to keep on growing in a sustainable and profitable manner, to accelerate the execution of our strategy"

"In the years to come we are convinced that the Group will contribute with great value to our business in the United States, and in return Santander will perceive great benefit for its presence there".

"This improvement in the capital allocation and its profitability has combined with a disciplined approach of the inorganic growth of the last three years"

Creation of Value

Our success is based on a clear purpose, aim and approach to business. We are building a more responsible bank

We want to contribute to the progress of people and companies in a Simple Personal and Fair manner, to earn the trust and loyalty of our employees, clients, shareholders and of society.

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► In our daily activity, not only do we comply with our regulatory and legal obligations, but we **aspire to exceed the expectations of people** by being Simple, Personal and Fair in everything we do.

► We have focused on areas where, operating as a Group, **our activity can have a greater impact** contributing to the overall progress of people and companies in an inclusive and sustainable manner.



Our Purpose

To help people and businesses prosper.



Our aims as a Bank

To be the best open platform of financial services, by acting responsibly and earning the lasting loyalty of our people, customers, shareholders and communities.



Our How

Everything we do should be **Simple, Personal and Fair.**



By putting our focus on the client, we have accomplished the financial goals we set ourselves in 2015. We have consistently delivered growth, profitability, and balance sheet strength.



Growth

Loyal Customers

19.9 mn (+44%)

Customer revenues

EUR 45.8 mm (+24%)¹



Profitability

RoTE

11.7% (+171 pb)

Cost-to-income

47% (-61 pb)



Strength

CET1 Fully loaded

11.30% (+125 pb)

NPL ratio

3.73% (-63 pb)

2015 vs. 2018

	2015	2018
Number of core markets where Santander is Top 3 for best bank to work	3	7
Loyal Clients (mm)	13.8	19.9
Digital Clients (mm)	16.6	32.0
Fee revenue (%) ²	-	-10
Credit cost (%)	1.25	1.12 ³
Cost-to-income(%)	48	47
Earnings per share growth EPS (%)	-	11.2
Dividend per share	0.20	0.23 ⁴
CET1 fully loaded (%)	10.5	11.30 ⁵
RoTE (%) ⁶	10.0	11.7
Scholarships and grants (thousands)	35	155 ⁷
People supported in our communities (mm)	1.2	6.3 ⁷

1. Constant Euros

2. Percentage variation (constant Euros); 2018 figures refer to the cumulative annual growth rate since 2015

3. The 2018 figures correspond to the 2015-2018 average

4. The total dividends against 2018 earnings is subject to the approval of the 2019 general shareholders' meeting

5. 2018 data applying the IFRS transitional provisions

6. Ordinary 2015 RoTE: 11.0%. Ordinary 2018 RoTE: 12.1%

7. It refers to the 2016-2018 cumulative activity. The Bank has developed a methodology reviewed by an external audit to consistently account for people that have been recipient of our social programs and or/services and products with a social component.

Note: The 2015 measurements have been adjusted to reflect the July 2017 capital increase

Earning trust and behaving in a responsible manner, we contribute value to all our stakeholders.

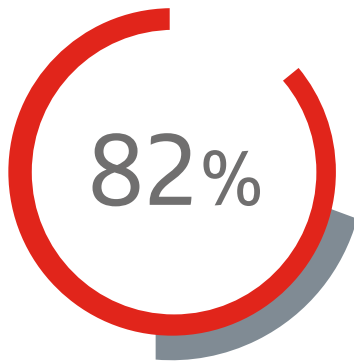


Employees | 202,713 professionals

We want to be in the top three best banks to work within most of our major markets. We have accomplished this in seven of them.

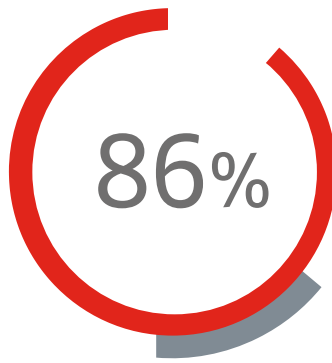
A strong corporate culture is key to count with committed and motivated professionals.

Committed Teams



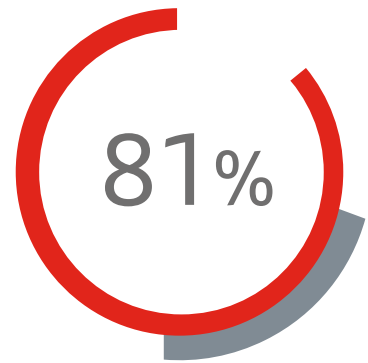
+7pp¹

Proud to work for Santander



+4pp¹

Motivated to go beyond their goals



+7pp¹

Simple, Personal and Fair



83%

of employees are motivated to build a Simple, Personal and Fair Bank

Diversity



55%

of our professional are women

Assessment and Compensation



60% what we do

40% how we do it

We reward doing things in a simple, personal and fair manner

1. 2015 vs. 2018.

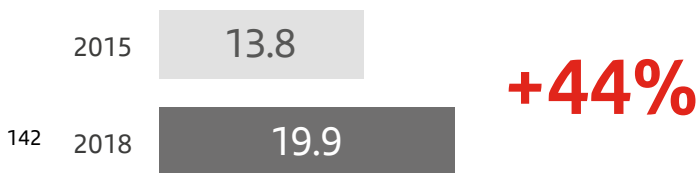
Clients | 144 millones

We want to be the best commercial bank for our clients.

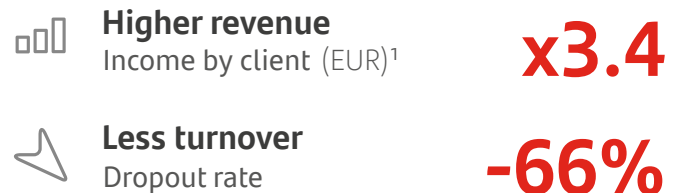
We have more loyal and digital clients that are satisfied with the Bank, which allows us to generate more income.

More Loyal Clients

► Increase of loyal clients (mm)

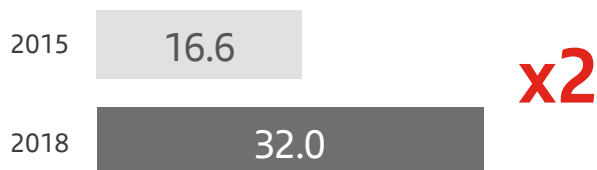


► Having more loyal clients allows:

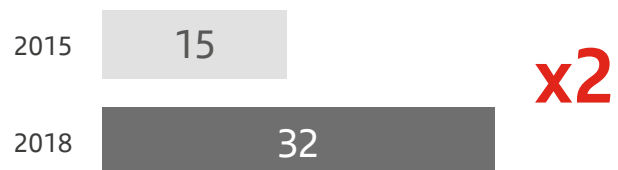


More Digital Customers

Digital Client Growth (mm)



► Digital sales over total sales (%)



Greater Satisfaction and higher incomes



Top 3 Bank

In client satisfaction in 7 of our main countries²



Fees Revenues
Eur 11.5 mm

+31%

In constant Euros (2015-2018)



Client Incomes
EUR 45.8 mm

+24%

Net interest income+ fees in constant Euros (2015-2018)

1. Individuals and companies in our retail franchises

2. Source: Research in client and non-client satisfaction, audit by Stiga/Conento.

Society | 6.3 million people benefitted¹

We want to contribute to the progress of individuals and companies within the communities where we operate

We are the company that most supports higher education around the world². We have more than 1,200 agreements with universities and other academic institutions in 33 countries.

We support higher education



EUR 406 mm

in universities¹

155,000 university grants and benefits already given¹

New web for grants (www.becas-santander.com) offering study courses, mobility and opportunities for youth academic and professional development.

We promote financial inclusion and entrepreneurship



EUR 160 mm

outstanding balance in microcredits

273,000

microentrepreneurs benefitted

We support sustainable growth



Global Leading Bank in the funding of renewable energy projects³

6,689

megawatts (MW) funded. A generation capacity equivalent to the consumption of 5.7 million of homes.

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

3^{er} bank in the world

1^{er} bank in Europe

1. It refers to the 2016-2018 cumulative activity.

2. Fortune 500 Change the World Report

3. #1 in operations amount and #2 in volume. Source: Dealogic.

Annex

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Glossary

This Annual Report is an exercise in transparency, containing relevant information for the Bank's different stakeholders regarding 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, to make easier their understanding.

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Risk-weighted assets

Assets adjusted by their level of risk, as outlined in the General Banking Law and used in the calculation of the BIS ratio.

Apificación

Business model based on an interface that allows a software module to communicate or interact with another.

ATM

Automated Teller Machine (ATM) is a vending machine used to complete basic transactions.

Back office

Group of activities that support the business, like IT work, communication, human resource management or accounting.

Benchmark

Term used to describe the measurement and analysis of products, services and processes in organizations that have the best practices and results in an area of interest.

BIS Ratio

The Bank for International Settlements or Basel Committee Ratio, how much capital a bank should set aside as a proportion of risk weighted assets. It is a regulatory ratio of the Bank's capital over assets.

Consierge

Financial adviser.

Core Capital

The equities attributable to the Bank's shareholders.

Core capital ratio

Ratio between basic capital and assets. That is, the percentage that an entity has of capital and reserves over its assets.

DJSI Chile

In 2015 the first index with sustainable criteria that operates the S&P Dow Jones Indices arrived in Chile, to certify and group Chilean companies that comply with environmental, social and corporate governance standards, and that are listed in the IPSA, the principal stock index in the national market.

Equity

Patrimonio.

Factoring

Financial tool that allows companies to transform assets into liquid resources, through the sale of a firm's accounts receivable (i.e. invoices) to a financial institution known as a factor.

FATCA

Acronym for Foreign Tax Compliance Act.

FED

Acronym for Federal Reserve. The Federal Reserve System is the Central Bank of the United States.

Mutual Funds

Acronym for Mutual Funds, which are equities derived from the contribution of natural and legal persons (denominated participants or contributors) which are invested in public offer securities that the law allows, and that are managed by an investment company on account and risk of participants.

FTSE4Good

Sustainability stock index created by the London Exchange in 2001. It lists trading companies from all over the world that comply with the index's established prerequisites, 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), but others known to participate are methane (CH₄), nitrogen oxide (N₂O) and fluorinated gases.

Global Reporting Initiative (GRI)

Independent institution that created the first global standard with guidelines for the preparation of sustainability reports. The goal is to promote the compliance to certain characteristics, such as comparability, rigor, credibility, periodicity and verifiability.

Core Income

Sum of net interest income and net fee income, from one or more business segments. Definition given by Santander.

ISO 14,001

International standard of environmental management systems to identify, prioritize and manage companies' environmental risks.

Leasing

It refers to a contract by 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 return it to the lessor.

Malware

Any kind of malicious software that tries to infect a computer or mobile device.

Materiality

Process established by the GRI to determine the content of sustainability reports. It 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 the stakeholders' assessments and decisions.

OECD

The Organization for Economic Cooperation and Development (OECD) is an intergovernmental entity that brings together 34 countries that are committed to market-led economies and to democratic political systems, which together account for 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 Nations Sustainable Development Goals (SDGs) are the results of an agreement reached between all the United Nations States Members, and is composed of a declaration, 17 Sustainable Development Goals and 169 targets set. The State Members have agreed to try to achieve these targets by 2030, in a universal call towards the adoption of measures to end hunger, protect the planet and guarantee that all people enjoy peace and prosperity.

OREX

Other operational income and expenses.

Organization of the third sector

Group of non-public non-profit entities (associations, foundations, NGOs, among others). They carry out social action projects or they defend collective interests of any kind. They supplement the other two sectors: private and public.

Global Compact

A United Nations instrument disclosed in 1999 by the United Nations Secretary-General Kofi Annan, in the World Economic Forum (Forum in Davos). It is part of a list of initiatives aimed at calling attention to the social dimension of globalization. It has Ten Principles that cover areas such as human rights, working policies, environment, and fight against corruption (more details at <http://www.pactomundial.org/category/aprendizaje/10-principios/>).

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Effective Equity

Equity used to calculate the BIS ratio. It includes the equity attributable to shareholders added to subordinated bonds according to the SBIF definitions.

Phishing

The acquisition of personal details obtained illicitly or by fraud using Internet.

Equator Principles

International Initiative with guidelines aimed at helping financial institutions to assess, determine and administering socioenvironmental risks. In 2013 the third version (EPIII) was launched, which furthers their emphasis in human rights, global change and transparency.

Bis ratio

Used to analyze the balance sheet solidity of banks. By definition it is the relationship between own resources (capital) and the risk weighted assets.

Select

Name given by Banco Santander to a segment of clients with high incomes.

SMEs Seal

Created by the Ministry of Economy in 2011 to distinguish large companies – with at least 5% SMEs suppliers- that pay invoices to smaller firms within no more than thirty days.

Soft commodity

A commodity refers to a mass- produced good, or of which significant amounts can be found available in nature. Soft commodities are cultivated or grown products (as opposed to mined products which are known as hard commodities), such as cocoa, sugar, coffee, cotton, orange juice and grains such as wheat or soy.

Stakeholder

Interest groups

Stress testing

A simulation technique which aims to determine the capacity for stability of an entity or a banking system.

UF

UF or Unidad the Fomento, is a system used in Chile to express the readjustment and current value of currency, depending on inflation, and authorized by the Chilean Central Bank.

General information

Identification of the company

Banco Santander Chile was established 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 Superintendence 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 changes in the corporate name or its legal form from Banco de Santiago to Banco Santiago, together with the merger with former Banco O'Higgins, the legal dissolution of the latter, and the recognition of Banco Santiago as its legal successor, all appear in Resolution N° 6 of the SBIF dated January 9, 1997 and the legal publications in the Official Gazette on January 11, 1997, which were duly notarized 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, with the Meeting's Minute being notarized into public deeds on July 19, 2002 at the Notary Office of Nancy de la Fuente in Santiago, in which the merger between Banco Santander Chile and Banco Santiago were approved through the incorporation of the former into the latter, Banco Santiago acquiring the assets and liabilities of Banco Santander Chile, and an agreement for the anticipated dissolution of Banco Santander Chile and the name change of Banco Santiago to 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.

Subsequently, an Extraordinary Shareholders' Meeting held on April 24, 2007, with the Meeting's Minute notarized 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 register.

In addition to the amendments of the by-laws previously mentioned, these have been amended in several opportunities with the last one being the agreed upon at the Extraordinary Shareholders' Meeting held on January 9, 2017, with the Meeting's Minute notarized 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:

The Chilean economy

A substantial part of the Bank's clients operates in Chile. Therefore, an adverse change in the local economy could have a negative impact on the company's results and financial condition in terms of non-performing loans 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 Risk Division which has developed regulations and strict guidelines to minimize a possible impact in the organization if non-performing levels increased due to an adverse change in the local economy. This area is completely independent of commercial areas, with a control over loans from the beginning of their admission process. Also, the Bank has a special monitoring section to detect any deterioration in the early stages and appropriately monitor the loan portfolio. Finally, if ever the case arose, the Bank has established mechanisms to recover non-performing or charged-off loans.

Events in other countries

The price of assets in Chile, including banks, are influenced to a certain extent by economic, political and social events in other countries of Latin America, the United States and the major economies of Asia and Europe. This is due to the indirect effects in the local economic growth and the companies that invest in those countries, therefore affecting the Bank's financial condition.

Market risks

Given the Bank's activities, the company is exposed to market risks, which are defined as the effects over the Bank's financial condition that the significant fluctuations in interest rates, inflation and exchange rates may generate. The Bank has a specialized area dedicated to minimizing these risks with strict limits on net positions in foreign currency, UF exposure, and other models that measure the Bank's sensibility to changes in the exchange rate and interest rates. The Bank also complies with several internal and regulatory indicators regarding its liquidity levels, including stress testing.

These limits are monitored by the Risk Division and controlled by various Board Committees including the Comprehensive Risk Committee, the ALCO Committee and the Market Committee. Also, the Bank has implemented warning systems and action plans in case internal or regulatory limits are exceeded. Finally, the General Banking Law and the Central Bank of Chile have established regulations to limit the Bank's exposure to these factors.

Operating 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, among others. It should be noted that, to minimize these risks, the Bank has a specialized area, the Operational Risk Department, and relies on the supervision of Internal Audit which acts independently and reports directly to the Audit Committee and the Board of Directors.

Within the operational risks there is also the Cybersecurity Risk. The Bank and our customers are subject to a series of cyber-attacks, such as denial of service, malware and phishing. Cyber-attacks could result in the loss

of significant amounts of client data and other confidential information, as well as the loss of significant levels of liquid assets (including cash). In addition, cyber-attacks could disrupt our electronic systems used to serve our customers. Besides, we can also be impacted by cyber-attacks against critical national infrastructures in the countries where we operate. Our IT systems have extensive backups, but they depend on national critical infrastructure and any cyber-attack on such critical infrastructure could negatively affect our ability to serve our customers. As we do not operate this national critical infrastructure, we have limited capacity to protect our IT systems from the adverse effects of such a cyber-attack.

We take protective measures and continuously monitor and develop our systems to protect our technological infrastructure, data and information against misappropriation or corruption, our systems, software and networks. Specifically, the Risk Division has a Cyber Security Management that ensures that these types of risks are protected and avoided.

Restrictions to the banking business or changes in banking regulation

The Chilean banking industry, as is the case for most developed countries, is highly regulated. The local banking industry is subject to policies and regulations imposed by the General Banking Law, by the Chilean Security Market Law, the SBIF and the Central Bank of Chile. Therefore, future amendments to these laws or to the regulations imposed by these organizations may have an adverse effect over the Bank's financial condition or restrict our entrance to new lines of business.

Risks related to the banking business

The Bank has tended to gravitate towards a banking aimed at individuals and SMEs. The current business strategy aims to grow selectively in the incomes of these segments. For this reason, it should be expected that current levels of overdue loans and charge-offs may increase in the future. The Bank's business strategy is closely related to the local and global economic situation, and therefore adapts constantly to changes in the environment, which allows 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. Retailers and supermarkets, among others, have increased their presence in this business, trend that is expected to continue in the future. For this reason, the consolidation of this industry should lead to larger and more relevant competitors.

Reputational risk

This risk is defined as the threat that negative public opinion, due to some action taken by the Bank, will impede or diminish the ability to do business. With the expansion of social networks and a more informed and empowered public it becomes increasingly necessary to have adequate control of this risk because of its negative effects on all our stakeholders. During 2018, progress was made in structuring reputational risk as an independent function to other risks. It should be recalled that on September 2017 the Board had already approved the Reputational Risk Model. This is based on a primarily preemptive approach, but it also stems from effective crisis management processes. The goal is that the management of reputational risk is integrated both in business and support activities, as well as in the internal processes, and that the control and supervision functions of the risk are incorporated as part of their activities.

Significant events

Durante el ejercicio 2018, Banco Santander Chile informó los siguientes hechos esenciales:

1. On February 27, it was informed that at the Extraordinary Shareholders' Meeting held on the same day the subsequent agreements were adopted:
 - a. Upon the resignation to the position of Director by Vittorio Corbo Lioi's—who also acted as President—the Board of Directors appointed as his replacement, and as Chairman of the Board of Banco Santander Chile, Claudio Melandri Hinojosa, who temporarily continued to hold the position of General Manager until February 28, 2018, as permitted by article 49 N°8 of the General Law of Banks.
 - b. On March 1, 2018, Miguel Mata Huerta was appointed as General Manager of the Bank. He previously held the position of Deputy General Manager, position that was agreed to be eliminated.
2. On March 27 it was informed that, in an Ordinary Meeting held the same day, the Board agreed to the following:
 - a. Upon the resignation of the directors Roberto Méndez Torres and Roberto Zahler Mayanz that same day, the Board appointed Félix de Vicente Mingo and Alfonso Gómez Morales to replace them as independent directors.
 - b. Orlando Poblete Iturrate was appointed first vice-president and Oscar Von Chrismar Carvajal was appointed second vice-president.
3. On April 2, it was informed that in an Extraordinary Session this same day, the Board of Directors agreed to propose at the Ordinary Shareholders' Meeting scheduled for April 24, 2018, the distribution of a dividend of \$2.24791611 per share, corresponding to 75% of profits for the year 017 and to allocate the remaining 25% to increase the Bank's reserves. The call to the Ordinary Shareholders' Meeting was made during the Ordinary Meeting on March 27, 2018 to deal with this and other matters.
4. On April 25, at the Ordinary Shareholders' Meeting held on April 24, 2018, Claudio Melandri Hinojosa was officially appointed as director and Chairman of the Board. Also, Alfonso Gómez Morales and Jose Félix de Vicente Mingo, who had been nominated previously by the Board, were officially appointed as independent directors. A copy of the publication made in the newspaper "El Mercurio" of Santiago on 25 April 2018 concerning the payment of the dividend to be made by the Bank from the same date was also sent.
5. On July 12, 2018, the Ordinary Session agreed to the following:
 - a. Upon the resignation of alternate director Raimundo Monge Zegers, the Board of Directors appointed Oscar Von Chrismar Carvajal, who previously served as director, to replace him.
 - b. Rodrigo Vergara Montes was appointed as independent director.
 - c. Rodrigo Vergara Montes was appointed as first vice president and Orlando Poblete Iturrate as second vice president.

Material facts regarding operations with related parties

Operations with related parties correspond primarily to technology contracts with Isban España, Produban Mexico, Produban Spain, Produban Brazil and Isban Mexico, for the maintenance of the Bank's systems and the development of certain applications. Santander Group has the same 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 reviewed by the Board of Directors and Audit, which ensures that they are made under fair conditions for the parties. Overall the committee receives reports from the Bank's specialized areas and from independent entities, as well as external advisor services contracted directly by the Committee.

The main services contracted by these Group entities were the following:

1. On March 28 it was reported that in the Ordinary Session held on March 27, 2018, the Board approved operations for the technology services with the company Isban, for the following contracts:
 - a. Contract for technological services for Orion Project APPS, Approval of Invoices and Settlement of Employee Expenses and BAU Support.
 - b. Contract for technological services for the Development and Improvement of the On Boarding Program; Identification of the Target Market; New Features of Card Packaging in Branches and New Validation of Applications in On Boarding.
 - c. Contract for technological services for (11) evolutionary maintenance services of other systems and software already contracted by the Bank.

2. On April 18 it was reported that in the Ordinary Meeting of April 17, 2018 the Board approved operations for technology services with the related company Isban, for the following contracts:
- Contract for technological services for the Purchase of Portfolio Project by Home Banking.
 - Contract for technological services for CJ SMEs Funding Project (Office Banking).
 - Contract for technological services for ATM Evolution Project.
3. On May 16, it was reported that in an Ordinary Session of May 15, 2018, the Board approved operations for technology services in relation to the MetricStream Project with the related companies Isban España and Produban España.
- 152 4. On June 13, it was reported that in the Ordinary Session held on June 12, 2018, the Board approved operations for technology services with the related company Isban España, for the following contracts:
- Contracts for technological services for the projects "Santander Logo Change-Processes and Services" and "Control of International Transfers"
 - Contracts for technological services for support and maintenance, year 2018, of RIA Verum tool and other applications.
5. On August 29, it was reported that in the Ordinary Meeting of August 28, 2018, the Board approved operations with the following related companies and for the following contracts:
- Isban España.
 - Contract for technological services for "One Pay" Project.
 - Contract for technological services for the "GTB-Platform (Swift GPI) Robustness" Project.
 - Contract for technological services for "Migration for Obsolescence WAS 7.0 to 9.0" Project.
 - Contract for technological services for "APAMA Phase II" Project.
 - Contracts for technological services for support and implement the following applications: "Rorac 3.0", "AIS", and "Metricstream" and corporate payroll system in foreign currency.
- ii. Services agreement with Universia Chile S.A.
- iii. Assignment contract signed by Santander Asset Management S.A. Administradora General de Fondos and Banco Santander Chile of a lease agreement dated August 1, 2014 by which Deka Inmobiliaria Chile One Spa gave in lease to Santander Asset Management S.A. Administradora General de Fondos the office 4.001, plus parking spaces and a cellar of the Edificio Titanium located in Isidora Goyenechea 2,800, commune of Las Condes.
- iv. Lease agreement signed by Santander Asset Management S.A. Administradora General de Fondos and Banco Santander Chile under which the first lease to the second, the third floor of the property located in Calle Bandera 140 of Santiago commune and city, Metropolitan Region.
6. On October 25, it was reported that in the Board Meeting dated October 24, 2018, the Board approved operations with the following related companies for the following contracts:
- Annex to the Contract of Placement Agent agreement signed between Banco Santander Chile and Santander Asset Management SA Administradora General de Fondos on December 17, 2013. Under this, the former will provide corporate services to the latter as stipulated by the contract.
 - A contract of sale to be signed by Banco Santander Chile and Santander Investment Chile Limited under which the former sells to the latter the property corresponding to a part of the Lote Poniente of the Higuera Quinta of the former Hacienda Colbún, located in the commune of Colbún.
7. With date November 23 it is reported that in the Ordinary Session of 22 November 2018, the Board approved the execution of transactions for technology services with Santander Global Technology S. I. in respect of the following contracts:
- Contract for technological services for the "EFX ChileFlame" project.
 - Contract for technological services for the "Murex Migration" Project.
8. On December 19 it was reported that in the Ordinary Session dated December 18, 2018, the Board approved the holding of the following operations with related parties:
- Purchase of furniture and equipment to Santander Asset Management S.A. Administradora General de Fondos.
 - Banco Santander:
 - Agreement for database processing and background recording through the corporate digital platform.
 - Agreement for services provided to different areas of Banco Santander Chile Banco Santander S.A.

About this Annual Report

This report incorporates in a single document the economic, governance, social and environmental performance of Banco Santander Chile between 1 January and 31 December 2018. The report is available in a printed version and in pdf format in www.santander.cl.

The information published covers the operations of Retail Banking, Middle-market and Santander Corporate & Investment Banking (CIB, old Santander Global Corporate Banking), and include Santander Group's corporate policies and 2018 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 the size, structure or ownership of Banco Santander Chile.

Methodology

The document was prepared in accordance with the Essential option of the GRI Standards. The data contained were provided by the respective areas of Banco Santander. The significant changes in the criteria applied to the previous report correspond to the requirements of the GRI Standards.

GRI indicators

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GRI standard	Description	Location GRI 101:
Foundations GRI 102:		
General contents		
	102-1 Name of the organization	149, 164
	102-2 Primary brands, products, and services	42-43, 81-86
	102-3 Location of the organization's headquarters.	42, 164
	102-4 Location of operations	42-43, 149
	102-5 Ownership and legal form	149
	102-6 Markets served	5, 136
Organizational profile	102-7 Scale of the organization	4-5, 115, 133
	102-8 Information about employees and other workers	115-117
	102-9 Supply chain	132-133
	102-10 Significant changes in the organization and supply chain	153
	102-11 Principle or precautionary approach	37, 39-40, 93, 131
	102-12 External Initiatives	98
	102-13 Memberships of associations	98
Strategy	102-14 Statement of high executives responsible for decision making	pages 10-17
	102-15 Main impacts, risks and opportunities	34-37, 39-40, 70-77, 131
Ethics and integrity	102-16 Values, principles, standards and codes of conduct	34-41
	102-17 Advisory mechanisms and ethical concerns	36, 39-41, 93, 98

GRI standard	Description	Page/Omission	Global Compact
Governance	102-18 Governance Structure	24-29, 33-35	
	102-19 Delegation of authority	24-29	
	102-20 Executive responsibility for economic, environmental and social issues	24-29	
	102-21 Stakeholder consultation on economic, environmental and social issues	96-97	
	102-22 Composition of the highest governance body and its committees	18-21, 27-29	
	102-23 Chairman of the highest governance body	20	
	102-24 Nomination and selection of the highest governance body	26	
	102-25 Conflicts of interest	24	
	102-26 Role of the highest governance body in the selection of objectives, values and strategy	24-25	
	102-27 Conocimientos colectivos del máximo órgano de gobierno	26	
Governance	102-28 Evaluation of the performance of the highest governance body	26	
	102-29 Identification and management of economic, environmental and social impacts	27, 30-31	
	102-30 Effectiveness of risk management processes	34-41	
	102-31 Evaluation of economic, environmental and social issues	27, 30-31	
	102-32 Function of highest governance body in drafting sustainability reports	This document was approved by the Board	
	102-33 Communication of critical concerns	30-31, 41	
	102-34 Nature and total number of critical concerns	30-31	
	102-35 Compensation Policies	32	
	102-36 Process for determining compensation	32	
	102-37 Involvement of stakeholders in compensation	32	
Participation of interest groups	102-38 Total annual compensation ratio	Confidential information	
	102-39 Ratio of the percentage increase in total annual compensation	Confidential information	
	102-40 List of stakeholders	94	
	102-41 Collective bargaining agreements	119	Principle 3
	102-42 Identification and selection of stakeholders	94	
	102-43 Approach to stakeholder engagement	94	
	102-44 Mentioned key topics and concerns	97	

Annex

GRI standard	Description	Page/Omission	Global Compact
Report creation practices	102-45 Entities included in consolidated financial statements	See Financial statements (pg. 160 onwards)	
	102-46 Definition of the contents of reports and coverage of the topic	96-97	
	102-47 List of material topics	97	
	102-48 Restatement of the information	153	
	102-49 Changes in report creation	153	
	102-50 Reporting period	153	
	102-51 Date of last report	Year 2017	
	102-52 Reporting cycle	Annual	
	102-53 Contact point for questions regarding the report	164	
	102-54 Statement of creation of the report in accordance with GRI Standards	153	
	102-55 GRI content Index	154	
102-56 External verification	Santander Chile does not perform external verifications in relation to the GRI		
Economic Dimension			
Material issue: Economic Performance			
Economic Performance	103-1 Explanation and coverage of the material issue 54	54-69	
	103-2 Management approach and its components	5, 54-69	
	103-3 Evaluation of the management approach	92	
	201-1 Direct economic value being generated and distributed	39-40, 131	
	201-2 Financial implications and other risks and opportunities arising from climate change	39-40, 131	Principle 7
Market presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	117	Principle 6
	202-2 Proportion of governance bodies recruited from the local community	The Group's corporate human resources model is aimed at attracting and retaining the best professionals where it is present.	Principle 6
Material issue: commercial offer with positive environmental impact			
Indirect economic impacts	103-1 Explanation and coverage of the material issue	86	
	103-2 Management approach and its components	86-87	
	103-3 Evaluation of the management approach	86-87	

GRI standard	Description	Page/Omission	Global Compact
Material issue: Commercial Offer with a Positive Environmental Impact			
	103-1 Explanation and coverage of the material issue	86	
	103-2 Management approach and its components	84, 86-87, 104	
	103-3 Evaluation of the management approach	84, 86-87	
	203-1 Infrastructure Investments and supported services	86-87	
Procurement practices	204-1 Proportion of expenditure on local suppliers	133	
	205-1 Operations assessed for corruption-related risks	34-41	Principle 10
Anti-corruption	205-2 Communication and training on anticorruption policies and procedures	36-37, 41	Principle 10
Environmental dimension			
Material issue: Environmental Management			
	103-1 Explanation and coverage of the material issue	128	
	103-2 Management approach and its components	128-131	
	103-3 Evaluation of the management approach	130	
Materials	301-1 Materials used by weight or volume.	130	
	301-2 Recycled supplies	4, 129-130	
Energy	302-1 Energy consumption within the organization	130	Principles 7 and 8
	302-3 Energy intensity	129-130	Principle 8
	302-4 Reduction of energy consumption	129-130	Principles 8 and 9
	302-5 Reduction of energy requirements for products and services	129-130	Principles 8 and 9
Water	303-1 Water extraction by source	129	
Emissions	305-1 Direct GHG emissions (Scope 1)	130	Principles 7 and 8
	305-2 Indirect GHG emissions when generating energy (Scope 2)	130	Principles 7 and 8
	305-3 Other indirect GHG emissions (scope 3)	130	Principles 7 and 8
	305-4 Intensity of GHG emissions	130	Principle 8
	305-5 Reduction of GHG emissions	130	Principles 7, 8 and 9

Annex

GRI standard	Description	Page/Omission	Global Compact	
Environmental assessment of suppliers	308-1 New suppliers that have passed evaluation and selection filters according to environmental criteria	132-133	Principle 8	
Social dimension				
Employment	401-1 New employee hires and employee turnover	116	Principle 6	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	118	Principle 6	
Labor/ Management Relations	402-1 Minimum notice periods regarding operational changes	Banco Santander does not have a policy related to this aspect. However, major changes in the organization are communicated with anticipation.	Principle 3	
Health and safety at work	403-2 Types of accidents and frequency rates of injury, occupational diseases, lost days, absenteeism and number of deaths from accidents at work or occupational disease	119		
Material issue: Human Capital Development				
158	103-1 Explanation and coverage of the material issue	113		
	103-2 Management approach and its components	113		
	103-3 Evaluation of the management approach	113		
	404-1 Average hours of training per year per employee	113	Principle 6	
	Training and education	404-2 Employee skills improvement programs and transition assistance programs	111-114	
		404-3 Percentage of employees receiving periodic performance and professional development assessments	112	Principle 6
Material issue: Promoting Diversity and inclusion				
	103-1 Explanation and coverage of the material issue	114		
	103-2 Management approach and its components	114		
	103-3 Evaluation of the management approach	114		
Diversity and equal opportunities	405-1 diversity in governance bodies and employees	18-21, 114-116. Partially reported because there is no breakdown of minorities.	Principle 6	
	405-2 Ratio of basic salary and remuneration of women to men	117, partially reported.	Principle 6	
Human rights assessment	412-1 Operations subject to human rights impact assessments or reviews	39-40	Principle 1	
	412-3 Significant investment agreements and contracts with human rights clauses or subject to human rights assessment	98	Principle 2	

GRI standard	Description	Page/Omission	Global Compact
Material issue: Social Investment Programs			
	103-1 Explanation and coverage of the material issue	93, 120	
	103-2 Management approach and its components	120-127	
	103-3 Evaluation of the management approach	120-127	
Local communities	413-1 Operations involving the local community, impact assessments and development programs	120-127	Principle 1
Social assessment of suppliers	414-1 New suppliers who have passed selection filters according to social criteria	132	Principle 2
Material subject: Risk management/ Cyber Security			
	103-1 Explanation and coverage of the material issue	27, 38, 88-89	
	103-2 Management approach and its components	88-89	
	103-3 Evaluation of the management approach	67	
Salud y seguridad de los clientes	416-1 Evaluación de los impactos en la salud y seguridad de las categorías de productos o servicios	37	
Material subject: Customer Satisfaction			
	103-1 Explanation and coverage of the material issue	101	
	103-2 Management approach and its components	101	
	103-3 Evaluation of the management approach	102-103	
Marketing and labelling	417-1 Requirements for information and labelling of products and services	35, 37	

Other material topics	Pages
Risk management	39-41
Environmental risks to the business	39-40, 131
Innovation in products and services	88-89, 103, 106, 108
Multichannel and digitization	27, 84-85, 106
Reputational risk	30-31, 34, 36, 39-40, 150

Financial statements

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All financial statements can be found at:
<https://www.santander.cl/accionistas/estados-financieros.asp>





Santiago, 27 de febrero de 2019

Report of independent registered public accounting firm

To the Shareholders and Board of Directors of Banco Santander Chile:

We have audited the accompanying consolidated financial statements of Banco Santander Chile and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the consolidated statements of income, other comprehensive income, changes in equity and cash flows for the years then ended, and the related notes thereto.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards and instructions issued

by the Superintendence of Banks and Financial Institutions. This responsibility includes designing, implementing and maintaining internal control relevant for the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence on the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the

preparation and fair presentation of the consolidated financial statements of the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express such kind of opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2018 and 2017, and the results of its operations, and its cash flows for the years then ended, in conformity with accounting standards and instructions issued by the Superintendence of Banks and Financial Institutions.

PRICE WATERHOUSE COOPERS

Annex

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

BANCO SANTANDER CHILE AND AFFILIATES

The reported periods ended:

		December 31,	
	NOTE	2018 MM\$	2017 MM\$
ASSETS			
Cash and deposits in Banks	5	2,065,441	1,452,922
Cash items in process of collection	5	353,757	668,145
Trading investments	6	77,041	485,736
Investments under resale agreements	7		
Financial derivative contracts	8	3,100,635	2,238,647
Interbank loans, net	9	15,065	162,599
Loans and accounts receivable from customers, net	10	29,470,370	26,747,542
Available-for-sale investments	11	2,394,323	2,574,546
Held-to-maturity investments		--	--
Investments in associates and other companies	12	32,293	27,585
Intangible assets	13	66,923	63,219
Property, plant and equipment	14	253,586	242,547
Current taxes	15	--	--
Deferred taxes	15	382,934	385,608
Other assets	16	984,988	755,183
TOTAL ASSETS		35,804,279	39,197,356
LIABILITIES			
Deposits and other demand liabilities	17	8,741,417	7,768,166
Cash items in process of collection	5	163,043	486,726
Obligations under repurchase agreements	7	48,545	268,061
Time deposits and other time liabilities	17	13,067,819	11,913,945
Financial derivative contracts	8	2,517,728	2,139,488
Interbank borrowings	18	1,788,626	1,698,357
Debt instruments issued	19	8,115,233	7,093,653
Other financial liabilities	19	215,400	242,030
Current taxes	15	8,093	6,435
Deferred taxes	15	15,395	9,663
Provisions	21	329,940	324,329
Other liabilities	22	900,408	745,363
TOTAL LIABILITIES		35,911,647	32,696,216
EQUITY			
Attributable to equity holders of the Bank:			
Capital	24	891,303	891,303
Reserves	24	1,923,022	1,781,818
Valuation adjustments	24	10,890	(2,312)
Retained earnings		414,331	395,371
Retained earnings from previous years		--	--
Income for the year		591,902	564,815
Minus: provision for mandatory dividends	24	(177,571)	(169,444)
Non-controlling interest	26	46,163	41,883
TOTAL EQUITY		3,285,709	3,108,063
TOTAL LIABILITIES AND EQUITY		39,197,356	35,804,279

The attached note between N° 01 and 40 are an integral part of these consolidated statements.

CONSOLIDATED INCOME STATEMENTS

BANCO SANTANDER CHILE AND AFFILIATES

The reported periods ended:

	NOTE	December 31,	
		2018 MM\$	2017 MM\$
OPERATING RESULTS			
Interest income	27	2,244,317	2,058,446
Interest expense	27	(829,949)	(731,755)
Net interest income		1,414,368	1,326,691
Fee and commission income	28	484,463	455,558
Fee and commission expense	28	(193,578)	(176,495)
Net fee and commission income		290,885	279,063
Net income (loss) from financial operations	29	53,174	2,796
Net foreign exchange gain (loss)	30	51,908	126,956
Other operating income 35 39,526 87,163			
Net operating profit before provisions for loan losses		1,849,861	1,822,669
Provision for loan losses	31	(325,085)	(299,205)
NET OPERATING PROFIT		1,524,776	1,523,464
Personnel salaries and expenses	32	(397,564)	(396,967)
Administrative expenses	33	(245,089)	(230,103)
Depreciation and amortization	34	(79,280)	(77,823)
Impairment of property, plant and equipment	34	(39)	(5,644)
Other operational expenses	35	(45,740)	(96,014)
Total operating expenses		(767,712)	(806,551)
OPERATING INCOME		757,064	716,913
Income from investment in associates and other companies	12	5,095	3,963
Income before tax		762,159	720,876
Income tax	15	(165,897)	(143,613)
NET INCOME FOR THE YEAR		596,262	577,263
Attributable to:			
Equity holders of the Bank		591,902	564,815
Non-controlling interest	26	4,360	12,448
Earnings per share attributable to Equity holders of the Bank: (CLP)			
Basic earnings	24	3,141	2,997
Diluted earnings	24	3,141	2,997

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