SCOTIABANK CHILE S.A.

Consolidated Financial Statements
as of December 31, 2020 and 2019
and for the years then ended

(With Independent Auditors' Report Thereon)

SCOTIABANK CHILE S.A.

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MCh$	:	Amounts expressed in millions of Chilean pesos
US$	:	Amounts expressed in United States dollars
CAD$	:	Amounts expressed in Canadian dollars
ThUS$	:	Amounts expressed in thousands of United States dollars
MUS$	:	Amounts expressed in millions of United States dollars
MAUD	:	Amounts expressed in millions of Australian dollars
UF	:	Amounts expressed in inflation-adjusted units
Ch$	:	Amounts expressed in Chilean pesos

Independent Auditor's Report

The Shareholders and Directors
Scotiabank Chile S.A.:

We have audited the accompanying consolidated financial statements of Scotiabank Chile S.A. and its Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of income, other comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Scotiabank Chile S.A. and its Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting standards and instructions issued by the Chilean Financial Market Commission.

The above translation of the auditor's report is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

Signed in the Spanish version

Mario Torres S. KPMG SpA

Santiago, February 25, 2021

SCOTIABANK CHILE AND SUBSIDIARIES

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SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

ASSETS	Note	12/31/2020 MCh$	12/31/2019 MCh$
Cash and deposits in banks	6	1,252,255	1,384,762
Transactions pending settlement	6	344,282	366,308
Securities held for trading	7	751,269	845,707
Investments sold under repurchase agreements and securities lending	8	74,483	23,146
Derivative instruments	9	5,293,792	4,571,759
Loans and advances to banks	10	354,374	81,127
Loans and advances to customers	11	24,870,071	24,812,269
Available-for-sale investment securities	12	2,121,614	808,674
Held-to-maturity investment securities	12	-	-
Investments in companies	13	18,435	16,709
Intangible assets	14	204,804	186,647
Property and equipment	15	104,933	112,459
Right-of-use assets under lease contracts	15	190,708	236,637
Current tax assets	16	17,021	33,953
Deferred taxes assets	16	343,328	328,940
Other assets	17	854,592	844,393
TOTAL ASSETS		**36,795,961**	**34,653,490**

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2020 and 2019

LIABILITIES	Note	12/31/2020 MCh$	12/31/2019 MCh$
Deposits and other on-demand liabilities	18	6,805,111	4,865,538
Transactions pending settlement	6	299,014	232,354
Investments sold under repurchase agreements and securities lending	8	456,319	1,089,323
Term and on-demand deposits	19	8,840,138	11,124,022
Derivative instruments	9	5,733,336	4,574,890
Bank borrowings	20	4,386,782	3,275,807
Debt securities issued	21	6,765,390	6,288,227
Other financial liabilities	22	53,215	66,891
Lease liabilities	15	168,763	219,062
Current tax liabilities	16	2,355	2,926
Deferred tax liabilities	16	522	2,535
Provisions	23	250,583	202,790
Other liabilities	24	528,887	565,102
TOTAL LIABILITIES		**34,290,415**	**32,509,467**
EQUITY			
Attributable to owners of the Bank:			
Capital	26	1,246,706	996,706
Reserves	26	496,397	496,397
Other comprehensive income:	26	(213,228)	(156,033)
Retained earnings:			
Retained earnings from previous periods	26	675,689	523,121
Profit for the period	26	275,419	254,378
Less: Provision for minimum dividends	26	(82,626)	(76,314)
		2,398,357	**2,038,255**
Non-controlling interest	26	**107,189**	**105,768**
TOTAL EQUITY		**2,505,546**	**2,144,023**
TOTAL LIABILITIES AND EQUITY		**36,795,961**	**34,653,490**

SCOTIABANK CHILE AND SUBSIDIARIES

Consolidated Statement of Income for the year
for the years ended December 31, 2020 and 2019

	Note	12/31/2020 MCh$	12/31/2019 MCh$
Interest and indexation income	27	1,539,782	1,681,074
Interest and indexation expenses	27	(625,585)	(816,751)
Net interest and indexation income	27	**914,197**	**864,323**
Fee and commission income	28	241,487	285,436
Fee and commission expenses	28	(62,693)	(78,004)
Net fee and commission income	28	**178,794**	**207,432**
Net gain (loss) from financial transactions	29	138,730	146,346
Net foreign exchange (expense) income	30	(3,191)	(22,368)
Other operating income	35	46,893	70,099
Total operating income		**1,275,423**	**1,265,832**
Allowances for credit risk	31	(328,238)	(276,030)
NET OPERATING INCOME		**947,185**	**989,802**
Personnel payroll and expenses	32	(257,512)	(299,149)
Administrative expenses	33	(226,621)	(244,011)
Depreciation and amortization	34	(58,779)	(56,777)
Impairment	34	(72)	(219)
Other operating expenses	36	(48,859)	(38,774)
TOTAL OPERATING EXPENSES		**(591,843)**	**(638,930)**
OPERATING INCOME		**355,342**	**350,872**
Equity in net income of investees	13	1,619	276
Profit before income tax		**356,961**	**351,148**
Income taxes	16	(70,592)	(77,582)
CONSOLIDATED PROFIT FOR THE PERIOD		**286,369**	**273,566**
Attributable to:			
Owners of the Bank		275,419	254,378
Non-controlling interest	26	10,950	19,188
		286,369	273,566
Earnings per share attributable to owners of the Bank			
Basic and diluted earnings per share		$ 22.49	$ 22.10

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Other Comprehensive Income for the Period
for the years ended December 31, 2020 and 2019

	Note	12/31/2020 MCh$	12/31/2019 MCh$
Consolidated profit for the period		**286,369**	**273,566**
Other comprehensive income, net of tax			
Net fluctuation in available-for-sale investment securities		4,039	(2,210)
Net fluctuation in deferred taxes on available-for-sale investment	16	37	536
Adjustment of cash flow hedge derivatives		(80,147)	(211,571)
Net fluctuation in deferred taxes on cash flow hedge derivatives	16	18,889	59,221
Actuarial gains (losses) from defined benefit plans		(59)	-
Total other comprehensive income		**(57,241)**	**(154,024)**
Consolidated comprehensive income for the period		**229,128**	**119,542**
Attributable to:			
Owners of the Bank		218,165	100,329
Non-controlling interest		10,963	19,213
Consolidated comprehensive income for the period		**229,128**	**119,542**

SCOTIABANK CHILE AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
for the years ended December 31, 2020 and 2019

	Note	Attributable to equity owners								
					Retained earnings					
		Share capital	Reserves	Other comprehensive income	Retained earnings	Profit for the year	Provision for minimum dividends	Total	Non-controlling interest	Total equity
		MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Balances as of December 31, 2018		996,054	496,348	(1,984)	447,437	108,120	(32,436)	2,013,539	96,414	2,109,953
Transfer to retained earnings		-	-	-	108,120	(108,120)	-	-	-	-
Net fluctuation in available-for-sale investment securities, net of taxes		-	-	(1,699)	-	-	-	(1,699)	25	(1,674)
Adjustments of cash flow hedge derivatives, net of taxes		-	-	(152,350)	-	-	-	(152,350)	-	(152,350)
Profit for the period		-	-	-	-	254,378	-	254,378	19,188	273,566
Total comprehensive income for the period		-	-	(154,049)	108,120	146,258	-	100,329	19,213	119,542
Merger with Scotia Azul Corredores de Bolsa Limitada		-	-	-	-	-	-	-	(13)	(13)
Merger with Scotia Asesorías Financieras Ltda.		-	-	-	-	-	-	-	47	47
Capital increase	26	652	49	-	-	-	-	701	-	701
Distribution of profit or loss from prior years	26	-	-	-	(32,436)	-	32,436	-	(9,893)	(9,893)
Provision for minimum dividends	26	-	-	-	-	-	(76,314)	(76,314)	-	(76,314)
Balances as of December 31, 2019		**996,706**	**496,397**	**(156,033)**	**523,121**	**254,378**	**(76,314)**	**2,038,255**	**105,768**	**2,144,023**
Balances as of December 31, 2019		996,706	496,397	(156,033)	523,121	254,378	(76,314)	2,038,255	105,768	2,144,023
Transfer to retained earnings		-	-	-	254,378	(254,378)	-	-	-	-
Net fluctuation in available-for-sale investment securities, net of taxes		-	-	4,063	-	-	-	4,063	13	4,076
Adjustments of cash flow hedge derivatives, net of taxes		-	-	(61,258)	-	-	-	(61,258)	-	(61,258)
Actuarial gains (losses) from defined benefit plans		-	-	-	(59)	-	-	(59)	-	(59)
Profit for the period		-	-	-	-	275,419	-	275,419	10,950	286,369
Total comprehensive income for the period		-	-	(57,195)	254,319	21,041	-	218,165	10,963	229,128
Capital increase	26	250,000	-	-	-	-	-	250,000	-	250,000
Distribution of profit or loss from prior years	26	-	-	-	(101,751)	-	76,314	(25,437)	(9,542)	(34,979)
Provision for minimum dividends	26	-	-	-	-	-	(82,626)	(82,626)	-	(82,626)
Balances as of December 31, 2020		**1,246,706**	**496,397**	**(213,228)**	**675,689**	**275,419**	**(82,626)**	**2,398,357**	**107,189**	**2,505,546**

SCOTIABANK CHILE AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended December 31, 2020 and 2019

	Note	12/31/2020 MCh$	12/31/2019 MCh$
Cash flows from operating activities:			
Profit or loss for the period		286,369	273,566
Adjustments:			
Depreciation and amortization	34	58,779	56,777
Allowances for credit risk	31	395,083	340,104
Effect of fair value adjustment on derivative instruments		(82,778)	(248,908)
Net gain from sale of property and equipment	35/36	(2,192)	(23,297)
Net gain from sale of interest in companies	35	-	(1)
Net interest and indexation income	27	(914,197)	(864,323)
Equity for investments in related companies	13	(1,619)	(276)
Income tax expense	16	87,692	133,006
Income on sale of assets received in lieu of payment	35	(9,906)	(13,166)
Provisions and/or write-offs of assets received in lieu of payment	36	11,925	12,821
Impairment of intangible assets	34	72	219
Other debits and (credits)		(69,974)	(24,163)
Changes in assets and liabilities:			
(Increase) decrease in Securities held for trading		132,201	16,299
(Increase) decrease in Loans and advances to banks		(273,268)	(78,338)
(Increase) decrease in Loans and advances to customers		(187,741)	(2,669,964)
Deferred tax assets	16	(17,100)	(55,424)
(Increase) decrease in Other assets		(6,765)	(134,170)
Net (increase) decrease in Derivative instruments		436,413	74,592
(Decrease) increase in Deposits and other on-demand liabilities		1,955,074	741,521
(Decrease) increase in repurchase agreements and securities lending		(632,606)	513,177
(Decrease) increase in Term and other deposits		(2,240,084)	308,650
(Decrease) increase in Other liabilities		(39,535)	101,767
Interest and indexation received		1,332,394	1,557,834
Interest and indexation paid		(604,742)	(723,149)
Taxes and fines paid		(106)	(343)
Collection of remaining balance of taxes from previous years		-	2,154
Net cash used in operating activities		**(386,611)**	**(703,035)**

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Cash Flows
for the years ended December 31, 2020 and 2019

	Note	12/31/2020 MCh$	12/31/2019 MCh$
Cash flows from investing activities:			
Acquisition of property and equipment	15	(17,731)	(22,900)
Additions of right-of-use assets under lease contracts	15	(2,642)	(7,382)
Net change in investment securities		(748,712)	248,667
Dividends received	13	57	276
Acquisition of intangible assets	14	(44,374)	(52,381)
Acquisition of investments in companies	13	-	(588)
Proceeds from sale of investments in companies	13	-	16
Net cash from used in investing activities		**(813,402)**	**165,708**
Cash flows from financing activities			
Net change in bank borrowings		1,115,301	715,386
Net change in debt instruments		395,615	79,249
Net change in other financial liabilities		(13,676)	(6,059)
Net cash flows of lease liabilities	15	(19,145)	(18,954)
Capital increase	26	250,000	701
Dividends paid to non-controlling interests	26	(9,542)	(9,893)
Dividends paid	26	(101,751)	(32,436)
Net cash provided by financing activities		**1,616,802**	**727,994**
Net cash flows		**416,789**	**190,667**
Cash and cash equivalents as of January 1	6	**1,793,784**	**1,603,117**
Cash and cash equivalents as of December 31	6	**2,210,573**	**1,793,784**

The Consolidated Statements of Cash Flows were prepared using the indirect method, determining the variance between balances as of December 31, 2020 and 2019.

Nota 1 General Information

Background information

Scotiabank Chile (hereinafter the "Bank") is the Parent of a group of entities, constituted in Chile as a closely-held corporation. The Bank's original incorporation was authorized via Supreme Decree issued by the Ministry of Finance No. 1.389 dated March 29, 1944. The Bank is primarily involved in the brokerage of money and financial instrument such as personal property, commercial paper or any other credit instrument. As consolidated group, the Bank has subsidiaries supplementing its line of business (Note 2(b)), in accordance with General Banking Law and subject to the oversight of the Financial Market Commission.

At the Extraordinary Shareholders' Meeting of Scotiabank Sud Americano and Banco del Desarrollo, held on July 29, 2009, the new bylaws were established, which were approved by the CMF (formerly Chilean Superintendence of Banks and Financial Institutions) through Resolution No.196 dated September 2, 2009. The entity's name merged changed its name to Scotiabank Chile and can also use the names Scotiabank Sud Americano and Scotiabank. The merger between both Banks became effective on November 1, 2009.

At the Extraordinary Shareholders' Meeting of Scotiabank Chile and Banco Bilbao Vizcaya Argentaria, Chile held on August 2, 2018, the new bylaws were established, which were approved by the CMF (formerly Chilean Superintendence of Banks and Financial Institutions) through Resolution No.390 dated August 20, 2018. The merger between both Banks became effective on September 1, 2018.

The current ownership structure is composed of Nova Scotia Inversiones Limitada (76.01%) and non-controlling interests of 23.99%. Nova Scotia Inversiones Limitada is the Bank's exclusive controlling shareholder.

The Bank's registered address is located at Avenida Costanera Sur No. 2710, Torre A, Las Condes, Santiago and its website is www.scotiabankchile.cl.

Note 2 Significant accounting policies

(a) Basis of preparation

As of December 31, 2020, the Consolidated Financial Statements, which comprise the Consolidated Statements of Financial Position, Consolidated Statements of Income for the period, Consolidated Statements of Other Comprehensive Income, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows of Scotiabank Chile and its subsidiaries, have been prepared in accordance with accounting criteria issued by the CMF (hereinafter CMF), and in relation to all issues not addressed in them and as long as they are not opposed to the Superintendence's instructions, the Bank must apply the accounting principles issued by the Colegio de Contadores de Chile A.G., which agree with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Should any discrepancy exist between accounting principles generally accepted in Chile and the accounting standards issued by the Chilean CMF, the latter shall prevail.

The translation of these financial statements is provided as a free translation from the Spanish language original, which is the official and binding version. Such translation has been made solely for the convenience of non-Spanish readers.

(b) Basis of Consolidation

The financial statements of Scotiabank Chile have been consolidated with those of its subsidiaries in accordance with International Financial Reporting Standard IFRS 10 "Consolidated Financial Statements." These comprise the preparation of the financial statements of the Bank and the companies included in the consolidation, and include the adjustments and reclassifications required for the consistent application of the accounting policies and measurement criteria applied by the Bank.

These Consolidated Financial Statements have been prepared using consistent accounting policies for similar transactions and other events in equivalent circumstances. Significant balances and transactions (assets and liabilities, equity, income, expenses and cash flows) arising from transactions between the Bank and its subsidiaries and between t such subsidiaries have been eliminated from the consolidation, and also the non-controlling interest corresponding to the ownership percentage of third parties in the subsidiaries has been recognized, which the Bank, directly or indirectly, does not own and which is shown separately in the Bank's equity and profit or loss.

These Consolidated Financial Statements are presented for comparative purposes as follows:

- Consolidated Statements of Financial Position as of December 31, 2020 and 2019.
- The Consolidated Statements of Income for the period and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the twelve-month period between January 1 and December 31, 2020.

The Consolidated Financial Statements were approved by the Board of Directors on February 25, 2021.

i) Subsidiaries

"Subsidiaries" are considered to be entities over which the Bank has the ability to exercise control. This ability is generally, but not only, reflected by owning directly or indirectly at least 50% of the voting shares of associates, or even if this percentage is lower or null, if the Bank has been granted such control by an agreement with the shareholders of the subsidiaries. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following:

- Power over the investee when it has interest that provide it with the ability to direct the subsidiary's significant activities;
- Exposure, or rights, to variable returns from its involvement with the subsidiary; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The subsidiaries over which the Bank has the ability to exercise control and, accordingly, are included in the consolidation of these Consolidated Financial Statements are detailed as follows:

Company	Direct December 2020 %	Indirect December 2020 %	Direct December 2019 %	Indirect December 2019 %
Scotia Administradora General de Fondos Chile S.A. (1)	99.33	0.67	99.13	0.87
Scotia Corredora de Seguros Chile Limitada	99.90	0.10	99.90	0.10
Centro de Recuperación y Cobranza Limitada	99.90	0.10	99.90	0.10
Bandesarrollo Sociedad de Leasing Inmobiliario S.A.	99.91	-	99.91	-
CAT Administradora de Tarjetas S.A.	51.00	-	51.00	-
CAT Corredores de Seguros y Servicios S.A.	51.00	-	51.00	-
Servicios Integrales S. A.	51.00	-	51.00	-
Administradora y Procesos S.A.	51.00	-	51.00	-
Scotia Azul Asset Management Administradora General de Fondos S.A. (1)	-	-	99.90	0.10
Scotia Corredora de Bolsa Chile Limitada	99.19	0.80	99.19	0.80
Scotia Asesorías Financieras Limitada	98.74	-	98.74	-
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	97.49	-	97.49	-

(1) On January 2, 2020, the Chilean CMF granted authorization for the merger of Scotia Azul Asset Management Administradora General de Fondos S.A. (absorbed company) and Scotia Administradora General de Fondos Chile S.A. (surviving company) through the merger of the former into the latter. The merger was agreed at the extraordinary shareholders' meetings of both companies held on August 19 and November 19, 2019.

ii) Fund management

The Bank, through its subsidiary Scotia Administradora General de Fondos Chile S.A. manages and administers assets held in mutual funds.

iii) Non-controlling interest

Non-controlling interest represents the portion of losses and gains and of net assets which the Bank does not control directly or indirectly. Non-controlling interests are presented separately within the Consolidated Statements of Income for the period, the Consolidated Statements of Other Comprehensive Income for the period and the Consolidated Statements of Financial Position in equity.

iv) Loss of control

When the Bank loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any resulting gain or loss is recognized in profit or loss. If the Bank retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(c) Basis of measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following items, which are measured at fair value:

- Available-for-sale financial assets through equity.
- Financial instruments held-for-trading through profit or loss.
- Derivative instruments.
- Investments in companies.

(d) Functional and presentation currency

Scotiabank Chile and subsidiaries have defined the Chilean peso as its functional currency, as its deposit, placement and investment transactions are mainly expressed in such currency. These Consolidated Financial Statements are presented in Chilean pesos. All the information presented in Chilean pesos has been rounded to the nearest million.

(e) *Transactions in foreign currency*

Transactions in currencies other than the functional currency are considered transactions in foreign currencies and are initially translated into the respective exchange rate of such currency at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate as of the date of the Consolidated Statements of Financial Position. Differences arising from exchange rate fluctuations between the recording date and the following year-end are recognized with a debit or credit to profit or loss.

Assets and liabilities in foreign currency US dollar are recognized at their equivalent amount in Chilean pesos, calculated at the exchange rate of Ch$707.85 per US$1 as of December 31, 2020 (Ch$751.35 as of December 31, 2019).

As of December 31, 2020, the balance of MCh$3,191 recorded within "Net foreign exchange loss" (Profit MCh$22,368 as of December 31, 2019), in the Consolidated Statements of Income for the Period includes the recognition of the effects of changes on the exchange rate of assets and liabilities in foreign currency or adjustable units, and the resulting gain or loss from exchange transactions of the Bank and its subsidiaries.

(f) *Business segments*

The Bank provides segment financial information to identify and disclose in the notes to the Consolidated Financial Statements the nature and financial effects arising from its business activities and the economic environments in which it operates, in accordance with IFRS 8 "Operating Segments". Such Standard requires that the Bank provides information on the different types of business activities in which it is involved and assists the users of Financial Statements to obtain:

- Better understanding of return.
- Better assessment of future cash flow projections.
- Better judgment on the company as a whole.

The Bank's operating segments are determined based on identifiable components providing products or services related to the business. These business segments deliver products and services subject to risks and yields different from those of other segments and their operating results are reviewed by Management for operating administration and decision-making purposes. Management has agreed on five reporting segments: "SME and Retail Banking", "Commercial Banking", "Personal Banking", "Financial retail" and "Other"", which are described in Note 5.

(g) Financial assets and liabilities

1. Recognition

The Bank initially recognizes loans and advances to customers, securities held-for-trading, investment securities, deposits, debt securities issued and subordinated liabilities issued on the date they are originated. Regular purchases and sales of financial assets are recognized on the trade date; i.e., the date at which the Bank commits to purchase or sell the asset.

A financial asset or financial liability which is not recognized at fair value through profit or loss is initially measured at fair value plus transactions costs that are directly attributable to its acquisition or issue. Items measured at fair value through profit or loss, are initially measured at fair value, recognizing in profit or loss the associated transaction costs.

2. Classification

Accounting policies associated with each classification are addressed in the following points. (l) Held-for-trading securities, (n) Financial derivative contracts, (o) Loans and advances to customers and loans and advances to banks, (p) Factoring operations, (q) Lease operations, (r) Investment securities and (af) Allowances for credit risk.

3. Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial asset that is created or retained by the Bank is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain and loss that had been recognized in other comprehensive income is recognized in profit and loss.

The Bank derecognizes from its Statement of Financial Position a financial liability, or a portion of it, when its contractual obligations are discharged or canceled or expire.

4. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

5. Measurement at amortized cost

Amortized cost is understood as the acquisition cost in which the financial asset or liability was initially measured, minus the capital repayments that may be made, more or minus, as the accumulated amortization is applicable, using the effective interest method, of the difference between the initial amount and the repayment amount at maturity. For financial assets, minus any value reduction of the impairment amount which had been recognized, either directly or as an increase in the asset amount or through a complementary account of its amount.

6. Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are easily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially similar, discounted cash flow analyses and option pricing models.

The chosen valuation technique makes a maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Periodically, the Bank calibrates valuation techniques and tests them for validity using prices from observable recent market transactions of the same instrument or based on other available observable market data.

The Bank establishes a fair value hierarchy that segregates inputs and/or estimates used in measuring the fair value of financial instruments.

7. Identification and measurement of impairment

The Bank assesses at each closing date of the Consolidated Statement of Financial Position, whether there is objective evidence that financial assets are not carried at fair value through profit or loss are impaired. These financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.
Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank's and its subsidiaries' assets. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is also objective evidence of impairment.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss.

Impairment losses on available-for-sale investment securities are recognized transferring to profit or loss the accumulated loss that have been recognized directly in the net equity as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss for the period. Changes in allowance for impairment losses attributable to the time value of money are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

(h) Transactions with related parties

Disclosures on the most significant related parties are detailed in Note 37, indicating the relationship with each related party involved, as well as the transaction description and related balances. All of this is performed for an adequate understanding of the potential effects of such relation on the Consolidated Financial Statements.

(i) Cash and cash equivalents

For purposes of the Consolidated Statements of Cash Flows, the Bank considers the sum of cash in banks and on hand, net debit and credit balances of operations pending settlement as well as those investments in fixed-income mutual funds, securities held for trading, available-for-sale investment securities and investments sold under repurchase agreements with high liquidity and low risk of change in value, with maturities of three months or less from acquisition to be cash and cash equivalents.

The Bank uses the indirect method for the preparation of the Consolidated Statements of Cash Flows, which starting from the Bank's profit or loss for the period includes non-cash transactions, as well as income and expenses associated with cash flows from operating, financing and investing activities.

For the preparation of the Consolidated Statements of Cash Flows, the Bank considers the following concepts:

i) Cash flow

Cash and cash equivalents inflows and outflows; i.e., highly-liquid short-term investments with low risk of changes in value, such as: deposits with Banco Central de Chile, deposits in Domestic Banks and deposits in Foreign Banks.

ii) Operating activities

Operating activities are the principal revenue-producing activities of the Bank and other activities that are not investing or financing activities.

iii) Investing activities

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

iv) Financing activities

Financing activities are activities that result in changes in the value and composition of the contributed Net Equity and liabilities that are not part of the operating or investing activities.

(j) Consolidated Statements of Changes in Equity

The Statement of Changes in Equity disclosed in these Consolidated Financial Statements discloses movements in Equity occurred between January 1 and December 31, 2020 and 2019.

This section includes all movements in Equity, including those arising from changes in the accounting policies and correction of errors.

(k) Consolidated Statements of Other Comprehensive Income

This section includes changes in equity by disclosing income and expenses of the Bank and its subsidiaries resulting from the performance of its activities during the year, distinguishing those recorded as profit in the profit and loss account for the year and other income and expenses directly recorded in Net Equity.

Accordingly, this statement includes:

i) Profit or loss for the year.
ii) The net amount of income and expenses temporarily recognized as valuation adjustments in equity.
iii) iii) The net amount of income and expenses permanently recognized in Net Equity.
iv) Income tax accrued for the items indicated in ii) and iii) above, except for valuation adjustments arising from interests in associates or multi-group companies measured using the equity method of accounting, which are recorded at net amounts.

(i) *Securities held for trading*

Securities held for trading relate to financial assets acquired for the purpose of generating profits from price fluctuations at short-term or through margins from their brokerage or at amounts that are included in a portfolio for short-term gain taking.

Held-for-trading securities are measured at their fair value in accordance with market prices at the reporting date. Gains or losses resulting from their adjustment to fair value, as well as gains and losses from trading activities are included within the caption “Net gain from financial operations” in the Consolidated Statements of Income for the period.

(m) *Repurchase agreements and securities lending*

The Bank obtains funds by selling financial instruments and committing to purchase them in the future, plus an interest rate established previously. Likewise, the Bank acquires financial instruments agreeing to resale them at a future date.

Transactions under agreements to resell are performed as investments. Financial instruments are acquired under these agreements, which are included as assets and measured in accordance with the interest rate in the agreement.

Agreements to repurchase operations are also carried out as financing. Investments that are sold subject to a repurchase obligation and used as loan guarantee are part of its respective caption "Securities Held for Trading" or "Available-for-sale investment securities." The investment repurchase obligation is classified within liabilities and measured in accordance with the interest rate in the agreement.

(n) *Financial Derivatives*

Financial derivatives that include foreign currency, inflation-adjusted units, interest rate forwards, currency and interest rate swaps, currency and interest rate options and other derivatives are initially recognized in the Consolidated Statements of Financial Position at their trading value (cost) and subsequently measured at fair value. Fair value is obtained from market quotes, discounted cash flow models and measurement models for options, as appropriate. Financial derivatives are stated as an asset when their fair value is positive and as a liability when it is negative, within the caption “Financial Derivatives.”

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their characteristics and risk are not closely related to those of the host contract and not measured at fair value with the related unrealized gains or losses included in profit or loss. As of December 31, 2020 and 2019, the Bank records no separable embedded derivatives.

Financial derivatives are classified as derivative instruments held for trading or for hedge accounting purposes.

Changes in the fair value of derivative instruments designated as held for trading are recognized in the caption “Net gain from financial operations” in the Consolidated Statements of Income for the period.

In this regard, hedge accounting derivatives, are designated as fair value hedges for existing assets or liabilities and firm commitments, or for cash flow hedges for future assets, liabilities or highly probable forecasted transactions, under compliance of each of the following conditions:

- At the inception of the transaction, the hedging relationship is formally documented, indicating the risk management objectives and strategies intended with such transaction;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be measured reliably; and
- The hedge is highly effective in regard to the risk being hedged continuously throughout the hedging relationship.

Certain derivative transactions that do not qualify for being accounted for as hedging derivatives are treated and reported as trading derivatives, even though they provide effective hedge for the management of risk positions.

When a derivative hedges the exposure to changes in the fair value of an existing asset or liability, such asset or liability is recorded at its fair value with respect to the specific risk hedged. Gains or losses from measuring the fair value of both the hedged item and the hedging derivative are recognized with an effect on profit or loss for the year. The fair value measurement adjustment of the hedged item is presented in the Consolidated Statements of Financial Position of the same caption that includes including such item.

If the hedged item in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment attributable to the hedged risk are recognized as an asset or liability with an effect on profit or loss for the year. Gains or losses from the changes in the fair value of the hedging derivative are recognized in profit or loss for the year. When an asset is acquired or a liability assumed as a result of the commitment, the initial recognition of the asset acquired or liability assumed is adjusted to include the accumulated effect of the measurement at fair value of the firm commitment that was recognized in the Consolidated Statements of Financial Position.

When a derivative hedges the exposure to changes in cash flows of existing assets or liabilities, or highly probable forecasted transactions, the effective portion of changes in the fair value with respect to the risk hedged is recognized in Equity. Any ineffective portion is directly recognized in profit or loss for the year.

Amounts recognized directly in Equity are subsequently recorded in profit or loss in the same periods in which the hedged assets or liabilities affect profit or loss.

For a fair value hedge of interest rates in a portfolio, and the hedged item is an amount of money rather than separately identified assets or liabilities, gains or losses from measuring the fair value of both the hedged portfolio and the hedging derivative, are recognized through profit or loss for the year. However, the gain or loss from measuring the fair value the hedged portfolio is recorded in the Consolidated Statements of Financial Position under the caption "Other assets" or "Other liabilities", depending on the position of the hedged portfolio at a given date.

Financial derivative contracts are subject to offsetting, i.e., they are presented in the Consolidated Financial Statements at their net value only when subsidiaries have both, the legally enforceable right to offset the amounts recognized in such instruments, and the intention to settle the net amount, or realize the asset and pay the liability simultaneously.

(o) Loans and advances to banks and loans and advances to customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intent to sell immediately or in the near term. The caption 'loans and advances to banks' comprises deposits made in the Central Bank of Chile other than on-demand deposits, investments in non-transferable securities and other debts in loans that may originate against the Central Bank of Chile, as well as loans, current account overdrafts, non-transferable deposits and other debts for credits granted to other domestic and foreign banks.

The caption 'loans and advances to customers' comprises balances related to transactions with individuals other than domestic and foreign banks, corresponding to credits, loans and other financing, financing lease agreements and accounts receivable resulting from operations inherent to the banking business.

Third-party financing from debt securities acquired for trading or investment and from agreements to repurchase, securities lending and derivatives, are excluded from these captions and reported within different captions in the Consolidated Statements of Financial Position.

Operations included in these captions are initially measured at fair value, including the related incremental transaction costs, and subsequently measured at amortized cost using the effective interest method, except when the Bank defines certain loans as hedged items, which are measured at fair value through profit or loss as described in letter (n) Financial Derivative of this note.

Impairment is recognized by recording allowances for credit risk, presenting the related balances net of such allowances, as described in letter (af) Allowance account for credit risk. In addition, a prudential criterion has been adopted to suspend, on an accrual basis, revenue recognition because of the high recoverability risk they have as described in letter (ad) Interest and indexation income and expenses.

Impaired loans are written-off when deemed to be uncollectible or when reasonable time has passed without obtaining recovery. For this purpose, the outstanding balance of the loan recorded within assets is written-off as a debit to the accrued provisions for credit risk. Subsequent payments of written-off loans are credited to the caption 'Allowances for credit risk' in the Consolidated Statements of Income for the period.

(p) Factoring transactions

Factoring transactions are measured considering amounts disbursed by the Bank when receiving invoices or other commercial instruments representing the credit that the assignor provides to the Bank. The price difference between the disbursed amounts and the actual face value of credits is recorded in the Consolidated Statements of Income for the period as interest income through the effective interest method, during the financing period. When the transfer of these instruments is performed with no recourse by the assignor, the Bank assumes the insolvency risks of those obliged to pay.

(q) Lease operations

Corresponds to leases that transfer substantially all risks and rewards to the lessee of the owner's leased asset.

When the Bank and its subsidiaries act as the lessor of an asset, the aggregate present values of the lease payments they will receive from the lessee plus the guaranteed residual value, usually, the price of the exercise of the lessee's purchase option at the expiration of the contract, are recognized as third party financing, and accordingly, included in the caption "Loans and advances to customers" in the Consolidated Statements of Financial Position.

For finance leases when the Bank acts as a lessee, it recognizes the cost of leased assets in the Consolidated Statements of Financial Position, according to the nature of the leased asset, and simultaneously, the sum of the present value of minimum lease payments it will make plus the purchase option, are recorded as a financial liability. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liabilities. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liabilities. Assets are amortized using similar criteria to that applied to property and equipment for own use

(r) Investment securities

Investment securities are classified in two categories: Available-for-sale and Held-to-maturity.

i) Available-for-sale investment securities

Available-for-sale investments are investments (not considered as derivative instruments) that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted variable-income investments whose fair value cannot be reliably measured are carried at cost. All other available for sale investments are carried at fair value. All other available for sale investments are carried at fair value.

Investment securities are initially recognized at cost, and subsequently measured at fair value according to market prices or measurements obtained from the use of models. Unrealized gains or losses generated by the change in their fair value are recognized with a debit or credit to equity accounts. When these investments are disposed of or impaired, the amount of the adjustments on accumulated fair value in equity is transferred to profit or loss and reported in the caption “Net gain (loss) from financial transactions” in the Consolidated Statements of Income for the period.

Interests and adjustments from investment securities available for sale are recognized in the caption "Interest and indexation income" in the Consolidated Statements of Income for the period.

ii) Held-to-maturity investment securities

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold until maturity.

Held-to-maturity investments are recognized at amortized cost using the effective interest method plus accrued interests and accrued adjustments minus the allowances for impairment losses made when the amount recognized is higher than the estimated recoverable amount. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years, except for the following cases:

- Sales or reclassifications performed on a date that is close to maturity so that changes in the market rate of interest would not have any significant effect on the financial asset's fair value.
- Sales or reclassifications after the Bank have collected substantially the asset's original principal.
- Sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

(s) Investments in companies

i) Companies in which the Bank has significant influence

Associates are those entities over which the Bank has significant influence, but not control or joint control. In general, this ability relates to interest equal or higher than 20% of voting rights and is measured using the equity method of accounting, unless the Bank may clearly demonstrate there is no such influence. Other elements to determine a significant influence on an entity are the Bank's representation in the entity's Board of Directors and existence of material transactions. These investments are measured through the equity method of accounting.

In accordance with the equity method, investments are initially recorded at cost, and then increased or decreased in order to reflect the Bank's proportional equity in the profit or loss of the investee and other changes recognized in its equity. Goodwill arising from the acquisition of a company is included in the carrying amount of the investment netted against any accumulated impairment loss.

ii) Joint ventures

"Joint ventures" are those businesses which are jointly controlled by two or more unrelated entities. This is evidenced by contractual agreements where two or more entities ("venturers") have an interest in entities ("multi-group") or perform transactions or hold assets so that any strategic financial or operating decision affecting them requires the unanimous consent by all the venturers. At the date of these Consolidated Financial Statements, the Bank assessed and determined it is not involved in any joint venture.

iii) Shares or interests in other companies

This item includes those entities in which the Bank has no control or significant influence. It includes permanent minority investments in domestic companies, recorded at acquisition cost and adjusted for impairment when applicable.

(t) Intangible assets

Intangible assets are identified as non-monetary assets (separate from other assets) with no physical substance arising as a result of a legal transaction or developed internally by the consolidated entities. These are assets whose cost can be measured reliably and for which the consolidated entities believe it is probable that future economic benefits will be recognized.

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

i) Software or computer software

The computer programs acquired by the Bank and its subsidiaries are accounted at cost less accumulated amortization of impairment value loss.

The subsequent expense in program assets is capitalized solely when the economic benefits in the specific asset to which they relate increase. All other expenses are recorded as expenditures as incurred.

Amortization is recognized in profit or loss on the basis of an amortization according to the straight-line method considering the useful life of computer programs from the date in which they are available for use. Estimated useful lives of computer programs have been set at a maximum of 5 or 10 years.

ii) Other identifiable intangible assets

Corresponds to intangible assets identified in which the asset cost can be measured reliably and it is likely to generate future economic benefits. The estimated useful life of these intangible assets is up to 3 years.

iii) Intangible assets from business combinations

Relates to intangible assets (other than goodwill) arising from business combinations, which are initially recorded at their fair value. Upon initial recognition, these intangible assets are measured at their cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized in profit or loss on a straight-line basis considering the estimated useful lives of intangible assets (other than goodwill) arising from business combinations. The estimated useful life of these intangible assets does not exceed 20 years.

(u) Property and equipment

Property and equipment, excluding intangible assets, are measured at cost less accumulated depreciation and impairment losses. Cost includes expenses that have been directly attributed to the acquisition of the asset and any other costs directly attributable to the process of bringing the asset to a usable condition.

Buildings and land included in property and equipment acquired until 2007 are presented, net of accumulated depreciation, at fair value as of January 1, 2008 based on independent appraisals. Other property and equipment acquired until 2007 are presented at acquisition cost plus price-level adjustment as of December 31, 2007, net of accumulated depreciation. Property and equipment acquired from 2008 are presented at cost less their depreciation and accumulated impairment.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets, including the related debits to profit or loss within the caption 'Depreciation and amortization' in the Consolidated Statements of Income for the period.

Maintenance and repair costs are debited to profit or loss. The cost of improvements is capitalized when the useful life of assets or their capacity increases significantly.

The estimated useful lives of the Bank's items of property and equipment are as follows:

Asset group	Useful life
Buildings	80 years
Furniture, machinery, vehicles, other property and equipment	Between 2 and 10 years
Computer equipment	Between 3 and 10 years
Facilities, own property improvements	Between 3 and 10 years

Useful life assigned to improvements to property under lease arrangements directly depends on the lease contract term related to such property.

(v) Right-of-use assets and lease liabilities

i) *Right-of-use assets under lease contracts*

The Bank and its subsidiaries have lease agreements related to certain assets to meet the normal performance of its operating activities. When in such contract, it acts as lessee, the Bank should recognize in its Consolidated Financial Statements a right-of-use asset, representing the right to use the underlying asset specified in the lease agreement.

The Bank and its subsidiaries may elect not to recognize a right-of-use asset and a lease liability in the following two cases:

i) short-term leases (less than 12 months); and
ii) leases for which the underlying asset is of low value.

If the Bank or its subsidiaries elect not to recognize a right-of-use asset or lease liabilities, they shall recognize the lease payments associated with those leases as an expense in the Consolidated Statement of Income for the period on a straight-line basis over the lease term or another systematic basis (another systematic basis will be applied if that basis is more representative of the pattern of the lessee's benefit.)

At the commencement date, the Bank shall measure the right-of-use asset at cost, which includes:

(a) the amount of the initial measurement of the lease liability (as described in ii) below);
(b) lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lessee may incur the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

A lessee shall recognize the costs described in letter (d) as part of the cost of the right-of-use asset when it incurs an obligation for those costs.

After the date of initial recognition, the Bank measures the right-of-use asset applying a cost model less accumulated depreciation/amortization and accumulated impairment; adjusted for any remeasurement of the lease liability.

The Bank and its subsidiaries apply the straight-line method to depreciate the right-of-use asset from the commencement date to the earlier of the end of the lease term Management has estimated for its use.

ii) Lease liabilities

In connection with the recognition of a right-of-use asset in the financial statements, the Bank shall recognize as a counterpart a lease liability related to the financial obligation assumed of paying the underlying lease asset.

At the commencement date, the Bank and its subsidiaries measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses its incremental borrowing rate.

A lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or a rate.

iii) Sales with subsequent lease

For sales at fair value with subsequent lease, the profit or loss is recorded at the time of the sale.

(w) Current tax and deferred taxes

Income tax expense is determined in accordance with IAS 12 "Income Taxes" and the Income Tax Law. Income tax expense comprises current tax and deferred taxes.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the date of the Consolidated Statements of Financial Position, and any adjustment to income tax payable in respect of previous years.

The Bank and its subsidiaries recognize, where appropriate, deferred tax assets and liabilities resulting from temporary differences between the financial statement carrying value and tax basis of assets and liabilities (temporary differences). Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences related to the year in which they reverse, based on the laws that have been enacted or substantively enacted at the date of the Consolidated Statement of Financial Position.

Deferred tax expense is recognized except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each date of the Consolidated Statement of Financial Position and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(x) Non-current held-for-sale assets

Non-current assets expected to be recovered principally from sale rather than continuing use are classified as held for sale.

Subsequent to being classified as held for sale, these assets are measured at the lower of their carrying value and fair value less costs to sell.

Impairment losses in the initial classification as non-current assets held for sale and subsequent losses are recognized in profit or loss.

Assets received in lieu of payment

Assets received in lieu of payment and trade receivables are recorded, in the case of assets received in lieu of payment at the price agreed by the parties, or for those cases where there is no agreement between the parties, at the amount for which the Bank is awarded such assets in a court-ordered public auction.

Subsequently, such assets are measured at the lower of the initial carrying amount or net realizable value, which corresponds to its fair value (liquidity value determined through an independent appraisal) less the related costs to sell. Differences between both amounts are recognized as "Other operating expenses" in the Consolidated Statement of Income for the period. Assets received in lieu of payment are recorded as "Other assets" net of provisions.

In general, the Bank believes assets received in lieu of payment will be sold within one year from their date of award. Assets not sold during such term are written-off as per the instructions issued by the CMF. This is subject to eventual transitory provisions issued by the regulatory agency that establish new terms in this matter.

(y) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of funding. These financial liabilities are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortized cost using the effective interest method.

(z) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount. These provisions are recognized in the Consolidated Statements of Financial Position when the following requirements are met in a copulative manner:

i) as a result of a past event, the Bank has a present legal or constructive obligation;
ii) it is probable that at the reporting date the Bank or its subsidiaries require an outflow of economic benefits to settle the obligation; and
iii)the amount of such resources can be estimated reliably.

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank.

Provisions (that are calculated considering the best information available on the consequences of their related risk, and are re-estimated on each closing date) are used to comply with specific obligations for which they were originally recognized. These are reversed when such obligations decrease or cease to exist.

Provisions are classified according to the obligations covered, which are as follows:

- Provision for personnel benefits and payroll.
- Provision for minimum dividends.
- Allowance for contingent loan risk.
- Provisions for contingencies (including additional provisions).

(aa) Financial guarantees

Financial guarantees are contracts that require the issuer to make specific payments to repay the holder for the loss incurred on specific obligor default according to the conditions of a debt instrument.

Liabilities related to financial guarantees are initially recognized at fair value, and initial fair value is amortized through the life of the financial guarantee. The guaranteed liability is recorded at the higher of the amortized amount or the present value of any expected payment (when a payment under the guarantee becomes probable). Financial guarantees are included in other liabilities.

(ag) Use of estimates and judgments

The preparation of the Consolidated Financial Statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis by the Bank's Senior Management in order to quantify some assets, liabilities, revenues, expenses and uncertainties. Adjustments to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

Particularly, the information about the most significant areas of estimation of uncertainty and critical judgments in the applying accounting policies that have most significant effect on amounts recognized in the Consolidated Financial Statements, are described in the following notes:

- Notes 7, 9 and 12	: Measurement of financial instruments.
- Notes 10, 11 and 31	: Allowances for credit risk.
- Notes 14 and 15	: Useful lives of intangible assets, property and equipment and right-of-use leased assets.
- Note 16	: Deferred taxes
- Notes 23 and 25	: Provisions, contingencies and commitments.

(ac) Provision for minimum dividends

In Article No.79 in Chile's Law of Public Companies it is established that, unless different from the adopted in the meeting and by the issued shares unanimously, public companies will have to distribute annually as dividend in cash to its shareholders, proportionally of its shares or the proportion established by the by-laws at least the 30% of liquid gains of each year, except when accumulated losses coming from previous year are to be absorbed.

Minimum dividends are accounted for net of the portion of the provisional dividends that has been approved during the course of the year and are registered in the caption "Provisions" with a debit to the account "Provisions for minimum dividends" In Equity.

(ad) Interest and indexation income and expenses

Interest income and expenses are recognized in the Consolidated Statements of Income for the period using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, in a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs, premiums, discounts, as well as all fees and commissions and other concepts paid or received that are directly attributable to the acquisition or issue of a financial asset or liability.

Adjustments mainly relate to the indexation associated with changes in the value of inflation-adjusted units (UF), which amounted to Ch$29,070.33 as of December 31, 2020 (Ch$28,309.94 as of December 31, 2019).

The Bank has adopted the criterion of suspending interest accruals and indexation on outstanding high risk and past-due loans, i.e., it no longer recognizes income on an accrual basis for loans, included in the impaired portfolio, that meet the following criteria in relation to individual and group assessments performed in order to accrue allowances for credit risk:

Loans subject to suspension	Reason for:
Individual assessment: Loans classified in categories C5 and C6.	Due to the sole fact of being in the impaired portfolio.
Individual assessment: Loans classified in categories C3 and C4.	For being within the impaired portfolio for three months.
Group assessment: Any loan, with the exception of those containing actual guarantees, of at least 80%.	When the loan or one of its payments becomes six months past due.

However, for loans subject to an individual assessment, revenue from the accrual of interests and adjustments can still be recognized for loans paid regularly that represent liabilities with independent cash flows.

(ae) Fee and commission income and expenses

Financial fees and commissions and transaction costs directly associated with the generation of certain financial assets and liabilities, are a part of the initial valuation of such financial assets and liabilities for the determination of the effective interest rate.

Fee and commission income and expenses not related to the generation of financial assets and liabilities are recognized on an accrual basis.

In general, unearned income and prepayments related to commissions for future services to be provided or received are transferred on a straight-line basis to profit or loss over the period that contractually covers those payments and collections.

Fee and commission income and expenses are recognized as the related services are provided.

(af) Allowances for credit risk

The Bank has established allowances for potential credit losses from loans and advances to customers, in accordance with the instructions issued by the CMF and its credit risk rating and evaluation models approved by the Board of Directors.

In order to determine its provision for credit risk, the Bank uses models or methodologies based on the individual and collective analyses of debtors to make provisions for loans and receivables from customers, which are defined below.

<u>Provisions for loans by individual assessment:</u> The individual analysis of debtors is applied to customers, natural persons or legal entities which, due to their size, complexity or exposure level, must be known comprehensively, requiring the assignment of a credit rating for each debtor.

All customers from the Corporate, Real Estate, Large Companies and Wholesale segment portfolios will be considered as individually evaluated commercial portfolios. Debtors other than the aforementioned segments with annual sales equal to or greater than MCh$1,000 or with trade debts equal to or greater than MCh$500 will also be considered. In addition, all debtors with cross-border transactions among their receivables will be included as individual customers.

To make the allowances, the Bank classifies its debtors and transactions related to loans and contingent loans in the related categories, with the prior allocation to one of the following three portfolio categories: Normal Portfolio, Substandard Portfolio, and Default Portfolio, based on the provisions of the Compendium of Accounting Standards for banks issued by the CMF. Based on the debtor rating, the Bank assigns probability of default and loss on default percentages, which result in the expected loss percentage:

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

Type of portfolio	Risk grade	Range of expected loss	Provision (%)
Default Portfolio	C1	More than 0 and up to 3 %	2
	C2	Between 3% and 20%	10
	C3	Between 20% and 30%	25
	C4	Between 30% and 50%	40
	C5	Between 50% and 80%	65
	C6	Over 80%	90

Provisions for loans associated with collective assessment: A collective assessment is used to analyze a high number of uniform transactions whose individual amounts are low. The Bank uses a model for commercial exposures under MCh$500 to determine an allowance based on the concept of expected loss of a credit.

The Bank has internal models for its group portfolios, as well as standard methods for commercial group portfolios and mortgage loans.

Additional provisions for loans: In conformity with the standards issued by the CMF, the Bank has made additional provisions on its loan portfolio to hedge against the risk of unpredictable adverse economic fluctuations that may affect the macroeconomic environment or the situation in a specific economic sector.

Allowances for contingent loans: Contingent loans are all those operations or commitments in which the Bank assumes a credit risk by having an obligation with a third party upon occurrence of a future event, to make a payment or disbursement that shall be recovered from its customers, as in the case of guarantors, issuance or confirmation of credit letters, issuance of bank guarantee certificates, readily available revolving credit facilities, etc.

Contingent loans are not recorded as assets. However, in order to hedge the credit risk, a provision for potential losses is accrued and recorded within 'Allowances for credit risk' in the Consolidated Statements of Income for the period.

To estimate allowances for contingent loans, as indicated in Chapter B-1 and Chapter B-3 of the Compendium of Accounting Standards for banks issued by the CMF, the amount of the exposure to be considered must be equivalent to the following percentages of contingent loans:

Type of contingent loan	Exposure
a) Co-debt and collateral	100%
b) Foreign confirmed letters of credit	20%
c) Supporting letters of credit issued	20%
d) Bank guarantee certificates	50%
e) Revolving credit facilities	35%
f) Other loan commitments:	
- Loans for higher education studies per Law No. 20.027	15%
- Other	100%
g) Other contingent loans	100%

However, when operations are conducted with customers with loans in default, as stated in Chapter B-1 of the Compendium of Accounting Standards for banks issued by the CMF, the exposure will always be equivalent to 100% of their contingent loans.

(ag) Employee benefits and accrued vacation cost

Short-term benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

In addition, long-term employee benefit obligations and termination benefits agreed in the different collective bargaining agreements in force between Scotiabank Chile and its employees through the labor unions, include clauses for the payment of incentives related to seniority bonuses, severance indemnity payments for voluntary retirement and limits other than those established in the Labor Code, established ad-hoc in the various agreements, benefits for which the employee must meet a series of clearly established requirements.

Employee benefit expenses and the related benefit obligation are calculated using actuarial methods and assumptions, which are based on management's best estimate and are reviewed and approved on an annual basis. They include variables such as personnel turnover rate, expected salary growth, mortality rate, disability, retirement age, career start date, average age of beneficiary personnel and the probability of using this benefit, discounted at the current rate for long-term operations (the rate of the 20-year Central Bank Bonds in UF is used).

Gains and losses arising from changes in actuarial variables for termination benefits are recognized in Other Comprehensive Income.

The effect of the provisions for these benefits is recognized within “Provisions” in the Consolidated Statements of Financial Position.

(ah) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, excluding deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statements of Income for the year.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

(ai) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Bank by the number of ordinary shares outstanding during the period.

The calculation of diluted earnings per share has been based on the profit attributable to the Bank divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

At the date of these Consolidated Financial Statements, the Bank and its subsidiaries do not have any instruments that generate dilutive effects on Equity.

(aj) Reclassifications

Certain reclassifications have been made on certain items in the Consolidated Financial Statements as of December 31, 2019 to maintain the adequate comparison to the Consolidated Financial Statements as of December 31, 2020.

(ak) New accounting pronouncements

i) New accounting pronouncements issued by the CMF

Circular No. 2.282, December 1, 2020. It incorporates the new Chapter 21-7 on the determination of market risk-weighted assets to the Updated Compilation of Standards (RAN).

It introduces the new Chapter 21-7 to the RAN, which contains the standardized methodology for determining market risk-weighted assets, which, together with the provisions of Chapters 21-6 (on credit risk) and 21-8 (on operational risk), comprise the set of instructions for risk-weighting the assets of banks.

For the application of provisions under this new Chapter, effective from December 1, 2020, a transitory provision is contemplated that considers a market risk weighting equal to zero until December 1, 2021.

Circular No. 2.280, November 30, 2020 Standardized Methodology for the Calculation of Operational Risk Weighted Assets. It incorporates Chapter 21-8 of the RAN.

It introduces the new Chapter 21-8 to the RAN, which calculates operational risk-weighted assets based on two components. The first component is a business indicator, based on information from the financial statements of each bank, and the second is an adjustment factor based on operating losses over the last 10 years.

The aforementioned regulation will come into force on December 1, 2020. Likewise, it was established that until December 1, 2021, the operational risk-weighted assets will be equal to 0.

Circular No. 2.279, November 24, 2020. Preferred shares, bonds with no fixed maturity date and subordinated bonds. It incorporates Chapters 21-2 and 21-3 to the RAN.

It establishes the requirements and conditions that must be met by the subordinated bonds, preferred shares and bonds with no fixed maturity date issued by banks for the generation of their effective equity. The above is based on the international standards proposed by the Basel Committee on Banking Supervision in 2017.

The aforementioned regulation is effective from December 1, 2020.

Circular No. 2.274, October 10, 2020 Equity for legal and regulatory purposes.

The standards regarding capital requirements are updated in order to distinguish and determine the composition of the different equity requirements.

The new provisions, which are effective from December 1, 2020, include in Title V a transition period until December 1, 2025, within which the adjustments or exclusions of assets and liabilities will be applied gradually.

Circular No. 2.273, October 5, 2020. Relationship between basic capital and total assets.

The provisions regarding the relationship between basic capital and total assets of banks (leverage) are updated. Note that the regulation that limits leverage based on the relationship between assets and capital has been in force since 1997, establishing a relationship that cannot be less than 3% between basic capital and total assets. Although the current provisions of the LGB do not innovate on this requirement, they do contemplate the possibility of increasing it up to 5% for banks that are classified as systemically important, in line with Basel III guidelines.

The aforementioned regulation is effective as of December 1, 2020.

Circular No. 2.265, August 21, 2020. RAN Chapter 12-1. Risk weighting of bank loans guaranteed by the Government, CORFO and FOGAPE.

It modifies the risk weighting of that part of the assets that are guaranteed by the Chilean Government, CORFO and FOGAPE, in accordance with the provision of the first transitory article of Law No. 21.130, which maintains the treatment of the credit risk-weighted assets in force at the date of its issuance, until the new methodologies to cover the risk of the assets are issued.

With this new treatment, the amounts of loans guaranteed by the Chilean Government, CORFO and FOGAPE are included in category 2 of the risk-weighted assets classification; and consequently, the credit risk weighting is reduced from 100% to 10%.

Circular No. 2.264, July 21, 2020. Information on the deductible amount associated with financing with FOGAPE COVID-19 guarantee.

It establishes the need to have information to identify both the percentage of the deductible amount associated with financing with FOGAPE COVID-19 guarantee and the provisions made to cover its effect on the expected losses of such operations.

Circular No. 2.257 of May 22, 2020 Compendium of Accounting Standards for Banks (CNCB). It allows the recognition of the mortgage guarantee surplus associated to housing loans in the standard model of provisions of the commercial group portfolio.

Chapter B-1 of the CNCB establishes standardized methodologies for the calculation of credit risk allowances for the residential mortgage portfolio and the commercial group portfolio, which constitute a prudential floor for internal methods that have not been expressly approved by the CMF; such methodologies do not allow the use of mortgage guarantees associated with residential loans in the determination of the debt-guarantee ratio and the recognition of the respective allowances in the commercial group portfolio.

However, given the effects that the health crisis will have on the banking activity and credit risk, the CMF has agreed, on a temporary basis and until the new legal framework reflecting Basel III guidelines is fully in force, to recognize the excess mortgage collateral associated with housing loans in the standard provisioning model for the group commercial portfolio, determined by applying a 20% cut.

Circular No. 2.252, April 30, 2020. Aspects related to the COVID-19 Guarantee Lines of the Guarantee Fund for Small and Medium-sized Entrepreneurs (FOGAPE), regarding provisions and other regulatory matters indicated.

It establishes, among other issues, certain guidelines for allowances for credit risk, both for transactions covered by the COVID-19 Guarantee, as well as for the other debtor credits that are affected by the conditions defined in the Management Regulation of the Guarantee Fund for Small and Medium-sized Entrepreneurs, applicable to the COVID-19 Guarantee Lines.

Circular No. 2.250, April 20, 2020. RAN Chapter 12-1. Equity for legal and regulatory purposes. It allows adding a proportion of the Government guarantees to the additional provisions.

In view of the situation faced by the financial markets and the audited entities as a result of the health crisis caused by the COVID-19 pandemic, and in accordance with the financial support measures announced by the Government to deal with it, an extraordinary provision was incorporated that allows considering as part of the voluntary provisions that comprise the effective equity, a proportion of the guarantees granted by the Chilean Government, CORFO and FOGAPE, which cover the loans granted by the banks.

Circular No. 2.249 of April 20, 2020 Compendium of Accounting Standards for Banks (CNCB). It modifies Chapter E. and postpones the first application date.

For the purpose of giving banks greater flexibility to reallocate their technical and human resources during this period of sanitary contingency, the Chilean CMF has determined to extend the period of first application of the new CNCB provisions by one year.

Circular No. 2.248, March 30, 2020. RAN Chapter 12-1. Equity for legal and regulatory purposes. Treatment of guarantees in favor of third parties in bilateral offsetting agreements. Supplements instructions.

It supplements instructions on the treatment for purposes of calculating assets for capital adequacy, on those amounts in guarantee, constituted in favor of third parties, due to derivative transactions performed under bilateral offsetting agreements recognized by the Banco Central de Chile, which have increased as a result of the contingency in international financial markets.

Circular No. 2,247, March 25, 2020. RAN Chapter 10-1. Assets received in lieu of payment. It extends the term of disposal.

In view of the situation affecting the country, the CMF has agreed to grant an additional period of eighteen months for the disposal of all assets that financial institutions have received in payment or are awarded between March 1, 2019 and December 31, 2020, also allowing the write-off of such assets to be made in partiality, proportional to the number of months between the date of their receipt and the date set by the bank for their disposal.

ii) New pronouncements issued by the IASB

Adoption of new standards and amendments to IFRS

Amendments to IFRSs	Mandatory application date
Definition of Business (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2020. Early adoption is permitted.
Definition of Material (Amendments to IAS 1 and IAS 8)	Annual periods beginning on or after January 1, 2020. Early adoption is permitted.
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) – Phase 1: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues)	Annual periods beginning on or after January 1, 2020. Early adoption is permitted.
Amendments to the References to the Conceptual Framework in IFRS Standards	Annual periods beginning on or after January 1, 2020.
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	Annual periods beginning on or after January 1, 2020. Early adoption is permitted.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the International Accounting Standards Board issued narrow-scope amendments to IFRS 3 Business Combinations to enhance the definition of a business and help companies determine whether an acquisition made is of a business or a group of assets.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an acquisition of an asset. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce output;

- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendment is effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Bank's Management assessed the impact of adopting this Standard, and determined that it had no effect on its Consolidated Financial Statements.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the International Accounting Standards (IASB), redefined its definition of material. Now it is aligned through the International Financial Reporting Standards and the Conceptual Framework. The new definition establishes that "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has promoted the incorporation of "obscuring information" in the definition, in addition to the existing references of "omitting" and "misstating." Additionally, the Board expanded the threshold of "could influence" to "could reasonably be expected to influence."

The Board also eliminated the definition of omissions and misstatements under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment is effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Bank's Management assessed the impact of adopting this Standard, and determined that it had no effect on its Consolidated Financial Statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

In September 2019, the International Accounting Standards Board issued amendments to IFRS 9, IAS 39 and IFRS 7 to address uncertainties related to the reforms in progress of the Interbank Offered Rates (IBOR).

The amendments address aspects that affect the financial information in the period prior to the IBOR reform and are applicable to the hedging transactions directly affected by uncertainties related to the IBOR reform. As a part of the main amendments, the entities affected by the IBOR Reform will consider the following:

- they will assume the interest rate benchmark on which the hedged cash flows are based are not modified as a result of the IBOR Reform when assessing whether future cash flows are highly probable. In addition, for discontinued hedges, the same assumption is applied to determine whether the hedged cash flows are expected to occur.

- they will assess whether the economic relationship between the hedged item and hedging instrument exists based on the assumptions that the interest rate benchmark on which the hedged item and hedging instrument are based is not modified as a result of the IBOR Reform.

- they will not interrupt a hedging transaction during the uncertainty period that arises from the IBOR Reform solely because the actual hedging results are outside the range of 80-125 percent.

- they will apply the identifiable separately criterion only at the beginning of the hedging relationship. A similar exception is also provided for hedged components where the redesignation takes place frequently, i.e. macro-hedges.

The amendment is effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Bank's Management assessed the impact of adopting this Standard, and determined that it had no significant effect on its Consolidated Financial Statements.

COVID-19-Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the International Accounting Standards Board (the Board) issued the amendment to IFRS 16 Leases that allows lessees not to assess whether, which are a direct consequence of the effects of COVID-19 and meet a number of conditions, are lease modifications.

Amendments include an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether the rent concessions are lease modifications, and to account for them together with the other considerations established in the guidance. The resulting accounting will depend on the details of the rent reduction. For example, if the concession is in the form of a one-time reduction in rent, then it will be accounted for as a variable lease payment and recognized in the statement of income.

The practical expedient can be adopted only for rent concessions if they are a direct consequence of COVID-19 and meet all of the following conditions:

- The revised consideration is substantially the same or less than the original consideration;
- any reduction in lease payments relates to payments originally due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

The Bank's Management assessed the impact of adopting this Standard, and determined that it had no significant effect on its Consolidated Financial Statements.

Accounting pronouncements issued but not yet effective

The IASB has issued a number of new standards, amendments to standards and interpretations that have not yet become effective and have not been adopted for the preparation of these Consolidated Financial Statements. These new standards will be applied starting from their effective date as determined by the CMF, even when early adoption is permitted.

Amendments to IFRSs	Mandatory application date
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).	Effective date deferred indefinitely.
Annual improvements to IFRS Cycle 2018-2020	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual periods beginning on or after January 1, 2022, applicable to contracts existing at the application date. Early adoption is permitted.
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
References to the Conceptual Framework (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2022. Early adoption is permitted.
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Annual periods beginning on or after January 1, 2021. Early adoption is permitted.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

On September 11, 2014, the IASB issued this amendment that requires that when transferring subsidiaries to an associate or joint venture, the total gain should be recognized when assets transferred meet the definition of “business” under IFRS 3, Business Combinations. This amendment establishes a strong pressure on the definition of “business” for recognition in profit or loss. Also, it introduces new and unforeseen recognition for transactions that partially consider maintenance in assets that are not businesses.

The effective application date has been deferred indefinitely.

Annual improvements to IFRS Standards 2018-2020

As part of the process of making non-urgent but necessary changes to the IFRS standards, the International Accounting Standards Board (the Board) issued Annual improvements to IFRS Standards 2018-2020.

Amendments include:
IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment simplifies the initial adoption of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its Parent – i.e. if a subsidiary adopts IFRS Standards later than its Parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation effects for all foreign operations considering the amounts included in the Parent’s consolidated financial statements, based on the Parent’s date of transition to IFRS.

IFRS 9 Financial Instruments. This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

IFRS 16 Leases. The amendment eliminates the illustrative example of lessor payments related to improvements to the leased property. As currently drafted, the example is unclear as to why such payments are not a lease incentive. The amendments will help remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

The Bank's Management is assessing the impact of adopting these amendments.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

In order to clarify the types of costs a company includes as fulfillment costs when assessing whether a contract is onerous, in May 2020, the International Accounting Standards Board (the Board) issued the amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. As a result of this amendment, entities that currently apply the "incremental cost" approach will be required to recognize larger provisions and an increased number of onerous contracts.

The amendment clarifies that the cost of fulfilling a contract includes the following:

- incremental costs, e.g. direct labor and materials; and

- allocations of other direct costs, e.g.: the allocation of a depreciation expense of an item of property and equipment used in fulfilling the contract.

At the date of initial application, the cumulative effect of the application of this amendment to the Standard is recognized in the opening balances as an adjustment to retained earnings or any other item in equity, as appropriate.

The Bank's Management is assessing the impact of adopting this amendment.

Property and Equipment - Proceeds Before Intended Use (Amendments to IAS 16)

In order to provide guidance on the accounting for sales and costs that entities can generate in the process of making an item of Property and equipment available for its intended use, the International Accounting Standards Board (the Board) issued in May 2020 the amendment to IAS 16.

Under the amendments, proceeds from the sale of the assets obtained in the process in which an item of property and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these items.

Entities will need to differentiate between:

- costs associated with producing and selling items before the item of property and equipment is available for use; and

- costs associated with making the item of property and equipment available for its intended use.

The Bank's Management is assessing the impact of adopting this amendment.

Amendments to the References to the Conceptual Framework for Financial Information

In March 2018, the International Accounting Standards Board (the Board) issued the amendment to the Conceptual Framework for Financial Information (reviewed). The Conceptual Framework serves primarily as a tool for the Board to develop standards and assist the IFRS Interpretations Committee in interpreting them. It does not void the requirements of individual IFRSs.

The main changes to the principles of the conceptual framework have implications on how and when assets and liabilities are recognized and derecognized in the financial statements.

Some of the concepts in the modified Framework are completely new, such as the "practical ability" approach to liabilities. The main changes include:

- New " set of rights" approach to assets: A physical object can be "divided and subdivided" from an accounting perspective. For example, in some circumstances, an entity would record as an asset the right to use an aircraft, rather than the aircraft itself. The challenge will be to determine the extent to which an asset can be divided into different rights and the impact on recognition and derecognition.

- New " practical ability" approach to recognize liabilities: The previous recognition thresholds have disappeared, a liability will be recognized if a company has no practical ability to avoid it. This could lead to the recognition of some liabilities on the balance sheet earlier than is currently required. However, if there is uncertainty about the existence and measurement or a low probability of an outflow of resources, it could lead to non-recognition of the liability or delay the opportunity to recognize the liability. The challenge will be to determine what future actions and/or costs a company has no "practical ability" to avoid.

- New control-based approach to derecognition: An entity derecognizes an asset when it loses control over all or part of the asset, i.e. the approach is no longer focused on the transfer of risks and rewards. The challenge will be to determine what to do if the entity retains some rights after the transfer.

The Bank's Management is assessing the impact of adopting this amendment.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16).

In August 2020, the International Accounting Standards Board issued amendments that complement those issued in 2019 (Benchmark Interest Rate Reform - Phase 1) and focus on the effects they may have on financial information when one benchmark interest rate is replaced by another.

The amendments in this Phase 2 address issues that may affect financial information during the reform of a benchmark interest rate, including the effects on contractual changes in cash flows or hedging relationships that may exist when replacing the benchmark interest rate with an equivalent rate. As part of the main amendments, the Board considered the following amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases:

- changes in the basis for determining contractual cash flows related to financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Bank's Management is assessing the impact of adopting these amendments.

Note 3 Accounting changes

The COVID-19 pandemic that is affecting our country and the entire world is not only an unprecedented health emergency, but also an economic and social emergency whose magnitude is having a high impact on people, companies, markets and the economy.

There is no reliable empirical data to measure the effects of this pandemic on the economy and financial markets, as this type of crisis has no historical record.

Accordingly, accounting estimates related to credit risk are strongly affected since current models are not able to predict with a reasonable degree of reliability the behavior of relevant variables such as unemployment and payment capacity, which has forced financial institutions to generate additional provisions. These additional provisions constitute a change in an estimate, which in accordance with IAS 8 "Accounting Policies and Changes in Accounting Estimates", must be disclosed as an Accounting Change. The additional provisions recorded as of December 31, 2020 are described in Note 23.

Note 4 Significant Events

Scotiabank Chile

On January 6, 2020, in conformity with the Articles 9 and 10 of Law No. 18.045 on the Securities Market and in conformity with Chapter 18-10 of the Updated Summary of Standards issued by the Chilean CMF, the Bank communicates as Essential Event that at the Extraordinary Shareholders' Meeting held on such date, the shareholders of Scotiabank Chile agreed to increase the capital of Scotiabank Chile by Ch$250,000,000,120, through the issue of 735,294,118 new nominative, same-series shares with no par value, at a price of Ch$340 per share, which should be fully subscribed and paid in cash, within a maximum term of 3 years, beginning on January 6, 2020. As a result of such increase, the capital of Scotiabank Chile amounts to Ch$1,246,705,580,825 divided into 12,244,885,748 nominative, same-series shares with no par value.

The Chilean CMF authorized the aforementioned increase, through Resolution No. 929 dated January 28, 2020, which was registered at sheet 8.449 No. 4.558 with the Trade Record, on January 30, 2020 and was published in the Official Gazette on February 5, 2020. The preference subscription period for shareholders commenced on February 20 and will end on March 20, 2020.

On January 30, 2020, at an Extraordinary Board of Directors' Meeting, the Chairman of the Board of Directors of Scotiabank Chile informed that at the Extraordinary Shareholders' Meeting held on January 6, 2020, it was agreed to place the shares of the capital increase in at least two partial loans, with a first partial loan of new shares being agreed upon, offering preferentially to its shareholders, pro rata to their ownership interest, 441,176,471 shares, at a value of Ch$340 per share, equivalent to Ch$150,000,000,140 to be carried out during the first quarter following the obtention of all regulatory authorizations required for the capital increase, empowering the Board of Directors to evaluate the need and timing to place the remaining shares in one or more additional placement processes.

On January 31, 2020, in conformity with the Articles No. 9 and 10 of the Law No. 18,045 on the Securities Market and in conformity with Chapter 18-10 of the Updated Summary of Standards issued by the Chilean CMF, the Bank communicates as Essential Event that within the framework of the regional strategic alliance signed on July 25, 2019, by The Bank of Nova Scotia and BNP Paribas Cardif for the distribution of insurance in the four countries of the Pacific Alliance, whose signature was informed by means of a relevant event of that on the same day, it is reported that on this date a contract called "Chile Distribution Agreement" has been signed between Banco Scotiabank Chile (the "Bank") and Scotia Corredora de Seguros Chile Limitada (the "intermediary"), BNP Paribas Cardif Seguros de Life SA and BNP Paribas Cardif Seguros Generales S.A. (the "Insurers"), which establishes the general terms and conditions under which the bancassurance program will be implemented in Chile between the Bank and the Insurers so that they provide insurance through certain sales channels of the Bank through the intermediary to certain clients of the Bank.

On March 19, 2020, in conformity with the Articles 9 and 10 of Law No. 18.045 on the Securities Market and in conformity with Chapter 18-10 of the Updated Summary of Standards issued by the Chilean CMF, the Bank communicates as Essential Event that in an Extraordinary Board of Directors' meeting held on that same date, the Board of Directors of Scotiabank Chile agreed to carry out a second placement of shares charged to the capital increase approved by the Extraordinary Shareholders' Meeting dated January 6, 2020, for the total balance of new shares issued, preferably offering its shareholders, and in accordance with the law, 294,117,647 new shares, at a value of Ch$340 per share, equivalent to Ch$ 99,999,999,980 under the terms and conditions agreed upon at the Meeting.

On March 27, 2020, in conformity with the Articles 9 and 10 of Law No. 18.045 on the Securities Market and in conformity with Chapter 18-10 of the Updated Summary of Standards issued by the Chilean CMF, the Bank communicates as Essential Event the following resolutions adopted at the Ordinary Shareholders' Meeting held on this same date:

a) The Bank agreed to distribute 40% of the 2019 profits, which in total amount to MCh$101,751, equivalent to a dividend of Ch$8.51491 per share, in which the remaining balance will be allocated to the reserve for undistributed profit.

b) The following persons were elected as Directors of the Bank:

    i) Regular Directors: José Said Saffie, Ignacio Deschamps González, Jaime Said Handal, Ernesto Mario Viola, Salvador Said Somavía, Manuel José Vial Vial, Gonzalo Said Handal, Sergio Concha Munilla, Fernanda Vicente Mendoza, Karen Ergas Segal and Emilio Deik Morrison.
    ii) Alternate Directors: José Antonio Guzmán Molinari and Guillermo Mackenna Rueda.

On July 23, 2020,in conformity with the Articles 9 and 10 of Law No. 18,045 on the Securities Market and in conformity with Chapter 18-10 of the Updated Summary of Standards issued by the Chilean CMF, the Bank communicates as Essential Event the sensitive death of the Chairman of the Board of Directors of Scotiabank Chile, Mr. José Said Saffie, which occurred on Thursday, July 23, 2020.

On September 24, 2020,in conformity with the Articles 9 and 10 of Law No. 18,045 on the Securities Market and in conformity with Chapter 18-10 of the Updated Summary of Standards issued by the Chilean CMF, the Bank communicates as Essential Event due to the vacancy of the position caused by the death of Mr. José Said Saffie at the Ordinary Board of Directors' Meeting No. 2447, the Board of Directors of Scotiabank Chile agreed to appoint Mr. Salvador Said Somavía as Chairman. In addition, Mr. Arturo Tagle Quiroz was appointed as Regular Director, who accepted at the meeting, with both appointments taking effect as of this date.

Impacts of the COVID-19 pandemic

The health emergency caused by COVID-19 has generated uncertainty in the world economy. In March 2020, the virus landed in Chile causing the suspension of activities in various types of companies, both public and private; the closure of many commercial establishments; and in general the suspension of face-to-face work, except in companies considered as essential.

The focus has been on the health of the population and economic assistance to those who have been most affected. The recovery path began in June, with increasingly less negative year-on-year activity records, and seasonally adjusted month-over-month growth that has been maintained during the remaining part of the year.

Within this context, the Corporate Governance of Scotiabank and its Subsidiaries has implemented action plans to address this health emergency, which consider aspects related to protecting the health of employees and the continuity of essential services to our customers, including providing hygiene and safety supplies, signaling and reorganizing physical spaces, restricting business travel and mass face-to-face meetings, promoting and facilitating telework, maintaining strict protocols for reporting and managing cases of contagion, executing operational contingency plans, establishing procedures for data protection and confidentiality, generating changes in transactional processes and strengthening communication and connectivity platforms, developing labor reconversion programs, generating assistance programs for clients such as postponement of loan installments or financing to companies, debt repayment, among others. This has allowed the development of operations and public services in accordance with expectations and in compliance with local regulations.

To address this situation, Scotiabank Chile has maintained an adequate liquidity position, thanks to the establishment of internal liquidity coverage ratio limits that are more restrictive than the regulatory ones. This has made it possible to efficiently face the complexities of the market under this new scenario. In addition, corporate governance emphasized contingency plans to ensure the well-being of employees and the entity's operational continuity, in order to meet the financial needs of its customers in a timely manner.

The government has implemented several economic assistance packages, in addition to a liquidity injection from the withdrawal of temporary funds. Although these are transitory and short-term measures, they have had a significant impact on trade and the employment generated by this sector.

It is probable that, if necessary due to the evolution of the health emergency, the Government will implement new economic, financial and regulatory assistance measures for companies and individuals, in order to mitigate the damage being generated by the pandemic. However, the beginning of the vaccination process - it is expected that by mid-year a significant percentage of the population will have been inoculated - significantly reduces the likelihood of additional aid.

The CMF has issued Circulars and press releases that describe measures aimed at providing greater flexibility to the financial system in order to counteract the effects of the pandemic on the national economy. Scotiabank Chile is aligned with these measures and continuously provides its customers with the best alternatives, in order to provide payment facilities to those who the program requirements. The Bank has established debt rescheduling alternatives for mortgage, consumer, credit card and corporate financing products.

As of the date of these consolidated financial statements, the Bank's management continues to monitor the effects that the expansion of COVID-19 will have on our customers, employees and suppliers, in terms of impairment of receivables, decrease in transactional volumes, adjustments to service contracts, etc. in order to assess and project the financial and economic impacts of this pandemic. The Bank cannot rule out a new outbreak of contagion leading to new confinement measures, which could lead to a deterioration in the financial position of our customers.

Subsidiary Scotia Administradora General de Fondos Chile S.A.

Through Exempt Resolution No. 02 issued on January 2, 2020, the Chilean Financial Market Commission ("CMF") has authorized the merger of Scotia Azul Asset Management Administradora General de Fondos S.A. (the absorbed company) into Scotia Administradora General de Fondos Chile S.A. (the surviving company) through the merger of the former into the latter. The merger was agreed at the extraordinary shareholders' meetings of both companies held on August 19 and November 19, 2019.

After obtaining on such date the resolution approving the merger of both general fund managers in the date of the resolution in conformity with Article No. 5 of the Public Company Act, the merger will become effective on January 2, 2020, upon registration and publication of the aforementioned resolution.

By virtue of this, Scotia Azul Asset Management Administradora General de Fondos S.A. was legally dissolved and Scotia Administradora General de Fondos Chile S.A. will become the legal surviving company, assuming all the rights and obligations, and acquiring all the assets and assuming all the liabilities of the absorbed company.

The characteristics, terms and conditions of the investments held by the contributors of funds managed by the Company will be subject to no amendment as a result of the aforementioned merger.

Subsidiary CAT Administradora de Tarjetas S.A.

On December 1, 2020, CAT Administradora de Tarjetas S.A. and Cencosud Retail S.A. agreed to amend the lease agreement for physical facilities entered into on May 1, 2015, as follows:

1. The maturity date is modified from April 30, 2030 to July 31, 2021, non-renewable.
2. The eighth clause of the contract was replaced, eliminating the authorization that CAT had to give to the lessor (Cencosud Retail S.A.) to modify the location of the leased facilities.

This has implied a change in the conditions of the contract, with the company losing control of the leased facilities and the lease contract having a term of less than one year. As of December 1, 2020, with prospective recognition (contract modification date), the effects of this change are as follows:

1. Derecognition of lease liabilities for leased facilities, amounting to MCh$39,666.
2. Derecognition of assets of MCh$39,519
3. Recognition of other income of MCh$147.

Note 5 Business segments

Scotiabank Chile is a universal bank offering a great variety of products and financial services to various kinds of customers, ranging from major corporations and financial institutions to low/medium income individuals, who are classified into different business segments based on their commercial characteristics.

Products and services are provided in a broad network of branch offices throughout Chile and by alternative remote channels.

In conformity with IFRS 8 "Operating segments", the Bank has added the operating segments with similar economic characteristics considering the aggregation criteria indicated in such standard. The Bank carries out its business activities by lines of Business, which have been defined based on the target customers: SMEs and Retail Banking, Personal Banking, Business Banking, Financial retail and Other. A business segment comprises customers to whom a differentiated product offering is directed according to their commercial characteristics, measured in a similar manner in terms of performance.

Information included in this note is not necessarily comparable to that of other financial institutions as it is based on the internal system of management information according to the segments set up independently by the Bank. Each business segment reflects its gross operating income, supporting expenses and net provisions for risk along with their related assets and liabilities. Taxes are managed at the corporate level and are not allocated by business segment.

As the Bank's business is based in Chile, it is not relevant to present information for Geographical Segments.

The business segments established by the Bank are detailed as follows:

1. SMEs and Retail Banking

This segment targets individual customers whose income is under US$1,000, individuals engaged in business activities with sales up to US$100,000 and small and medium-sized entities with annual sales up to ThUS$4,000.

Main asset products for individuals are consumer loans, credit cards, education loans and mortgage loans, with or without subsidy. Liability products offered by the Bank include on demand account and saving products such as term deposits and saving accounts.

For customers classified as SMEs, the Bank offers working capital financing, foreign trade loans, leasing and factoring. These customers can also access liability products such as current accounts and term deposits.

In addition, the Bank provides this segment with a variety of financial services such as collection, salary payment administration, insurances and foreign currency exchange.

2. Business Banking

This business segment includes enterprise customers with annual sales over ThUS$4,000 and corporate customers with annual sales over ThUS$150,000.

Main products offered by the Bank to this segment include working capital financing, foreign trade loans, leasing, factoring and structured finance (syndicated loans, Project finance, etc.). These customers also use liability products such as domestic and foreign currency current accounts, term deposits and mutual funds.

Additionally, the Bank provides a wide range of non-credit services such as collection, bill payment, insurance products, salary payment administration, quotation and procurement, electronic invoicing and a wide range of treasury products such as foreign currency exchange, derivative products, foreign currency or interest rate risk hedging and short-term investments.

3. Personal Banking

This segment targets individual customers whose income is over US$1,000.

Main products offered by the Bank to this segment include consumer loans, overdraft credit line, credit cards, and mortgage loans. Among liability products, the Bank offers current accounts and diverse saving products such as term deposits, agreements, mutual funds and short-term investments.

In addition, the Bank provides this segment of customers with a variety of financial services such as foreign currency exchange, shares sales, insurance products, and self-service in branch offices where customers can directly perform a series of transactions in their own account.

Finally, the Bank also has a specialized line of products depending on the type of customer, e.g., Cuenta Tradicional (Traditional Account), Planes light (Light plans), Planes medium (Medium plans), Planes full (Full plans), etc, which seek to offer a mix of highly customized products for every customer need.

4. Financial Retail

This caption comprises credit cards and consumer loans offered within the framework of the binding partnership agreement with Cencosud S.A., through which the Bank acquired 51% of the shares of Cencosud Administradora de Tarjetas de Crédito S.A. ("CAT") and Cencosud Corredores de Seguros y Servicios S.A., for the exclusive joint operation of Cencosud's financial retail business in Chile.

5. Other

This caption includes all non-recurrent items, treasury income, hedge accounting that bears no connection with customer segments and other minor income and expense not related to any of the above mentioned lines of business.

The following table shows the consolidated income of Scotiabank Chile, for each of the above mentioned segments:

	As of December 31, 2020					
	SME and retail banking MCh$	Business banking MCh$	Personal banking MCh$	Retail statements MCh$	Other MCh$	Total MCh$
Net interest and adjustment income	110,134	219,787	397,878	219,582	(33,184)	914,197
Net fee and commission income	25,702	27,880	65,664	58,168	1,380	178,794
Net gain (loss) from financial operations	5,307	63,493	401	284	69,245	138,730
Net foreign exchange income (loss)	2,499	19,558	5,970	1,231	(32,449)	(3,191)
Other operating income	338	597	7,303	2,371	36,284	46,893
Total operating income	**143,980**	**331,315**	**477,216**	**281,636**	**41,276**	**1,275,423**
Allowances for credit risk	(29,052)	(85,308)	(101,743)	(116,938)	4,803	(328,238)
Net operating income	**114,928**	**246,007**	**375,473**	**164,698**	**46,079**	**947,185**
Operating expenses	(99,521)	(79,738)	(176,861)	(112,907)	(122,816)	(591,843)
Segment operating income (loss)	**15,407**	**166,269**	**198,612**	**51,791**	**(76,737)**	**355,342**
Equity in net income of investees	-	-	-	-	1,619	1,619
Segment income (loss) before tax	**15,407**	**166,269**	**198,612**	**51,791**	**(75,118)**	**356,961**
Income tax						(70,592)
Profit for the period						**286,369**
Segment assets	2,103,628	9,601,229	12,460,606	1,066,347	11,564,151	**36,795,961**
Segment liabilities	1,307,277	8,806,645	3,658,032	90,742	20,427,719	**34,290,415**

	As of December 31, 2019					
	SME and retail banking MCh$	Business banking MCh$	Personal banking MCh$	Retail statements MCh$	Other MCh$	Total MCh$
Net interest and adjustment income	86,294	170,051	351,344	208,189	48,445	864,323
Net fee and commission income	26,768	22,419	73,479	76,399	8,367	207,432
Net gain (loss) from financial operations	8,318	60,221	3,109	1,126	73,572	146,346
Net foreign exchange income (loss)	2,144	18,049	4,860	381	(47,802)	(22,368)
Other operating income	485	1,630	2,258	6,786	58,940	70,099
Total operating income	**124,009**	**272,370**	**435,050**	**292,881**	**141,522**	**1,265,832**
Allowances for credit risk	(15,060)	(14,176)	(126,432)	(115,036)	(5,326)	(276,030)
Net operating income	**108,949**	**258,194**	**308,618**	**177,845**	**136,196**	**989,802**
Operating expenses	(87,056)	(76,577)	(175,985)	(127,209)	(172,103)	(638,930)
Segment operating income (loss)	**21,893**	**181,617**	**132,633**	**50,636**	**(35,907)**	**350,872**
Equity in net income of investees	-	-	-	-	276	276
Segment income (loss) before tax	**21,893**	**181,617**	**132,633**	**50,636**	**(35,631)**	**351,148**
Income tax						(77,582)
Profit for the period						**273,566**
Segment assets	2,062,130	10,268,309	11,574,672	1,270,535	9,477,844	34,653,490
Segment liabilities	952,243	9,853,606	3,195,229	136,767	18,371,622	32,509,467

Note 6 Cash and cash equivalents

The detail of cash and cash equivalents is as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Cash and deposits in banks		
Cash	172,793	355,339
Deposits in Banco Central de Chile	573,041	539,784
Deposits in domestic banks	19,606	23,607
Deposits in foreign banks	486,815	466,032
Subtotal cash and deposits in banks	1,252,255	1,384,762
Net trading operations pending settlement	45,268	133,954
High liquidity financial instruments	838,731	252,014
repurchase agreements	74,319	23,054
Total cash and cash equivalents	**2,210,573**	**1,793,784**

The level of funds in cash and in Banco Central de Chile corresponds to reserve regulations that the Bank has to keep as an average in monthly periods.

Trading operations pending settlement correspond to transactions that have been traded but yet are pending settlement which will increase or decrease the funds maintained in Banco Central de Chile or in banks in foreign countries, normally within a period ranging between 12 and 24 working hours, and are detailed as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Assets		
Due from banks (interbank)	37,642	76,074
Funds receivable	306,640	290,234
Subtotal assets	344,282	366,308
Liabilities		
Funds payable	(299,014)	(232,354)
Subtotal liabilities	(299,014)	(232,354)
Net trading operations pending settlement	**45,268**	**133,954**

Note 7 Securities held for trading

Instruments designated as investment securities held for trading are detailed as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Instruments of Government and Banco Central de Chile:		
Instruments issued by Banco Central de Chile	19,490	23,954
Bonds or promissory notes issued by the Treasury	206,194	230,968
Other financial instruments issued by domestic institutions:		
Instruments issued by other domestic banks	255,173	403,009
Corporate bonds and commercial papers	28,088	21,582
Other instruments issued in Chile	4,731	2,253
Instruments issued by foreign institutions:		
Instruments of foreign governments or central banks	2,479	-
Investments in mutual funds:		
Funds managed by related parties	235,114	163,941
Total	**751,269**	**845,707**

As of December 31, 2020 and 2019, the caption "Instruments of the Government and Banco Central de Chile", records no operation of securities sold under repurchase agreement to financial institutions or customers.

As of December 31, 2020, the caption "Financial instruments issued by other domestic institutions" includes securities sold under repurchase agreement to financial institutions or customers of MCh$213,734 with average maturity of 9 days (MCh$77,981 with an average maturity of 7 days as of December 31, 2019).

Note 8 Investments sold under repurchase agreements and securities lending

As of December 31, 2020 and 2019, this caption is detailed as follows:

	12/31/2020		12/31/2019	
	Rights on purchase commitments MCh$	Obligations on sale commitments MCh$	Rights on purchase commitments MCh$	Obligations on sale commitments MCh$
Transactions with banks:				
Repurchase agreements - Banco Central de Chile	-	-	-	-
Transactions with other entities:				
Repurchase agreements	74,319	456,155	23,054	1,089,231
Securities loaned	164	164	92	92
Total	**74,483**	**456,319**	**23,146**	**1,089,323**

Note 9 Derivative instruments and accounting hedge

As of December 31, 2020 and 2019, the Bank uses the following derivative instruments:

As of December 31, 2020

Held-for-trading derivatives	Notional amount of contract with final maturity: Less than 3 months MCh$	3 months to 1 year MCh$	Over 1 year MCh$	Fair value Assets MCh$	Liabilities MCh$
Currency forward	23,085,668	12,233,006	9,246,110	1,090,566	(1,233,356)
Interest rate swaps	15,727,518	19,429,986	54,245,084	1,757,996	(1,991,965)
Interest rate and currency swaps	3,039,533	4,779,806	32,341,233	2,360,146	(1,901,553)
Options	-	22,988	-	848	(848)
Subtotal	**41,852,719**	**36,465,786**	**95,832,427**	**5,209,556**	**(5,127,722)**

Accounting hedge derivatives	Notional amount of contract with final maturity: Less than 3 months MCh$	3 months to 1 year MCh$	Over 1 year MCh$	Fair value Assets MCh$	Liabilities MCh$
Currency forward (1)	116,281	168,608	-	777	(177)
Interest rate swaps (2)	67,000	50,000	143,400	3,466	(6,116)
Interest rate and currency swaps (3)	455,235	198,133	5,253,576	79,993	(599,321)
Subtotal	**638,516**	**416,741**	**5,396,976**	**84,236**	**(605,614)**
Total				**5,293,792**	**(5,733,336)**

(1) Correspond to derivatives hedging the inflation risk in mortgage loans (notional amount of MCh$284,889).

(2) Correspond to derivatives hedging:
- i) Floating and fixed interest rate risk in term deposits and asset and liability bonds (notional amount of MCh$105,000 and MCh$155,400).

(3) Correspond to derivatives hedging:
- i) Foreign currency risk in foreign trade loans received (notional amount of MUS$550).
- ii) Inflation risk in mortgage loans (notional amount of MCh$5,308,969).
- iii) Floating interest rate risk in term deposits (notional amount of MCh$2,159,105).
- iv) Fixed interest rate risk in bonds issued in UF (notional amount of MCh$188,957).
- v) Inflation risk in BTU and BCU bonds (notional amount of MCh$224,132).
- vi) Inflation risk in commercial loans in UF (notional amount of MCh$289,250).

As of December 31, 2019

Held-for-trading derivatives	Notional amount of contract with final maturity: Less than 3 months MCh$	3 months to 1 year MCh$	Over 1 year MCh$	Fair value Assets MCh$	Liabilities MCh$
Currency forward	27,367,284	15,163,768	8,191,320	1,204,452	(926,580)
Interest rate swaps	7,466,404	20,085,608	53,918,317	1,135,886	(1,234,434)
Interest rate and currency swaps	1,994,088	5,271,398	2,118,250	2,118,250	(2,004,351)
Options	176	2,037	-	4,317	(4,315)
Subtotal	**36,827,952**	**40,522,811**	**64,227,887**	**4,462,905**	**(4,169,680)**

Accounting hedge derivatives	Notional amount of contract with final maturity: Less than 3 months MCh$	3 months to 1 year MCh$	Over 1 year MCh$	Fair value Assets MCh$	Liabilities MCh$
Currency forward (1)	28,049	84,146	56,096	760	-
Interest rate swaps (2)	407,400	138,799	219,850	7,154	(1,478)
Interest rate and currency swaps (3)	65,000	517,452	4,615,286	100,940	(403,732)
Subtotal	**500,449**	**740,397**	**4,891,232**	**108,854**	**(405,210)**
Total				**4,571,759**	**(4,574,890)**

(1) Correspond to derivatives hedging the inflation risk in mortgage loans (notional amount of MCh$168,291).

(2) Correspond to derivatives hedging:
- i) Floating and risk interest rate in term deposits and asset and liability bonds (notional amount of MCh$226,450 and MCh$539,599).

(3) Correspond to derivatives hedging:
- i) Foreign currency risk in foreign trade loans received (notional amount of MUS$600).
- ii) Inflation risk in mortgage loans (notional amount of MCh$2,284,754).
- iii) Floating rate risk in term deposits (notional amount of MCh$2,012,671).
- iv) Fixed interest rate risk in bonds issued in UF (notional amount of MCh$288,761).
- v) Inflation risk in mortgage loans (notional amount of MCh$2,424,661).
- vi) Inflation risk in BTU and BCU bonds (notional amount of MCh$198,651).

a) Accounting hedge derivatives

As derivative instruments are important tools to manage the exchange rate, interest rate and liquidity risks of the Bank's activities, its designation as hedge accounting allows the recognition, under certain circumstances, of the offsetting effects of economic hedges, which reduce the volatility that may arise in profit or loss and cash flows, as through such hedges the gains and losses of the derivative and hedged item are recognized and offset during the same accounting period.

a.1) Cash flow accounting hedge derivatives

For cash flow hedges, the changes in fair value of the hedging instruments are recorded in equity, to the extent that it is effective, until the corresponding gains or losses associated with the hedged item are recognized in profit or loss. The Bank uses cash flow hedges primarily to hedge the fluctuations in cash flows related to floating rate financial instruments, foreign currency and highly probable projected income. Hedged items include mortgage loans in UF, term deposits at floating rate in Chilean pesos, floating rate foreign currency foreign bank borrowings, available-for-sale securities in Euro, and commercial loans granted at floating rate in foreign currency. Hedging instruments include forward contracts and cross-currency interest rate swaps (CC and IRS).

As of December 31, 2020, the Bank has recorded a loss from net of tax of MCh$223,372 (MCh$162,114 as of December 31, 2019) in equity valuation accounts for the adjustment of cash flow hedging instruments.

As of December 31, 2020, the Bank recorded a loss from cash flow hedging derivatives of MCh$95,980 (profit of MCh$124,569 as of December 31, 2019).

a.2) Fair value accounting hedge derivatives

For fair value hedges, changes in fair value of hedge instruments are offset in the Consolidated Statement of Profit or Loss through fair value of the hedged item attributable to the hedged risk. The Bank uses fair value hedges primarily to translate fixed rate financial instruments to floating rate financial instruments. Hedged items include commercial loans granted at fixed rate in foreign currency and term deposits issued at a fixed rate in pesos.

Additionally, the Bank uses fair value hedges to hedge the effect of inflation of debt instruments held for the sale of the Chilean General Treasury bonds in UF (BTU). Also, to hedge against the effect of the inflation of Bonds issued by the Bank in UF.

Hedging instruments include cross-currency interest rate swaps (CC and IRS).

a.3) Market valuation by type of hedge

	12/31/2020 For MCh$	12/31/2020 Against MCh$	12/31/2019 For MCh$	12/31/2019 Against MCh$
Derivatives designated in fair value hedging relationships	53,497	(25,237)	52,507	(800)
Derivatives designated in cash flow hedging relationships	30,739	(580,377)	56,347	(404,410)
Total derivatives designated in hedging relationships	84,236	(605,614)	108,854	(405,210)

a.4) Cash flows of hedged items that are expected to occur and impact the Consolidated Statement of Income for the period for cash flow hedge accounting

As of December 31, 2020	Less than 3 months MCh$	3 months to 1 year MCh$	Over 1 year MCh$	Total MCh$
Hedged item (Asset)	511,053	374,928	5,069,855	5,955,836
Hedged item (Liability)	(540,069)	(381,579)	(5,583,827)	(6,505,475)
Net cash flows	**(29,016)**	**(6,651)**	**(513,972)**	**(549,639)**

As of December 31, 2019	Less than 3 months MCh$	3 months to 1 year MCh$	Over 1 year MCh$	Total MCh$
Hedged item (Asset)	124,135	591,948	4,717,928	5,434,011
Hedged item (Liability)	(248,272)	(479,177)	(5,061,165)	(5,788,614)
Net cash flows	**(124,137)**	**112,771**	**(343,237)**	**(354,603)**

Revenue related to cash flow interests is recognized using the effective interest method on the life of the hedged item. Foreign exchange gains or losses related to future cash flows of monetary items are recognized as they are incurred. Forecasted revenue is recognized in the period to which they related.

a.5) Ineffectiveness of accounting hedges

The Bank recorded the following amounts in profit or loss for the ineffective portion of accounting hedges:

	12/31/2020 MCh$	12/31/2019 MCh$
Fair value hedges		
Gain (loss) recorded in hedged items	15,515	25,910
Gain (loss) recorded in hedging instruments	(14,941)	(25,729)
Ineffectiveness	**574**	**181**
Cash flow hedges		
Ineffectiveness	**(1,805)**	**(2,414)**

Note 10 Composition of loans and advances to banks

a) Composition of loans and advances to banks:

As of December 31, 2020 and 2019, this caption comprises the following:

As of December 31, 2020	Assets before allowances			Allowances accrued			Net assets
	Regular portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Collective allowances MCh$	Total MCh$	MCh$
DOMESTIC BANKS							
Liquidity interbank loans	50,001	-	50,001	-	-	-	50,001
Interbank commercial loans	-	-	-	-	-	-	-
Overdrafts in current accounts	-	-	-	-	-	-	-
Non-transferrable deposits in domestic banks	-	-	-	-	-	-	-
Foreign trade loans for domestic exports	-	-	-	-	-	-	-
Foreign trade loans for domestic imports	-	-	-	-	-	-	-
Foreign trade loans between third countries	-	-	-	-	-	-	-
Other receivables from domestic banks	-	-	-	-	-	-	-
Subtotal	**50,001**	**-**	**50,001**	**-**	**-**	**-**	**50,001**
FOREIGN BANKS							
Liquidity interbank loans	-	-	-	-	-	-	-
Interbank commercial loans	-	-	-	-	-	-	-
Overdrafts in current accounts	-	-	-	-	-	-	-
Non-transferrable deposits in domestic banks	-	-	-	-	-	-	-
Foreign trade loans for domestic exports	1,478	-	1,478	-	-	-	1,478
Foreign trade loans for domestic imports	-	-	-	-	-	-	-
Foreign trade loans between third countries	-	-	-	-	-	-	-
Other receivables from domestic banks	2,914	-	2,914	(21)	-	(21)	2,893
Subtotal	**4,392**	**-**	**4,392**	**(21)**	**-**	**(21)**	**4,371**
BANCO CENTRAL DE CHILE							
Unavailable deposits at Banco Central	-	-	-	-	-	-	-
Other receivables from Banco Central	300,002	-	300,002	-	-	-	300,002
Subtotal	**300,002**	**-**	**300,002**	**-**	**-**	**-**	**300,002**
Total	**354,395**	**-**	**354,395**	**(21)**	**-**	**(21)**	**354,374**

As of December 31, 2019	Assets before allowances			Allowances accrued			Net assets
	Regular portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Collective allowances MCh$	Total MCh$	MCh$
DOMESTIC BANKS							
Liquidity interbank loans	-	-	-	-	-	-	-
Interbank commercial loans	-	-	-	-	-	-	-
Overdrafts in current accounts	-	-	-	-	-	-	-
Non-transferrable deposits in domestic banks	-	-	-	-	-	-	-
Foreign trade loans for domestic exports	-	-	-	-	-	-	-
Foreign trade loans for domestic imports	-	-	-	-	-	-	-
Foreign trade loans between third countries	-	-	-	-	-	-	-
Other receivables from domestic banks	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
FOREIGN BANKS							
Liquidity interbank loans	-	-	-	-	-	-	-
Interbank commercial loans	-	-	-	-	-	-	-
Overdrafts in current accounts	-	-	-	-	-	-	-
Non-transferrable deposits in domestic banks	-	-	-	-	-	-	-
Foreign trade loans for domestic exports	391	-	391	-	-	-	391
Foreign trade loans for domestic imports	-	-	-	-	-	-	-
Foreign trade loans between third countries	-	-	-	-	-	-	-
Other receivables from domestic banks	1,886	-	1,886	(1)	-	(1)	1,885
Subtotal	**2,277**	-	**2,277**	**(1)**	-	**(1)**	**2,276**
BANCO CENTRAL DE CHILE							
Unavailable deposits at Banco Central	-	-	-	-	-	-	-
Other receivables from Banco Central	78,851	-	78,851	-	-	-	78,851
Subtotal	**78,851**	-	**78,851**	-	-	-	**78,851**
Total	**81,128**	-	**81,128**	**(1)**	-	**(1)**	**81,127**

b) Allowances for credit risk

	Domestic banks MCh$	Foreign banks MCh$	Banco Central de Chile MCh$	Total MCh$
Balance as of January 1, 2019	-	1	-	1
Impaired portfolio write-offs	-	-	-	-
Allowances accrued (Note 31)	-	-	-	-
Allowances released (Note 31)	-	-	-	-
Balance as of December 31, 2019	**-**	**1**	**-**	**1**
Balance as of January 1, 2020	-	1	-	1
Impaired portfolio write-offs	-	-	-	-
Allowances accrued (Note 31)	-	24	-	24
Allowances released (Note 31)	-	(4)	-	(4)
Balance as of December 31, 2020	**-**	**21**	**-**	**21**

Note 11 Loans and receivables from customers

The following is a detail of "Loans and receivables from customers", the allowances accrued and grouping of the gross balances as per the economic activity of the debtors, including the remaining maturities related to lease operation.

a) Composition of loans and receivables from customers:

As of December 31, 2020	Assets before allowances			Allowances accrued			Net assets
	Regular portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Collective allowances MCh$	Total MCh$	MCh$
COMMERCIAL LOANS							
Commercial loans	9,353,762	265,286	9,619,048	(155,124)	(39,398)	(194,522)	9,424,526
Foreign trade loans	1,081,309	64,401	1,145,710	(61,300)	(213)	(61,513)	1,084,197
Receivables from current accounts	41,191	4,087	45,278	(1,642)	(1,354)	(2,996)	42,282
Factoring operations	180,794	493	181,287	(3,428)	(64)	(3,492)	177,795
Student loans	604,341	88,389	692,730	-	(20,157)	(20,157)	672,573
Lease operations	643,233	19,518	662,751	(6,715)	(2,061)	(8,776)	653,975
Other loans and advances	6,944	562	7,506	(516)	(93)	(609)	6,897
Subtotal	**11,911,574**	**442,736**	**12,354,310**	**(228,725)**	**(63,340)**	**(292,065)**	**12,062,245**
MORTGAGE LOANS							
Letter of credit loans	87,960	17,468	105,428	-	(573)	(573)	104,855
Endorsable mutual mortgage loans	42,930	5,391	48,321	-	(103)	(103)	48,218
Bond funded mutual mortgage loans	-	-	-	-	-	-	-
Other mortgage mutual loans	9,491,412	299,047	9,790,459	-	(37,015)	(37,015)	9,753,444
Loans from the ANAP	-	-	-	-	-	-	-
Lease operations	43,458	3,964	47,422	-	(513)	(513)	46,909
Other loans and advances	71,264	4,769	76,033	-	(264)	(264)	75,769
Subtotal	**9,737,024**	**330,639**	**10,067,663**	**-**	**(38,468)**	**(38,468)**	**10,029,195**
CONSUMER LOANS							
Consumer loans paid in installments	1,396,249	117,170	1,513,419	-	(85,668)	(85,668)	1,427,751
Receivables from current accounts	57,243	4,559	61,802	-	(3,143)	(3,143)	58,659
Receivables from credit cards	1,273,922	105,022	1,378,944	-	(87,100)	(87,100)	1,291,844
Lease operations	-	-	-	-	-	-	-
Other loans and advances	385	-	385	-	(8)	(8)	377
Subtotal	**2,727,799**	**226,751**	**2,954,550**	**-**	**(175,919)**	**(175,919)**	**2,778,631**
Total	**24,376,397**	**1,000,126**	**25,376,523**	**(228,725)**	**(277,727)**	**(506,452)**	**24,870,071**

As of December 31, 2019	Assets before allowances			Allowances accrued			Net assets
	Regular portfolio MCh$	Impaired portfolio MCh$	Total MCh$	Individual allowances MCh$	Collective allowances MCh$	Total MCh$	MCh$
COMMERCIAL LOANS							
Commercial loans	8,634,381	263,846	8,898,227	(117,506)	(42,172)	(159,678)	8,738,549
Foreign trade loans	2,127,930	13,287	2,141,217	(31,768)	(164)	(31,932)	2,109,285
Receivables from current accounts	100,478	5,168	105,646	(3,180)	(1,634)	(4,814)	100,832
Factoring operations	237,502	1,287	238,789	(4,066)	(98)	(4,164)	234,625
Student loans	625,636	71,303	696,939	-	(21,049)	(21,049)	675,890
Lease operations	675,885	20,194	696,079	(6,249)	(2,220)	(8,469)	687,610
Other loans and advances	8,114	927	9,041	(690)	(211)	(901)	8,140
Subtotal	**12,409,926**	**376,012**	**12,785,938**	**(163,459)**	**(67,548)**	**(231,007)**	**12,554,931**
MORTGAGE LOANS							
Letter of credit loans	97,674	23,938	121,612	-	(916)	(916)	120,696
Endorsable mutual mortgage loans	47,846	7,188	55,034	-	(166)	(166)	54,868
Bond funded mutual mortgage loans	-	-	-	-	-	-	-
Other mortgage mutual loans	8,567,135	276,315	8,843,450	-	(43,915)	(43,915)	8,799,535
Loans from the ANAP	-	-	-	-	-	-	-
Lease operations	47,884	6,798	54,682	-	(705)	(705)	53,977
Other loans and advances	20,882	6,236	27,118	-	(273)	(273)	26,845
Subtotal	**8,781,421**	**320,475**	**9,101,896**	**-**	**(45,975)**	**(45,975)**	**9,055,921**
CONSUMER LOANS							
Consumer loans paid in installments	1,593,966	149,669	1,743,635	-	(124,248)	(124,248)	1,619,387
Receivables from current accounts	104,431	11,489	115,920	-	(6,147)	(6,147)	109,773
Receivables from credit cards	1,467,429	131,297	1,598,726	-	(127,477)	(127,477)	1,471,249
Lease operations	-	-	-	-	-	-	-
Other loans and advances	964	80	1,044	-	(36)	(36)	1,008
Subtotal	**3,166,790**	**292,535**	**3,459,325**	**-**	**(257,908)**	**(257,908)**	**3,201,417**
Total	**24,358,137**	**989,022**	**25,347,159**	**(163,459)**	**(371,431)**	**(534,890)**	**24,812,269**

b) **Allowances for credit risk**

	Individual allowances MCh$	Collective allowances MCh$	Total MCh$
Balance as of January 1, 2019	155,533	337,391	492,924
Impaired portfolio write-offs:			
Commercial loans	(23,639)	(23,032)	(46,671)
Mortgage loans	-	(5,976)	(5,976)
Consumer loans	-	(245,341)	(245,341)
Total write-offs	(23,639)	(274,349)	(297,988)
Allowances accrued (Note 31)	40,175	322,133	362,308
Allowances released (Note 31)	(7,203)	(9,868)	(17,071)
Allowance for sale of portfolio used	(1,407)	(3,876)	(5,283)
Total provisions	31,565	308,389	339,954
Balance as of December 31, 2019	**163,459**	**371,431**	**534,890**
Balance as of January 1, 2020	163,459	371,431	534,890
Impaired portfolio write-offs:			
Commercial loans	(21,415)	(30,514)	(51,929)
Mortgage loans	-	(6,867)	(6,867)
Consumer loans	-	(288,841)	(288,841)
Total write-offs	(21,415)	(326,222)	(347,637)
Allowances accrued (Note 31)	152,482	293,721	446,203
Allowances released (Note 31)	(65,801)	(58,012)	(123,813)
Allowance for sale of portfolio used	-	(3,191)	(3,191)
Total provisions	86,681	232,518	319,199
Balance as of December 31, 2020	**228,725**	**277,727**	**506,452**

In addition to these allowances for credit risk, the Bank maintains additional provisions agreed by the Board of Directors which are recorded within liabilities under the caption Provisions (Note 23).

c) Loans by economic activity

The following table shows loans classified based on the economic activity of customers expressed both in figures and as a percentage of total loans before allowances:

	As of December 31, 2020				As of December 31, 2019			
Commercial loans:	Domestic loans MCh$	Foreign loans MCh$	Total MCh$	%	Domestic loans MCh$	Foreign loans MCh$	Total MCh$	%
Agriculture and livestock farming except for fruit-growing	412,022	9,103	421,125	1.66	493,796	9,739	503,535	1.99
Real estate and services rendered to companies	1,499,782	77,347	1,577,129	6.21	1,208,347	12,165	1,220,512	4.82
Wholesale	1,220,303	85,282	1,305,585	5.14	1,476,881	93,522	1,570,403	6.20
Retail, restaurants and hotels	362,121	49,663	411,784	1.62	545,873	-	545,873	2.15
Communications	521,484	-	521,484	2.05	286,652	-	286,652	1.13
Housing construction	541,453	-	541,453	2.13	557,213	-	557,213	2.20
Electricity, gas and water	436,333	-	436,333	1.72	618,635	-	618,635	2.44
Financial and insurance facilities	1,700,398	-	1,700,398	6.70	2,630,662	1,515	2,632,177	10.38
Mining	277,563	-	277,563	1.09	649,759	-	649,759	2.56
Manufacturing of metallic and non-metallic mineral products, machinery and equipment	256,581	-	256,581	1.01	229,273	-	229,273	0.90
Wood and furniture industry	73,623	-	73,623	0.29	76,485	-	76,485	0.30
Beverage, food and tobacco industry	491,922	14,229	506,151	1.99	440,384	18,134	458,518	1.81
Industry of chemicals and oil by-products, coal, rubber and plastic	191,267	-	191,267	0.75	271,153	-	271,153	1.07
Paper, print plants and book publishing divisions industry	30,983	-	30,983	0.12	181,074	-	181,074	0.71
Textile and leather industry	71,561	-	71,561	0.28	208,411	56,892	265,303	1.05
Other manufacturing industries	227,294	88	227,382	0.90	125,589	235	125,824	0.50
Other works and constructions	334,626	-	334,626	1.32	186,890	-	186,890	0.74
Fishing	100,496	-	100,496	0.40	122,116	1,880	123,996	0.49
Production of crude oil and natural gas	22	-	22	0.00	37,603	-	37,603	0.15
Communal, social and personal services	2,039,145	-	2,039,145	8.06	920,378	-	920,378	3.63
Forestry and timber extraction	58,860	-	58,860	0.23	56,754	-	56,754	0.22
Transport and storage	607,990	18	608,008	2.40	571,792	57	571,849	2.26
Subtotal	11,455,829	235,730	11,691,559	46.07	11,895,720	194,139	12,089,859	47.70
Mortgage loans	10,020,241	-	10,020,241	39.49	9,047,214	-	9,047,214	35.69
Consumer loans	2,954,550	-	2,954,550	11.64	3,459,325	-	3,459,325	13.65
Lease operations	710,173	-	710,173	2.80	750,761	-	750,761	2.96
Total	**25,140,793**	**235,730**	**25,376,523**	**100.00**	**25,153,020**	**194,139**	**25,347,159**	**100.00**

d) Purchase and sale of loan portfolio for Education Law No. 20.027

As set forth in the public bidding process for the awarding of the Financing Service and Management of Loans for Higher Education contained in Law No. 20.027, during the years ended December 31, 2020 and 2019, the Bank sold to the Chilean Treasury a percentage of the respective loan portfolio, transferring significantly all risks and benefits associated with the loans assigned. The Bank solely maintained services associated with the management of sold transactions, which considers granting new loans and their collection.

The summary of sales performed is as follows:

Concept	12/31/2020 MCh$	12/31/2019 MCh$
Par value	81,717	104,464
Provisions	(3,191)	(3,876)
Net value of allowance accounts	**78,526**	**100,588**
Sale value	98,853	127,413
Gain or loss (1)	**20,327**	**26,825**
Gain from sales	**8,572**	**11,509**
Unearned revenue	**11,755**	**15,316**

(1) The profit or loss from the sale is obtained from the sale value less the net value of allowances.

Gain on sale is included in the Consolidated Statement of Income for the period in caption "Net gain from financial operations."

Deferred income/revenue corresponds to revenue obtained for the interest rate spread of loans granted at a rate of 2%. Deferred income/revenue is included in caption "Other liabilities" in the Consolidated Statement of Financial Position.

e) Loan sales

During the period between January 1 and December 31, 2020, the Bank sold no loans. During the period between January 1 and December 31, 2019, the Bank sold written-off loans from the retail and consumer portfolio, recording a gain of MCh$797 and MCh$708, respectively, which is included in the caption "Net gain from financial operations."

During the period between January 1 and December 31, 2020, the subsidiary Bandesarrollo Sociedad de Leasing Inmobiliario S.A., recorded a gain from the portfolio divestiture of MCh$66 (MCh$64 as of December 31, 2019), which is included in the caption "Net gain from financial operations."

f) Lease operations

Remaining maturities of placements for loans related to finance lease agreements as of December 31, 2020 and 2019 are as follows:

As of December 31, 2020 Maturity:	Receivables MCh$	Deferred interest and VAT MCh$	Net balance receivable MCh$
Less than 1 year	289,890	(55,899)	233,991
1 to 5 years	483,194	(98,949)	384,245
Over 5 years	122,842	(30,905)	91,937
Total	**895,926**	**(185,753)**	**710,173**

As of December 31, 2019 Maturity:	Receivables MCh$	Deferred interest and VAT MCh$	Net balance receivable MCh$
Less than 1 year	298,510	(59,119)	239,391
1 to 5 years	512,944	(107,274)	405,670
Over 5 years	140,252	(34,552)	105,700
Total	**951,706**	**(200,945)**	**750,761**

Note 12 Investment securities

The detail of the instruments that the Bank has assigned as financial instruments available-for-sale and held-to-maturity is as follows:

Held-for-sale securities:	12/31/2020 MCh$	12/31/2019 MCh$
Instruments of Government and Banco Central de Chile		
Instruments issued by Banco Central de Chile	755,647	352,795
Instruments issued by Tesorería General de la República (Chilean Treasury)	1,314,172	422,563
Other fiscal instruments	13,472	13,341
Other instruments issued in Chile		
Instruments issued by other domestic banks	33,908	15,328
Other instruments issued in Chile (*)	4,415	4,647
Total	**2,121,614**	**808,674**

(*) During April 2019, the subsidiary Scotia Corredora de Bolsa Chile Limitada changed the presentation of shares at the Santiago Stock Exchange and Electronic Stock Exchange, to be classified from "Investment in Other Companies" to "Investment instruments available-for-sale."

As of December 31, 2020, the caption "Instruments of the Government and Banco Central de Chile" includes securities sold under repurchase agreement to financial institutions or customers of MCh$185,005 with average maturity of 4 days (MCh$531,040 with an average maturity of 4 days as of December 31, 2019).

As of December 31, 2020, the caption "Instruments of the Government and Banco Central de Chile includes securities sold under repurchase agreement to financial institutions or customers of MCh$3,501 with average maturity of 1 day. As of December 31, 2019, the Bank records no investment securities under this caption.

As of December 31, 2020, the portfolio of available-for-sale securities includes an unrealized net gain of MCh$10,144 (MCh$6,081 as of December 31, 2019), recorded as valuation adjustments in equity and a realized net gain of MCh$13,886 (MCh$15,921 as of December 31, 2019), recorded in the caption "Gain or loss on financial transactions."

As of December 31, 2020 and 2019, the bank held no investment securities held-to maturity.

Note 13 Investments in companies

a) Investments in companies

	Ownership %		Investment amount		Net gain (loss)	
	12/31/2020	12/31/2019	12/31/2020 MCh$	12/31/2019 MCh$	12/31/2020 MCh$	12/31/2019 MCh$
Investments under equity method:						
Nexus S.A. (5)	25.93	-	2,890	-	179	-
Transbank S.A. (5)	22.69	-	11,520	-	1,383	-
Subtotal			**14,410**	**-**	**1,562**	**-**
Investments valued at cost:						
Sociedad Interbancaria de Depósitos de Valores	15.86	15.86	204	204	41	16
Sociedad Servicios de Infraestructura y de Mercado OTC (1)	18.28	18.28	2,291	2,291	-	-
Nexus S.A. (2) (5)	-	25.93	-	2,604	-	-
Redbanc S.A.	12.72	12.72	860	860	-	-
Transbank S.A. (5)	-	22.69	-	10,080	-	-
Combanc S.A. (3)	15.00	15.00	597	597	9	15
Bolsa de Valores de Valparaíso S.A.	1.67	1.67	11	11	-	-
Other companies			62	62	7	9
Subtotal			**4,025**	**16,709**	**57**	**40**
Investments at fair value:						
Bolsa de Comercio de Santiago (4)	-	-	-	-	-	236
Subtotal			-	-	-	**236**
Total			**18,435**	**16,709**	**1,619**	**276**

(1) On May 24, 2019, 5 shares were transferred to Banco Falabella for MCh$6 and on May 17, 2019, 5 shares were transferred to Banco Bice for MCh$6.

(2) On October 9, 2019, 139,258 shares were subscribed to Banco Santander for MCh$588.

(3) On July 25, 2019, 4 shares were transferred to Banco Bice for MCh$3, on July 25, 2019, 3 shares were transferred to Banco Internacional for MCh$2 and on May 17, 2019, 2 shares were transferred to Banco Bic for MCh$1.

(4) During April 2019, the subsidiary Scotia Corredora de Bolsa Chile S.A. changed the presentation of shares at the Santiago Stock Exchange, to be classified from "Investment in Other Companies" to "Investment securities available-for-sale."

(5) During September 2020, the presentation of investments was changed from "Investments valued at cost" to "Investments under the equity method." The Bank has significant influence in Nexus S.A. and Transbank S.A.

b) Movements in investments in companies are as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Opening carrying amount	16,709	18,909
Acquisition of investments	-	588
Sale of investments	-	(16)
Transfer to available for sales	-	(2,772)
Equity in profit for the period	1,619	276
Adjustment of investments at equity value	164	-
Dividends received	(57)	(276)
Other	-	-
Total	**18,435**	**16,709**

During the years ended December 31, 2020 and 2019, there have been no movements associated with impairment.

Note 14 Intangible assets

a) As of December 31, 2020 and 2019 intangible assets are detailed as follows:

Intangible assets	Years: Useful life 2020	Years: Useful life 2019	Years: Average remaining amortization 2020	Years: Average remaining amortization 2019	Gross balance 12/31/2020 MCh$	Gross balance 12/31/2019 MCh$	Amortization and cumulative impairment 12/31/2020 MCh$	Amortization and cumulative impairment 12/31/2019 MCh$	Net balance 12/31/2020 MCh$	Net balance 12/31/2019 MCh$
Computer software	10	5	7	3	158,257	166,851	(39,584)	(75,564)	118,673	91,287
Intangible assets from business combinations (1)	15	15	10	11	138,425	138,425	(52,294)	(43,065)	86,131	95,360
Other intangible assets	-	-	-	-	-	2,457	-	(2,457)	-	-
Total					**296,682**	**307,733**	**(91,878)**	**(121,086)**	**204,804**	**186,647**

(1) Intangible assets acquired in business combinations relate to the intangible assets originated from the acquisition of 51% of the shares of CAT Administradora de Tarjetas de Crédito S.A. (“CAT”) and CAT Corredores de Seguros y Servicios S.A.

b) As of December 31, 2020 and 2019, movements in intangible assets are detailed as follows:

	Computer software MCh$	Intangible assets from business combinations MCh$	Other MCh$	Total MCh$
Gross balance:				
Balance as of January 1, 2019	98,847	138,425	2,457	239,729
Adjustment for migration from Banco Scotiabank Azul (1)	16,279	-	-	16,279
Acquisitions	52,381	-	-	52,381
Disposal of assets	(656)	-	-	(656)
Total gross balance	**166,851**	**138,425**	**2,457**	**307,733**
Accumulated amortization	(42,743)	(33,837)	(2,457)	(79,037)
Adjustment for migration from Banco Scotiabank Azul (1)	(16,279)	-	-	(16,279)
Amortization for the period	(16,950)	(9,228)	-	(26,178)
Disposal of assets	627	-	-	627
Impairment loss (2)	(219)	-	-	(219)
Total amortization	**(75,564)**	**(43,065)**	**(2,457)**	**(121,086)**
Net value as of December 31, 2019	**91,287**	**95,360**	**-**	**186,647**
Gross balance:				
Balance as of January 1, 2020	166,851	138,425	2,457	307,733
Acquisitions	44,374	-	-	44,374
Disposal of assets	(52,830)	-	(2,457)	(55,287)
Impairment loss (2)	(138)	-	-	(138)
Total gross balance	**158,257**	**138,425**	**-**	**296,682**
Accumulated amortization	(75,564)	(43,065)	(2,457)	(121,086)
Amortization for the period	(16,916)	(9,229)	-	(26,145)
Disposal of assets	52,830	-	2,457	55,287
Impairment loss (2)	66	-	-	66
Total amortization	**(39,584)**	**(52,294)**	**-**	**(91,878)**
Net value as of December 31, 2020	**118,673**	**86,131**	**-**	**204,804**

The debits for the amortization or impairment losses of intangible assets are included in the caption "Depreciation and amortization" of the consolidated statement of income for the year.

(1) Correspond to the migration of accounting balances from Banco Scotiabank Azul to Scotiabank during the integration of operations of both Companies. This adjustment arises from the change of direct to indirect amortization method, which has no impact on profit or loss for the period and/or, profit or loss from prior periods.

(2) As of December 31, 2020 and 2019, the impairment corresponds to internal development that will no longer generate economic benefits.

Note 15 Property and Equipment and Right-of-use assets and Obligations on lease agreements

a) Property and equipment and depreciation

As of December 31, 2020 and 2019, property and equipment is detailed as follows:

	Buildings and land MCh$	Leased property improvements MCh$	Equipment MCh$	Other MCh$	Total MCh$
Balance as of January 1, 2019	82,309	33,116	101,040	33,582	250,047
Reclassification of first application of IFRS 16 (1)	-	(33,116)	-	-	(33,116)
Acquisition of property and equipment	-	-	243	22,657	22,900
Disposal of assets	(17,975)	-	(10,994)	(1,491)	(30,460)
Reclassification of accounts (2)	-	-	19,152	(20,067)	(915)
Transfer to held for sale	-	-	-	(63)	(63)
Total, gross	64,334	-	109,441	34,618	208,393
Accumulated depreciation as of January 1, 2019	(24,301)	(13,596)	(68,585)	(11,213)	(117,695)
Reclassification of first application of IFRS 16 (1)	-	13,596	-	-	13,596
Depreciation for the period	(1,571)	-	(9,723)	(958)	(12,252)
Disposal of assets	8,278	-	9,197	981	18,456
Reclassification of accounts (3)	1,784	-	149	-	1,933
Transfer to held for sale	-	-	-	28	28
Impairment loss	-	-	-	-	-
Total depreciation	(15,810)	-	(68,962)	(11,162)	(95,934)
Net value as of December 31, 2019	**48,524**	**-**	**40,479**	**23,456**	**112,459**
Balance as of January 1, 2020	64,334	-	109,441	34,618	208,393
Acquisition of property and equipment	-	-	55	17,676	17,731
Disposal of assets	(3,709)	-	(1,908)	(413)	(6,030)
Reclassification of accounts (4)	11,183	-	10,211	(30,150)	(8,756)
Total, gross	71,808	-	117,799	21,731	211,338
Accumulated depreciation as of January 1, 2020	(15,810)	-	(68,962)	(11,162)	(95,934)
Depreciation for the period	(1,609)	-	(10,880)	(939)	(13,428)
Disposal of assets	1,106	-	1,610	291	3,007
Reclassification of accounts (4)	-	-	(41)	(9)	(50)
Impairment loss	-	-	-	-	-
Total depreciation	(16,313)	-	(78,273)	(11,819)	(106,405)
Net value as of December 31, 2020	**55,495**	**-**	**39,526**	**9,912**	**104,933**

(1) Corresponds to the reclassification of improvements in leased property in accordance with the instruction included in Circular No. 3.465 issued on January 11, 2019 by the Financial Market Commission.
(2) Corresponds to the distribution of advance payments made for the payment of items of property and equipment and improvements in the leased property (See Note 15 letter b).
(3) Corresponds to the reclassification of disposals in buildings and constructions (See Note 15 letter b).
(4) Mainly corresponds to amounts that are not individually identified at the beginning of the year. Upon completion of the purchase or construction, these amounts are transferred to the definitive asset.

Debits for the amortizations of property and equipment are included in the caption "Depreciation and amortization" in the Consolidated Statement of Income for the year.

b) Right-of-use assets

As of December 31, 2020 and 2019, the movement in the caption of assets under IFRS 16 by class of underlying assets, is detailed as follows:

	Buildings and land MCh$	Leased property improvements MCh$	Equipment MCh$	Other property and equipment MCh$	Other intangible assets MCh$	Total MCh$
Balance as of January 1, 2019	231,760	33,116	-	-	-	264,876
Adjustment for remeasurement of liability	5,821	-	-	-	-	5,821
Additions	3,534	3,848	-	-	-	7,382
Increase (decrease) due to contract amendment	(5,635)	-	-	-	-	(5,635)
Reclassifications (1)	-	915	-	-	-	915
Withdrawals / Disposals	(2,469)	(291)	-	-	-	(2,760)
Total, gross	233,011	37,588	-	-	-	270,599
Accumulated depreciation as of January 1, 2019	-	(13,596)	-	-	-	(13,596)
Impairment loss	-	-	-	-	-	-
Depreciation for offices enablement (2)	(601)	-	-	-	-	(601)
Depreciation for the period	(16,101)	(2,246)	-	-	-	(18,347)
Reclassifications (3)	-	(1,933)	-	-	-	(1,933)
Withdrawals / Disposals	233	282	-	-	-	515
Total depreciation	(16,469)	(17,493)	-	-	-	(33,962)
Balance as of December 31, 2019	**216,542**	**20,095**	**-**	**-**	**-**	**236,637**
Balance as of January 1, 2020	233,011	37,588	-	-	-	270,599
Adjustment for remeasurement of liability	5,393	-	-	-	-	5,393
Additions	2,305	337	-	-	-	2,642
Increase for contract amendment	3,111	-	-	-	-	3,111
Contract amendment - subsidiaries (5)	(47,497)	-	-	-	-	(47,497)
Reclassifications (4)	-	8,771	-	-	-	8,771
Withdrawals / Disposals	(8,088)	(1,056)	-	-	-	(9,144)
Total, gross	188,235	45,640	-	-	-	233,875
Accumulated depreciation as of January 1, 2020	(16,469)	(17,493)	-	-	-	(33,962)
Contract amendment - subsidiaries (5)	7,978	-	-	-	-	7,978
Impairment loss	-	-	-	-	-	-
Depreciation for the period	(16,575)	(2,631)	-	-	-	(19,206)
Reclassifications	-	35	-	-	-	35
Withdrawals / Disposals	1,363	625	-	-	-	1,988
Total depreciation	(23,703)	(19,464)	-	-	-	(43,167)
Balance as of December 31, 2020	**164,532**	**26,176**	**-**	**-**	**-**	**190,708**

(1) Corresponds to the distribution of advance payments made for the payment of items of property and equipment and improvements in leased property (See Not 15 letter a).
(2) Corresponds to the capitalization of depreciation of leased offices that are not yet used, since they are still in the fitting stage.
(3) Correspond to the reclassification of disposals of buildings and construction (See Note 15 letter a).
(4) Mainly corresponds to amounts that are not individually identified at the beginning of the year. Upon completion of the purchase or construction (for remodeling of leased offices), these are transferred to the definitive asset.
(5) Corresponds to the modification of an agreement of the subsidiary CAT Administradora de Tarjetas S.A. (See Note 3).

Debits for the depreciation of right-of-use assets are included in the caption "Depreciation and amortization" in the Consolidated Statements of Income for the year.

As of December 31, 2020 and 2019, the Bank has no expenses related to leases of low value. As of December 31, 2020, expenses related to short-term leases amount to MCh$1,268 (MCh$2,501 as of December 31, 2019) and are included in the caption "Administration expenses" in the Consolidated Statements of Income for the year.

As of December 31, 2020, revenue from subleases of right-of-use assets amounts to MCh$575 (MCh$1,123 as of December 31, 2019), which is included in the caption "Other operating revenue" in the Consolidated Statements of Income for the year (see Note 35).

As of December 31, 2020, no profit or loss from sale-and-leaseback transactions were generated. As of December 31, 2019, profit or loss from sale-and-leaseback transactions amounted to MCh$11,690 included in the caption "Other operating revenue" in the Consolidated Statements of Income for the year, corresponding to the disposal of property and MCh$1,036 corresponding to the expense paid for the lease of such property, recognized as Expenses for short-term lease agreements included in the caption "Administrative expenses" in the Consolidated Statements of Income for the year. The sale-and-leaseback transactions are part of the execution of the Integration Plan related to the systematic migration that the Bank made due to the merger in September 2018.

c) Obligations on lease agreements

As of December 31, 2020 and 2019, the movement in obligations on lease agreements and cash flows are detailed as follows:

Lease liabilities	Movements for the year ended	
	12/31/2020 MCh$	12/31/2019 MCh$
Balance as of January 1, 2019	219,062	231,760
Lease liabilities generated	2,305	3,534
Increase due to contract amendments	3,111	671
Contract amendment - subsidiaries	(39,666)	(6,324)
Interest expense	4,697	4,815
Payments of principal	(14,448)	(14,139)
Payments of interest	(4,697)	(4,815)
Contract adjustments	5,393	5,821
Payments for termination of lease contracts	(6,864)	(2,261)
Prepaid income	(103)	-
Concessions related to COVID-19	(27)	-
Total	**168,763**	**219,062**

d) Cash flows from obligations on lease agreements

The Bank holds lease agreements over certain assets for its operation. As of December 31, 2020 and 2019, the analysis of cash flows of contractual maturities is detailed as follows:

Cash flows from lease contracts	Up to 1 month MCh$	1 to 3 months MCh$	3 months to 1 year MCh$	1 to 5 years MCh$	Over 5 years MCh$	Total MCh$
As of December 31, 2020	1,285	2,528	11,400	48,028	150,289	213,530
As of December 31, 2019	1,619	3,238	14,571	77,309	164,429	261,166

The Bank's lease agreements mainly correspond to leases of property, intended for the development of its operation. The agreements have renovation options and for those agreements where there is a reasonable certainty that this option will be exercised, the Bank establishes a term of 10 years as the lease term used to measure assets and liabilities for such period.

Note 16 Current tax and deferred taxes

a) Current taxes

	12/31/2020 MCh$	12/31/2019 MCh$
Assets:		
Income taxes, tax rate of 27%	(54,537)	(45,197)
One-off income tax, rate of 40%	(559)	(192)
Less:		
Monthly provisional income tax payments	42,672	47,777
Credit for training expenses	566	374
Credit 104 Income Tax Law	989	1,371
Prior period tax receivable	27,862	29,613
Other	28	207
Total current tax assets	**17,021**	**33,953**
Liabilities:		
Income taxes, tax rate of 27%	(10,687)	(30,939)
One-off income tax, rate of 40%	-	-
Less:		
Monthly provisional income tax payments	7,975	26,824
Credit for training expenses	-	268
Prior period tax receivable	357	844
Credit 104 Income Tax Law	-	-
Other	-	77
Total current tax liabilities	**(2,355)**	**(2,926)**

b) Effect on net income

As of December 31, 2020 and 2019, the effect of tax expense is detailed as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Income tax expenses:		
Current year tax	(84,187)	(133,066)
Surplus (deficit) from prior-year provision	(2,946)	252
Credit (debit) for deferred taxes:		
Effect and reversal of temporary differences, current year	18,321	55,424
Effect and reversal of temporary differences, previous year	(1,221)	-
Subtotal	(70,033)	(77,390)
Taxes on non-deductible permanent expenses Article No. 21	(559)	(192)
Net debit to profit for the period for income taxes	**(70,592)**	**(77,582)**

c) Effect of taxes recorded in equity

The effect of taxes recorded in equity is detailed as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Available-for-sale financial instruments	37	536
Cash flow hedge derivatives	18,889	59,221
Total (debit) credit to equity	**18,926**	**59,757**

d) Deferred tax assets and liabilities

Taxable and deductible differences included in deferred tax balances are detailed as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Deferred tax assets:		
Collective allowances on loan portfolio	113,319	109,396
Differences on property and equipment between tax	19,073	13,947
Leased assets, net	70,708	57,924
Accrued vacations	4,306	4,315
Non-taxable advance write-offs	2,674	3,512
Allowance for doubtful accounts	35,657	38,948
Provisions for assets received in lieu of payment	71	362
Financial securities held for trading	76,438	51,526
Assets from factoring operations	400	400
Interest and indexation on risky portfolio	16,448	14,503
Balances arising from merger of BDD	12,908	4,803
Write-off of assets received in lieu of payment	943	1,156
Intangible assets	31,507	34,128
Tax goodwill adjustment	25,129	27,594
Other provisions	15,029	16,057
Other	444	3,976
Total deferred tax assets	**425,054**	**382,547**
Deferred tax liabilities:		
Leased assets, net	(2)	(4)
Financial securities held for trading	(16,020)	-
Deferred expenses	(39,782)	(33,538)
Intangible assets	(23,532)	(25,931)
Other	(492)	4,770
Total deferred tax liabilities	**(79,828)**	**(54,703)**
Total assets, net	**345,226**	**327,844**
Deferred taxes on equity:		
Available-for-sale financial investments	(1,929)	(1,439)
Allowance for goodwill - Serviu (Housing Ministry)	(491)	-
Total assets, net	**342,806**	**326,405**
Deferred tax assets	343,328	328,940
Deferred tax liabilities	(522)	(2,535)
Deferred tax assets, net	**342,806**	**326,405**

e) **Reconciliation of effective tax rate**

As of December 31, 2020 and 2019, the reconciliation between the income tax rate and the effective rate applied for the determination of the income tax expense is detailed as follows:

	Tax rate %	12/31/2019 MCh$
Profit before corporate income tax	27.00%	94,810
Permanent differences	(4.90%)	(17,189)
Taxes not recognized in profit or loss from prior periods	(0.02%)	(85)
Prior year effect	-	-
Other permanent differences	(0.04%)	(146)
Current year effective rate and income tax revenue	22.04%	77,390
One-off income tax under Article 21	0.16%	192
Total income tax expense	**22.20%**	**77,582**

	Tax rate %	12/31/2020 MCh$
Profit before corporate income tax	27.00%	96,379
Permanent differences	(7.64%)	(27,280)
Taxes not recognized in profit or loss from prior periods	(2.16%)	(7,712)
Prior year effect	2.42%	8,646
Other permanent differences	-	-
Current year effective rate and income tax revenue	19.62%	70,033
One-off income tax under Article 21	0.16%	559
Total income tax expense	**19.78%**	**70,592**

f) Joint Circular No. 47 issued by the Chilean Internal Revenue Service and No. 3.478 issued by the Financial Market Commission

The detail of movements and effects generated by the application of Article 31, section No.4 of the Income Tax Law is detailed below. This information relates solely to the Bank's loan transactions and does not consider the operations of subsidiaries included in these Consolidated Financial Statements.

Loans and receivables from customers as of 12/31/2020

Type of loan	Assets at carrying amount	Assets at tax value		
		Total	Secured overdue portfolio	Unsecured overdue portfolio
	MCh$	MCh$	MCh$	MCh$
Commercial loans:	11,470,453	11,729,092	19,732	87,557
Consumer loans:	2,954,551	3,047,668	-	6,826
Mortgage loans:	10,040,003	10,038,824	8,647	57
Total	**24,465,007**	**24,815,584**	**28,379**	**94,440**

Allowances on past due amounts in portfolio as of 12/31/2020

Type of loan	Balance as of December 31, 2019	Write-offs against allowances	Allowances accrued	Allowances released	Balance as of December 31, 2020
	MCh$	MCh$	MCh$	MCh$	MCh$
Commercial loans:	40,861	(7,594)	160,516	(106,226)	87,557
Consumer loans:	15,952	(11,804)	74,444	(71,766)	6,826
Mortgage loans:	115	-	189	(247)	57
Total	**56,928**	**(19,398)**	**235,149**	**(178,239)**	**94,440**

Direct write-offs and recoveries as of 12/31/2020	**MCh$**
Direct write-offs Art. 31 No. 4 second sub-paragraph	41,407
Debt forgiveness which resulted in the release of allowances	-
Recoveries or renegotiation of loans written-off	18,367

Application of Art. 31 No. 4 first and third sub paragraphs	**MCh$**
Write-offs per first sub-paragraph	-
Forgiveness per third sub-paragraph	-

Loans and receivables from customers as of 12/31/2019

Type of loan	Assets at carrying amount	Assets at tax value		
		Total	Secured overdue portfolio	Unsecured overdue portfolio
	MCh$	MCh$	MCh$	MCh$
Commercial loans:	11,810,918	12,127,492	56,038	40,861
Consumer loans:	2,188,790	2,290,518	12,095	15,952
Mortgage loans:	9,048,013	9,051,858	2,776	115
Total	**23,047,721**	**23,469,868**	**70,909**	**56,928**

Allowances on past due amounts in portfolio as of 12/31/2019

Type of loan	Balance as of December 31, 2018 MCh$	Write-offs against allowances MCh$	Allowances accrued MCh$	Allowances released MCh$	Balance as of December 31, 2019 MCh$
Commercial loans:	44,300	(21,986)	41,969	(23,422)	40,861
Consumer loans:	9,954	(29,267)	48,774	(13,509)	15,952
Mortgage loans:	1,688	(313)	(553)	(707)	115
Total	**55,942**	**(51,566)**	**90,190**	**(37,638)**	**56,928**

Direct write-offs and recoveries as of 12/31/2019	**MCh$**
Direct write-offs Art. 31 No. 4 second sub-paragraph	126,080
Debt forgiveness which resulted in the release of allowances	-
Recoveries or renegotiation of loans written-off	9,618

Application of Art. 31 No. 4 first and third sub paragraphs	**MCh$**
Write-offs per first sub-paragraph	-
Forgiveness per third sub-paragraph	-

Note 17 Other assets

As of December 31, 2020 and 2019, this caption is composed of the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Cash deposits in guarantee (1)	695,594	561,243
Accounts, fees and commissions receivable	87,158	172,527
Securitized bonds	16,472	17,417
Assets received in lieu of payment or awarded (2)	16,203	25,569
Prepaid expenses	7,572	24,148
Pending transactions	7,496	9,937
Value added tax	3,921	4,751
Assets held for lease (3)	3,661	9,784
Recoverable taxes	3,433	2,555
Available-for-sale items of property and equipment	3,218	3,225
Account receivable from Minvu (Ministerio de Vivienda y Urbanismo)	2,889	4,320
Accounts receivable, Law No. 20.634	2,228	2,191
Leased assets recovered	803	971
Accounts receivable, Law No. 20.027	17	68
Other assets	3,927	5,687
Total	**854,592**	**844,393**

(1) As of December 31, 2020, it comprises cash deposits of MCh$201,761 to operate in the Derivatives Clearing House (COMDER) (MCh$13 as of December 31, 2019) and MCh$390,803 in other foreign institutions (MCh$491,818 as of December 31, 2019). In addition, it includes Guarantees with third parties of MCh$101,797 (MCh$67,193 as of December 31, 2019).

(2) Assets received in lieu of payment or awarded include a provision as of December 31, 2020 of MCh$93 (MCh$916 as of December 31, 2019), determined based on the difference between the initial value plus additions and its net realizable value when the latter is lower.

(3) Correspond to assets available to be delivered under finance leases.

Note 18 Deposits and other on-demand liabilities

As of December 31, 2020 and 2019, this caption comprises the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Current accounts	5,251,104	3,515,321
Notes on demand	185,158	161,825
On-demand deposits	757,107	447,006
Performance bonds payable on demand	29,511	27,468
Collections payable	61,432	79,067
Export returns pending settlement	-	63
Payment orders outstanding	12,599	41,026
Extraordinary repayments of letters of credit	1,421	1,071
Payments for loans pending settlement	2,507	2,886
Locked in balances, Art. 156 of the General Banking Law	20,204	19,093
Overdue term deposits	12,743	17,706
Overdue bond and letter of credit coupons	5,041	5,366
Other mortgage holders	234,785	318,034
Loans granted, Law No. 20.027	113	227
Other on-demand liabilities	231,386	229,379
Total	**6,805,111**	**4,865,538**

Note 19 Term and on-demand deposits

As of December 31, 2020 and 2019, this caption is composed of the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Term deposits	8,755,961	11,047,486
Term savings accounts	84,177	76,536
Total	**8,840,138**	**11,124,022**

Note 20 Bank borrowings

Bank borrowings with domestic and foreign banks are detailed as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Domestic banks		
Interbank loans (1)	100,002	-
Long-term loans	14,185	15,102
Foreign banks		
Foreign trade borrowings	916,341	1,684,825
Overdrafts in current accounts	81	91
Long-term loans	-	22,649
Revolving credit facilities of foreign banks	1,163,147	1,553,140
Banco central de Chile		
Loans and other borrowings (2)	2,193,026	-
Total	**4,386,782**	**3,275,807**

(1) As of December 31, 2020, interbank loans relate to obligations with an average maturity of 2 days. As of December 31, 2019, the Bank and its subsidiaries have no obligations.

(2) In April 2020, the Board of Banco Central de Chile (BCCh) has established several measures to provide liquidity to the economy, support the credit flows and the dissemination of the monetary policy. The central component of these measures is the Credit Facility Conditioned to the Increase in Placements (FCIC) and Liquidity Credit Facility (LCL).

Note 21 Debt securities issued

As of December 31, 2020 and 2019, this caption comprises the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Letters of credit (1)	117,160	138,708
Current bonds (2)	5,917,945	5,418,481
Subordinated bonds (3)	730,285	731,038
Total	**6,765,390**	**6,288,227**

(1) During the period between January 1 and December 31, 2020 and 2019, no new letters of credit have been placed.

(2) During the period between January 1 and December 31, 2020 and 2019, the following current bonds have been placed:

Year ended December 31, 2020

Series	Amount	Term (years)	Annual issuance rate	Currency	Date of issue	Maturity
AR	5,000,000	5	0.9	UF	4/9/2020	4/9/2025
AS	5,000,000	5.5	1.05	UF	4/9/2020	10/9/2025
AT	90,000	3	3.0	MCh$	3/1/2020	3/1/2023
AU	4,000,000	6	1.2	UF	6/9/2020	6/9/2026
AV	4,000,000	7.5	1.3	UF	6/9/2020	12/9/2027
AW	4,000,000	9	1.4	UF	7/9/2020	7/9/2029
AX	70,000	4	3.1	MCh$	3/1/2020	3/1/2024
AY	6,000,000	10.5	0.6	UF	6/9/2020	12/9/2030
AZ	6,000,000	11.5	0.6	UF	6/9/2020	12/9/2031

Year ended December 31, 2019

Series	Amount	Term (years)	Annual issuance rate	Currency	Date of issue	Maturity
AP	5,000,000	7	0.9	UF	9/1/2019	9/1/2026

(3) During the period between January 1 and December 31, 2020, no new subordinated bonds have been placed.

During the period between January 1 and December 31, 2019, the following subordinated bonds have been placed:

Year ended December 31, 2019

Series	Amount	Term (years)	Annual issuance rate	Currency	Date of issue	Maturity
AQ	4,000,000	23	3.5	UF	11/1/2019	11/1/2042

Note 22 Other financial liabilities

As of December 31, 2020 and 2019, this caption comprises the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Bonds payable and promissory notes payable	-	-
Payables to affiliates for credit card use	2,178	4,069
Payables to credit card operators	42,768	55,935
Liabilities in favor of Chilean exporters	2,915	433
Securitized portfolio for the subsidiary Leasing Inmobiliario	5,354	6,454
Total	**53,215**	**66,891**

Note 23 Provisions

a) As of December 31, 2020 and 2019, this caption comprises the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Provision for personnel benefits and payroll	29,191	63,791
Provision for minimum dividends	82,626	76,314
Provisions for contingent loan risk	28,302	34,986
Provisions for country risk	1,397	901
Additional allowances for commercial loans (1)	7,046	1,932
Additional allowances for mortgage loans (1)	30,111	1,630
Additional allowances for consumer loans (1)	47,651	1,889
Legal contingencies, subsidiary Scotia Corredora de Bolsa Chile	15,214	15,214
Other provisions for contingencies	9,045	6,133
Total	**250,583**	**202,790**

(1) As a result of the contingency in Chile that began in October 2019, the Bank has decided to generate additional provisions for possible non-assessable effect on the portfolio impairment. The calculation methodology was based on the performance of an exercise over the main retail portfolios for the estimation of provisions that are not included in traditional models. Based on these portfolios and aging tranches, the Bank selected the highest RI (Risk Index) as per aging tranche and portfolio, and the provision for December was recalculated using this index.

The RI was calculated as total provision (effective provision + contingent provision) divided by the effective balance.

During August and September 2020, the Bank decided to generate new additional provisions; therefore, an exercise over the 2 main portfolios that were extended was performed: Consumer and mortgage loans. The analysis was leveraged on the information sent on a monthly basis to the Financial Market Commission in Appendix 3.3 on the extension of loans as of July 2020. Accordingly, MCh$5,811 for consumer portfolio and MCh$5,576 mortgage portfolio were made. The proposed scenario is to consider the RI as a base at the end of July 2020, and to take each of the layers to the average RI of the last 12 months for every portfolio. At the end of September 2020, a provision has been made for both portfolios of an additional MCh$27,509 in total.

Between October and December 2020, the above-mentioned provision will be maintained, only adjusting the total percentage in accordance with the balance with respect to the reference month (July 2020). Accordingly, at the end of December 2020, the Bank has made provisions of MCh$2,304 for the consumer portfolio, MCh$3,667 for the mortgage portfolio (which includes general-purpose loans) and MCh$5,188 for the commercial portfolio (Education and Small and Medium-Sized Entities (SMEs) and Collective Commercial). At the year-end of 2020, the provisions made for collective portfolios amount to MCh$27,277 for the consumer portfolio, MCh$23,389 for the mortgage portfolio, MCh$1,863 for Education, MCh$6,376 for general-purpose mortgage loans, MCh$4,811 for Collective Commercial (Collective Small and SMEs); therefore, the total additional provisions made for 2020 amount to MCh$63,716.

Subsidiary CAT Administradora de Tarjetas S.A.

The Company has made additional provisions on its portfolio of loans and receivables from customers, in order to protect itself from the risk of unpredictable adverse economic fluctuations that may affect the macroeconomic environment of the situation of an specific economic sector, as a result of the health emergency in Chile due to COVID-19. As of December 31, 2020, the balance of these additional provisions amount to MCh$20,000, which are presented in the caption "Provisions" in the Consolidated Statement of Financial Position.

b) Movements in provisions are detailed as follows:

	Personnel benefits and expenses MCh$	Minimum dividends MCh$	Contingent loan risk MCh$	Additional allowances MCh$	Other contingencies MCh$	Total MCh$
Balance as of January 1, 2019	33,872	32,436	43,705	1,865	25,399	137,277
Allowances accrued	118,606	76,314	691	3,627	3,629	202,867
Use of provisions	(88,687)	(32,436)	-	-	-	(121,123)
Release of provisions	-	-	(9,410)	(41)	(6,780)	(16,231)
Balance as of December 31, 2019	**63,791**	**76,314**	**34,986**	**5,451**	**22,248**	**202,790**
Balance as of January 1, 2020	63,791	76,314	34,986	5,451	22,248	202,790
Allowances accrued	83,104	82,626	1,435	83,716	3,437	254,318
Use of provisions	(117,704)	(76,314)	-	-	-	(194,018)
Release of provisions	-	-	(8,119)	(4,359)	(29)	(12,507)
Balance as of December 31, 2020	**29,191**	**82,626**	**28,302**	**84,808**	**25,656**	**250,583**

Note 24 Other liabilities

As of December 31, 2020 and 2019, this caption comprises the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Deposits received as collateral	269,714	220,702
Accounts and notes payable	103,168	136,494
Unearned revenue	69,380	61,100
Funds to be transferred	64,294	112,871
VAT fiscal debit	10,807	10,495
Pending transactions	2,126	11,425
Dividends payable	146	237
Other liabilities	9,252	11,778
Total	**528,887**	**565,102**

Note 25 Contingencies and commitments

a) Contingent loans

The table below shows the contractual amounts of transactions that oblige the Bank to grant loans and the amount of the allowances accounts for credit risk assumed:

	12/31/2020 MCh$	12/31/2019 MCh$
Co-debt and collateral	178,672	172,558
Foreign confirmed letters of credit	4,196	573
Supporting letters of credit issued	92,153	73,764
Bank guarantee certificates	758,792	984,148
Readily available revolving credit facilities	4,787,862	5,368,275
Other loan commitments	192,341	354,407
Allowances accrued (Note 23)	(28,302)	(34,986)
Total	**5,985,714**	**6,918,739**

Scotiabank

b) Contingencies

At the issue date of these consolidated financial statements there are lawsuits filed against the Bank and subsidiaries that relate to its line of business. As of December 31, 2020, the Bank and its subsidiaries have made provisions for legal contingencies of MCh$18,151 (MCh$17,758 as of December 31, 2019) which are a part of the caption "Provisions" in the Consolidated Statement of Financial Position.

b1) Adjustment account

On July 23, 1989, Francisco Javier Errázuriz and his companies sold 97% of their shares of Banco Nacional to some of the main shareholders of Banco BHIF; such purchase was performed in order to merge both banks. As the sellers believed that the provisions required by the Financial Market Commission were excessive, a mechanism called Adjustment Account was established, whereby the sellers delivered a list of amounts payable to the National Bank so that, if they were paid exceeding the unaccrued part or were reclassified generating an equity benefit for Banco BHIF, this benefit had to be transferred to the sellers by allocating the amount of the benefit obtained by the Bank to the debts of certain Errázuriz Group companies. Additionally, it was agreed that any difficulty on its interpretation or compliance would be submitted to arbitration.

Differences between the parties due to the interpretation of the Adjustment Account have generated several arbitration proceedings, known as File to which a sequential number is assigned. In several of these lawsuits, the Bank as obtained both favorable and unfavorable judgments, with two lawsuits still pending to date.

In connection to the judgment of “File 20" lawsuit, which for BBVA has been fully paid by virtue of payments in cash and allocations to other debts of the Errázuriz Group. On December 14, 2016 the arbitrators ordered a new settlement which was performed on January 27, 2017 and resulted in an alleged debt balance to be paid by BBVA of UF 159,665.58.

On March 31, 2017, the lawyers of Errázuriz Group filed with the 1st Civil Court of Santiago, Case No. C-6269-2017, a request for attachment, because there would be an incidental proceeding being processed with the arbitrators, and submitted the last settlement by the arbitration court.

On May 17, 2017, the 1st Civil Court of Santiago agreed to the request for attachment against BBVA, which was verified the same day for Ch$4,247,942,672.295 (UF159,665.58), associated with money existing in BBVA's current account which is maintained with Banco Central de Chile.

BBVA challenged the request for attachment, alleging the absolute incompetence of the judge to order it, as well as the illegality of the request, based on the fact that the attachment measure is only applicable within the context of the incidental execution of a judgment or an executive trial, none of which exists in this case. Additionally, BBVA informed the court that all the debt imposed in the sentence of Supplementary Case File 20 would be paid.

The 1st Civil Court of Santiago rejected BBVA's allegations, allowing the appeals filed by the Bank, both against the resolution for attachment and that rejecting our incompetence allegations submitted through a motion for dismissal, and these appeals must be known by the Court of Appeals of Santiago and whose resolution is pending.

The Errázuriz Group requested the first instance judge to order the Central Bank to remit the funds attached, to which BBVA also opposed new motions and appeals.

Before the 1st Civil Court of Santiago ruled on the remission of the funds, on June 19, 2017 the Court of Appeals of Santiago issued a temporary injunction against further process, thereby suspending all progress by the first instance judge, including the resolution on the remission of the funds attached.

On April 23, 2018, the Santiago Court of Appeals issued a judgment rejecting BBVA's appeal and maintaining the attachment ordered. On May 11, BBVA filed an appeal in cassation on the merits against this judgment, requesting that the case be reviewed by the Supreme Court so that it revokes the ruling and voids the attachment. Additionally, BBVA requested that the plaintiff post bail as a result. On June 15, 2018, the Santiago Court of Appeals declared BBVA's cassation appeal admissible, ordered it to be submitted to the Supreme Court and accepted the request for the plaintiff to provide the guarantee of payment for the case. On 6 September 2018, the Court of Appeals declared the guarantee paid by the plaintiff to be sufficient.

The case was submitted to the Supreme Court on October 1, 2018, and our cassation appeal dated November 12 was declared inadmissible. As a result, an administrative appeal for review was filed, which was also rejected on November 27, 2018. On December 4, 2018, the civil court forwarded the funds attached to the arbitration court, which considered them received through the resolution dated December 12, 2018. The counterparty requested the Arbitration Court to perform an additional settlement of interest for the period of time from January 2017 to December 2018. In January 2019, the Arbitration Court brought a settlement proposal to the attention of the parties, with no objections to it, which resulted in Ch$294,676,095, which was paid by the Bank on June 12, 2019. On July 5 of this year, our external lawyers of Claro & Cia. confirmed us that Francisco Javier Errázuriz Ovalle had received two checks corresponding to the payments ordered in his favor from the arbitrators in File 20 of the arbitration proceeding.

Francisco Javier Errázuriz requested a new settlement of interests to cover the period from January to July 2019, for which the Court settled these interests at Ch$3,900,000. On April 30, 2020, Ch$5,002,697 was deposited in the Court's account which corresponded to the settlement of the amount owed by the Bank. The plaintiff subsequently requested a new settlement of interests, which was rejected by the Civil Court.

b2) Corfo - Inverlink Case

In the proceeding 176.739-MV filed with the 2nd Criminal Court of Santiago, the judgment was executed condemning BBVA Corredores de Bolsa Ltda., currently Scotia Azul Corredores de Bolsa Limitada, as a third party under the civil code responsible for the fact associated with two former employees.

The Broker deposited in the Court's account the total amount for the judgment. Corfo's claim for interest was rejected in the first instance and appealed by the former.

On April 11, 2016, the Court of Appeals of Santiago revoked the decision of the First Instance Court, favorable to the Broker, which ordered to pay only principal owed and adjustments, because it considered that interests would have only been accrued had a delay in the payment of the judgment of December 2014 occurred and because such challenges were resolved by the Supreme Court in August 2015; the delay did not occur.

In its decision, the Court considered that the default period by the Company began from the date in which CORFO would have asserted its right to allege damages, which is September 4, 2003 and not from the date of the delay in the payment of the judgment. Consequently, it orders that the settlement to be made comprises current interest from that date.

Against the decision of the Court of Appeals, appeals in cassation in form and substance were filed with the Supreme Court.

On June 28, 2018, the Supreme Court declared inadmissible the appeals in cassation filed by the Broker, since the resolution appealed would not be a final judgment for which such appeals could be filed.

On July 3, 2018, the Broker filed a motion for reconsideration of the prior declaration of inadmissibility. In order to support this request, the Supreme Court was requested to use its jurisdictional powers ex officio and to annul the decision of the Court of Appeals of April 11, 2016, which ordered that interests be applicable. On August 2, 2018, the Supreme Court upheld the appeal for reinstatement filed by the Broker and accepted the appeals in cassation, which are awaiting the hearing of the case.

Notwithstanding the Broker's position to void this sentence that requires the payment of interests to CORFO, the Broker has made a provision for this case, which relates to an expected contingency, based on the opinion of legal counselors and advisors.

At the Board of Directors' meeting held on April 20, 2016, BBVA Chile's Board of Directors agreed to participate in the capital increase of MCh$11,500 in the Broker to make such provision.

Regarding the two cases mentioned above and other lawsuits filed against the Bank, based on the information provided by its District Prosecutors' Office, Management concludes that contingencies arising from litigation against the Bank are covered by sufficient provisions and, as a whole, those cases will result in no significant losses not included in these Consolidated Financial Statements.

b3) Covenants

The Bank has three current financing contracts entered into with Export Development Canada on April 17, 2017 (MUS$200), August 3, 2018 (MUS$200) and May 31, 2019 (MUS$100). Such contracts establish the Bank's compliance with covenants mainly related to the provision of financial and non-financial information, regulatory compliance and compliance with certain obligations, such as: compliance with laws and authorizations needed to carry out business and operations in general, and to do everything necessary to preserve, renew and maintain in full force and effect its legal existence. Note that these financing contracts do not require compliance with specific financial ratios.

As of December 31, 2020, the Bank has fully complied with each of the obligations under the above-mentioned contracts.

c) Responsibilities

The Bank and its subsidiaries have the following responsibilities derived from the normal course of its businesses:

	12/31/2020 MCh$	12/31/2019 MCh$
Notes for collection	113,731	180,008
Financial assets transferred to and managed by the Bank	6,985	10,069
Securities under custody	4,808,530	5,112,260
Assets pledged as collaterals	640,735	206,212
Total	**5,569,981**	**5,508,549**

d) Guarantees on transactions

i) At Scotia Corredora de Bolsa Chile Limitada

In order to comply with the requirements of Articles No.30 and 31 of Law No.18.045, the Bank engaged the insurance policy No.330-20-00028285 from MAPFRE Seguros Generales S.A., equivalent to UF20,000, to ensure the correct and full compliance with its obligations as Broker. The policy is effective from April 22, 2020 to April 22, 2021.

In order to comply with the requirements of the Stock Exchanges, regarding comprehensive insurance, the subsidiary engaged the insurance policy No. 5176150 from Chilena Consolidada Seguros Generales S.A. for US$1,000,000. The policy is effective from May 31, 2020 to May 31, 2021.

In order to ensure the operations of the gross settlement offsetting system, securities were delivered to the Stock Exchange amounting to MCh$12,427 as of December 31, 2020 (MCh$9,720 as of December 31, 2019).

In accordance with the internal regulation of the Chilean Stock Exchange, in order to ensure the adequate performance and compliance with the Brokers' operations, as of December 31, 2020, guarantees on securities were recorded for MCh$1,795 in favor of the Santiago Stock Exchange. In addition, guarantees on securities were recorded for MCh$206 and guarantees on cash was recorded for MCh$200 in favor of the Chilean Electronic Stock Exchange (as of December 31, 2019, guarantees on securities were recorded for MCh$1,692 and guarantees on cash was recorded for MCh$200 in favor of the Santiago Stock Exchange. In addition, guarantees on securities were recorded for MCh$214 in favor of Chilean Electronic Stock Exchange).

As of December 31, 2020, cash was provided to the Chilean Electronic Stock Exchange for MCh$0 (MCh$490 as of December 31, 2019) to ensure the share loan transactions.

As of December 31, 2020, the Bank holds guarantees for simultaneous operations for MCh$4,987 in the Santiago Stock Exchange and for MCh$2,656 in the Chilean Electronic Stock Exchange. As of December 31, 2019, the Bank has guarantees for simultaneous operations for MCh$7,633 in the Santiago Stock Exchange and for MCh$105 in the Chilean Electronic Stock Exchange, which are held in the Custody Department of the Santiago Stock Exchange or the Chilean Electronic Stock Exchange.

ii) At Scotia Administradora General de Fondos Chile S.A.

In order to comply with articles 226 et seq. of Law No. 18.045, the Company has appointed Scotiabank Chile as the representative of the beneficiaries. Scotiabank Chile granted bank guarantee certificates for UF1,107,794 with maturities due on January 10, 2022.

iii) At Scotia Corredora de Seguros Chile Limitada

As set forth in Article No.58, letter D of Decree Law 251, as of December 31, 2020, the Bank holds a performance bond that hedges it against possible damages resulting from breaches of the law, regulations and supplementary standards that regulate insurance brokers, and especially when non-compliance originates from acts, errors and omissions by the broker, its representatives, assignees or dependents involved in the brokerage.

Series A	:	No.153014323
Amount	:	UF60,000
In favor of	:	Scotiabank Chile
Purpose	:	To cover the general conditions of the professional liability insurance policy for insurance brokers, registered in the policy record under code POL120130969 of the Financial Market Commission.
Effective date	:	Until April 14, 2021

In addition, the Company maintains two bank guarantee certificates in favor of Scotiabank Chile to comply with its obligations as broker of the payment protection insurance portfolio.

Series A	:	No.123015264
Amount	:	UF500
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the correct compliance with the obligations that the insurance broker (identified in this policy as the principal) has as a result of its operations as an intermediary in the contracting of insurance in accordance with the standards established in Circular No.1584 dated January 21, 2002 of the Financial Market Commission (CMF).
Effective date	:	Until April 14, 2021

Series A	:	No.420001709096
Amount	:	UF100
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Limitada and that arise from its performance as a broker of the payment protection and total disability 2/3 insurance associated with the portfolio of debtors of Scotiabank Chile.
Effective date	:	Until October 31, 2021

Series A	:	No.420001709193
Amount	:	UF10,000
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Limitada and that arise from its performance as a broker of the payment protection insurance associated with the portfolio of debtors of Scotiabank Chile.
Effective date	:	Until October 31, 2021

Series A	:	No.420001709266
Amount	:	UF600
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Limitada and that arise from its performance as a broker of the payment protection and total disability 2/3 insurance associated with the portfolio of debtors of Scotiabank Chile.
Effective date	:	Until October 31, 2021

Series A	:	No.420001709304
Amount	:	UF100
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Limitada and that arise from its performance as a broker of the payment protection insurance associated with the portfolio of debtors of Scotiabank Chile.
Effective date	:	Until October 31, 2021

e) At CAT Corredores de Seguros y Servicios S.A.

According to the provisions of Article No.58, letter D of Decree Law 251, which states that in order to carry out their activity "Insurance Brokers , should comply with the requirement to contract insurance policies as determined by the Financial Market Commission, in order to respond to the correct and full compliance with the obligations arising from their activity and especially of the damages that may be caused to the insured that they contract through them", is that as of December 31, 2020, the Company has contracted with Compañía Aseguradora Porvenir S.A. the following policies, effective from April 15, 2020 and expiring on April 14, 2021, which hedges it against possible damages resulting from breaches of the law, regulations and supplementary standards that regulate insurance brokers, and especially when non-compliance originates from acts, errors and omissions by the broker, its representatives, assignees or dependents involved in the brokerage.

Guarantee information is as follows:

Policy No.	Insured/Contractor	Insured matter	Amount
01-23-015338	CAT Corredores de Seguros y Servicios S.A.	Brokers Guarantee	UF 500
01-53-014580	CAT Corredores de Seguros y Servicios S.A.	Civil liability	UF 60,000

f) Guarantees on real estate lease operations

As established in the contracts for the "Management of Housing Lease Agreement with Purchase and Sale Promise" signed between Bandesarrollo Sociedad de Leasing Inmobiliario S.A. and Securitizadora Bice S.A., the former assumes in favor of the Separate Equities identified below, the obligation for acquiring housing units which are part of the respective Separate Equities, when the related lease agreement is early terminated either through an agreement reached by the parties or through an executed court decision. The price at which Bandesarrollo Sociedad de Leasing Inmobiliario S.A. will have to acquire these housing units is detailed as follows:

Entity	% on the value of the housing	Definition of housing unit value
Santander S.A. Sociedad Securitizadora	85	Current commercial value
Separate Equity BSTDS E No. 2		
Securitizadora Bice S.A.		
Separate Equity BBICS A No. 1	85	Current commercial value
Separate Equity BBICS B No. 2	85	Current commercial value
Separate Equity BBICS L No. 6	85	Current commercial value
Separate Equity BBICS F No. 12	80	Price promised in the original agreement
Separate Equity BBICS U No. 21	80	Price promised in the original agreement
Separate Equity BBICS No. 22	60	Price promised in the original agreement

Note 26 Equity

a) Ownership

As of December 31, 2020 and 2019, the Company's shares are as follows:

a.1) Subscribed and fully paid shares

As of December 31, 2020, the Bank's authorized capital is composed of 12,244,885,748 nominative, same-series, with no par value, from which 100% of shares are effectively subscribed and paid (11,509,591,630 shares as of December 31, 2019, all subscribed and paid).

a.2) Capital increase

On January 6, 2020, at the Extraordinary Shareholders' Meeting it was agreed to increase the capital of Scotiabank Chile by MCh$250,000, through the issuance of 735,294,118 new same series, no par value nominative shares. As a result of the aforementioned increase, the capital of Scotiabank Chile amounts to MCh$1,246,706 divided into 12,244,885,748 shares.

The Financial Market Commission approved the aforementioned capital increase, through Resolution No. 929 dated January 28, 2020, which was registered under sheet 8449, No.4558 at the Santiago's Trade Register on January 30, 2020 and was published in the Official Gazette on February 5, 2020. The preferential subscription period for shareholders began on February 20 and finished on March 20, 2020.

a.3) Dividends paid and reserves

At the Ordinary Shareholders' Meeting of Scotiabank Chile held on March 27, 2020, it was agreed to distribute 40% of the profits from 2019 amounting to MCh$101,751, equivalent to a dividend of Ch$8.51491 per share and to allocate the remaining balance to the reserve for undistributed profit.

At the Ordinary Shareholders' Meeting of Scotiabank Chile held on April 25, 2019, it was agreed to pay a minimum legal dividend equivalent to 30% of the profits from 2018 amounting to MCh$32,436, equivalent to Ch$2.81818 per share, in which the remaining balance will be allocated to the reserve for undistributed profit.

b) Accounting equity

The detail of capital, reserves, other comprehensive income and retained earnings attributable to common shareholders, is as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Capital:		
Share capital	1,246,706	996,706
Shares acquired by the Bank	-	-
Total	**1,246,706**	**996,706**
Reserves:		
Share premium	121,715	121,715
Other reserves not related to earnings	10,296	10,296
Reserves from earnings	364,386	364,386
Total	**496,397**	**496,397**
Other comprehensive income:		
Adjustment of available-for-sale investments	10,144	6,081
Adjustment of cash flow hedge derivatives	(223,372)	(162,114)
Total	**(213,228)**	**(156,033)**
Retained earnings:		
Retained earnings from previous periods	675,689	523,121
Profit or loss for the year	275,419	254,378
Provisions for minimum dividends	(82,626)	(76,314)
Total	**868,482**	**701,185**
Profit or loss for the year - Non-controlling	107,189	105,768
Total	**107,189**	**105,768**

c) Non-controlling interest

The detail of non-controlling interest in subsidiaries is as follows:

Information as of December 31, 2020	Non-controlling interest %	Non-controlling interest MCh$	Profit or loss attributable to non-controlling interest MCh$	Payment of dividends to non-controlling interest MCh$
CAT Administradora de Tarjetas S.A.	49.00%	94,595	6,871	(6,747)
CAT Corredores de Seguros y Servicios S.A.	49.00%	5,892	1,400	(1,266)
Servicios Integrales S.A.	49.00%	1,051	547	(238)
Administradora y Procesos S.A.	49.00%	4,752	1,922	(1,291)
Scotia Corredora de Bolsa Chile Limitada	0.01%	6	1	-
Bandesarrollo Sociedad de Leasing Inmobiliario S.A.	0.09%	10	1	-
Scotia Asesorías Financieras Limitada	1.26%	175	57	-
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	2.51%	708	151	-
Total		**107,189**	**10,950**	**(9,542)**

Information as of December 31, 2019	Non-controlling interest %	Non-controlling interest MCh$	Profit or loss attributable to non-controlling interest MCh$	Payment of dividends to non-controlling interest MCh$
CAT Administradora de Tarjetas S.A.	49.00%	94,471	13,493	(8,249)
CAT Corredores de Seguros y Servicios S.A.	49.00%	5,758	2,533	(1,058)
Servicios Integrales S.A.	49.00%	742	476	(252)
Administradora y Procesos S.A.	49.00%	4,121	2,583	(313)
Scotia Corredora de Bolsa Chile Limitada	0.01%	5	-	-
Bandesarrollo Sociedad de Leasing Inmobiliario S.A.	0.09%	10	1	-
Scotia Asesorías Financieras Limitada	1.26%	118	62	(21)
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	2.51%	543	40	-
Total		**105,768**	**19,188**	**(9,893)**

The detail of the Bank's subsidiaries with significant non-controlling interests is as follows:

Information as of December 31, 2020	Profit (loss) for the year MCh$	Total assets MCh$	Total liabilities MCh$
CAT Administradora de Tarjetas S.A.	14,021	1,145,177	957,735
CAT Corredores de Seguros y Servicios S.A.	2,858	19,501	8,620
Servicios Integrales S.A.	1,116	3,889	2,190
Administradora y Procesos S.A.	3,924	12,667	4,539
Scotia Asesorías Financieras Limitada	4,491	14,066	169
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	6,019	46,447	20,032

Information as of December 31, 2019	Profit (loss) for the year MCh$	Total assets MCh$	Total liabilities MCh$
CAT Administradora de Tarjetas S.A.	27,538	1,348,021	1,166,238
CAT Corredores de Seguros y Servicios S.A.	5,169	23,720	14,037
Administradora y Procesos S.A.	971	4,018	2,892
Servicios Integrales S.A.	5,270	13,433	7,132
Scotia Asesorías Financieras Limitada	4,954	10,419	1,012
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	1,569	49,701	28,536

Note 27 Interest and indexation

a) Interest and indexation income and expenses are included in the Consolidated Statement of Income, and are detailed as follows:

	Interests		Indexation		Total	
	12/31/2020 MCh$	12/31/2019 MCh$	12/31/2020 MCh$	12/31/2019 MCh$	12/31/2020 MCh$	12/31/2019 MCh$
Income:						
Repurchase agreements	956	2,856	-	-	956	2,856
Loans to banks	261	678	-	-	261	678
Commercial loans	423,663	485,337	94,057	86,088	517,720	571,425
Mortgage loans	320,923	330,082	253,583	231,004	574,506	561,086
Consumer loans	442,232	505,855	907	1,381	443,139	507,236
Investment securities	18,305	22,809	7,546	1,740	25,851	24,549
Other interest and indexation income	12,034	18,348	2,730	3,920	14,764	22,268
Gain (loss) from accounting hedges	-	-	(37,415)	(9,024)	(37,415)	(9,024)
Total	**1,218,374**	**1,365,965**	**321,408**	**315,109**	**1,539,782**	**1,681,074**
Expenses:						
On-demand deposits	(20,857)	(35,966)	-	(1,195)	(20,857)	(37,161)
Repurchase agreements	(5,008)	(16,261)	-	-	(5,008)	(16,261)
Term and on-demand deposits	(174,169)	(301,546)	(3,129)	(4,779)	(177,298)	(306,325)
Bank borrowings	(58,672)	(104,982)	-	(3)	(58,672)	(104,985)
Debt securities issued	(168,813)	(176,256)	(160,971)	(153,587)	(329,784)	(329,843)
Other financial liabilities	(5)	(309)	144	(391)	139	(700)
Lease contract obligations	(4,697)	(4,815)	-	-	(4,697)	(4,815)
Other interest and indexation expense	(1,360)	(4,342)	(8,027)	(4,578)	(9,387)	(8,920)
Gain (loss) from accounting hedges	-	-	(20,021)	(7,741)	(20,021)	(7,741)
Total	**(433,581)**	**(644,477)**	**(192,004)**	**(172,274)**	**(625,585)**	**(816,751)**
Net interest and indexation income	**784,793**	**721,488**	**129,404**	**142,835**	**914,197**	**864,323**

b) Suspended interest and indexation at each year-end is detailed as follows:

	Interests		Indexation		Total	
	12/31/2020 MCh$	12/31/2019 MCh$	12/31/2020 MCh$	12/31/2019 MCh$	12/31/2020 MCh$	12/31/2019 MCh$
Commercial loans	2,836	1,133	1,338	1,640	4,174	2,773
Mortgage loans	2,238	1,716	4,032	3,625	6,270	5,341
Consumer loans	1	1	-	-	1	1
Total	**5,075**	**2,850**	**5,370**	**5,265**	**10,445**	**8,115**

Note 28 Fees and commissions

a) Fee and commission income and expenses are included in the Consolidated Statement of Income, and are detailed as follows:

	12/31/2020 MCh$	12/31/2019 MCh$
Fee and commission income:		
Revolving credit facilities and bank overdrafts	998	2,855
Guarantees and letters of credit	11,499	10,987
Credit card services	75,441	95,792
Account management	19,296	15,369
Collection and payments	54,736	52,789
Securities brokerage and management	2,678	3,082
Investments in mutual fund deposits or other	14,127	17,812
Insurance brokerage	35,053	59,718
Loan management under Law No. 20.027	11,326	10,964
Other subsidiary commissions	6,810	7,687
Other commissions	9,523	8,381
Total	**241,487**	**285,436**
Fee and commission expenses:		
Credit card transactions	(27,758)	(35,289)
Debit and ATM card transactions	(7,769)	(15,729)
Other fees and commissions from credit card transactions	(330)	(341)
Deposit and custody of securities	(612)	(361)
Brokerage	(3,046)	(2,434)
Other security transactions	(13,945)	(12,985)
Fees and commissions from guarantors for Bank liabilities	-	(396)
Fees and commissions paid for collection management	(3,779)	(3,006)
Commissions for guarantees granted	(2,302)	-
Other commissions	(3,152)	(7,463)
Total	**(62,693)**	**(78,004)**
Net fee and commission income	**178,794**	**207,432**

b) Fee and commission income and expenses by segment are detailed as follows:

Concept	SME and Retail MCh$	Commercial Banking MCh$	Personal Banking MCh$	Financial Retail MCh$	Other MCh$	Total MCh$
	As of December 31, 2020					
Revolving credit facilities	161	260	555	-	22	998
Bank guarantee certificates	315	8,901	206	-	2,077	11,499
Credit cards	750	181	11,526	28,433	(1,306)	39,584
Current accounts	4,671	1,149	13,476	-	-	19,296
Collection	8,929	3,931	25,487	20,204	(5,534)	53,017
Insurance	3,154	3,559	20,976	9,774	16,114	53,577
Other	7,722	9,899	(6,562)	(243)	(9,993)	823
Net fee and commission income	**25,702**	**27,880**	**65,664**	**58,168**	**1,380**	**178,794**

Concept	SME and Retail MCh$	Commercial Banking MCh$	Personal Banking MCh$	Financial Retail MCh$	Other MCh$	Total MCh$
	As of December 31, 2019					
Revolving credit facilities	170	1,027	1,636	-	22	2,855
Bank guarantee certificates	575	9,751	2	-	659	10,987
Credit cards	1,384	465	16,869	4,176	21,539	44,433
Current accounts	4,844	1,640	8,880	-	5	15,369
Collection	4,593	3,590	12,176	28,602	11,540	60,501
Insurance	6,858	3,120	23,321	16,453	15,496	65,248
Other	8,344	2,826	10,595	27,168	(40,894)	8,039
Net fee and commission income	**26,768**	**22,419**	**73,479**	**76,399**	**8,367**	**207,432**

Note 29 Net gain (loss) from financial operations

The gains or losses included in the caption "Gain or loss on financial transactions" in the Consolidated Statement of Income for the year, correspond to the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Net loss (gain) on financial instruments held for trading:		
Interest and indexation	11,478	23,742
Fair value adjustments	1,493	685
Gain on sales	36,932	31,753
Loss on sales	(16,874)	(13,771)
Gain on investments in mutual funds	755	1,996
Net gain (loss) on financial derivative instruments held for trading	**33,784**	**44,405**
Net (loss) gain on financial derivative instruments held for trading:		
Gain on derivative instruments	7,679,634	7,199,074
Loss on derivative instruments	(7,594,852)	(7,121,750)
Net gain (loss) on financial derivative instruments held for trading	**84,782**	**77,324**
Sale of available-for-sale securities:		
Gain on sales	13,886	16,133
Loss on sales	-	(212)
Net gain (loss) on sale of available-for-sale securities	**13,886**	**15,921**
Net gain on sale of loan portfolio	**8,638**	**13,078**
Net gain on other transactions		
Letters of credit issued by the Bank	-	39
Income from ineffective hedges	628	787
Expense from ineffective hedges	(2,433)	(3,201)
Other income	261	533
Other expenses	(816)	(2,540)
Net gain or loss on other transactions	**(2,360)**	**(4,382)**
Net gain (loss) from financial operations	**138,730**	**146,346**

Note 30 Net foreign currency exchange profit or loss

As of December 31, 2020 and 2019, this caption is composed of the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Net gain or loss from foreign currency exchange differences:		
Foreign currency exchange gain, net - exchange position	23,301	(54,715)
Other	6,658	(5,862)
Subtotal	**29,959**	**(60,577)**
Net gain or loss from foreign currency exchange indexation:		
Securities held for trading	-	(1)
Loans to customers	(3,833)	5,041
Other assets	-	41
Other liabilities	-	(5)
Subtotal	**(3,833)**	**5,076**
Net gain or loss from derivatives in hedge accounting:		
Gain from hedge of assets	253	78
Loss from hedge of assets	(4,996)	(15,109)
Gain from hedge of liabilities	10,742	58,675
Loss from hedge of liabilities	(35,316)	(10,511)
Subtotal	**(29,317)**	**33,133**
Total	**(3,191)**	**(22,368)**

Note 31 Allowances for credit risk

Allowances for credit risk included in the Consolidated Statement of Income for the year are detailed as follows:

As of December 31, 2020	Loans and advances to banks	Loans and advances to customers					
		Commercial loans	Mortgage loans	Consumer loans	Contingent loans	Other loans	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
Allowances accrued:							
Individual allowances	(24)	(152,482)	-	-	-	-	(152,506)
Collective allowances	-	(33,686)	(7,397)	(252,638)	(1,435)	(83,716)	(378,872)
Net gain (loss) from allowances accrued	(24)	(186,168)	(7,397)	(252,638)	(1,435)	(83,716)	(531,378)
Release of allowances:							
Individual allowances	4	65,801	-	-	98	-	65,903
Collective allowances	-	4,189	8,037	45,786	8,021	4,359	70,392
Net gain (loss) on release of allowances	4	69,990	8,037	45,786	8,119	4,359	136,295
Net gain (loss) on allowances	**(20)**	**(116,178)**	**640**	**(206,852)**	**6,684**	**(79,357)**	**(395,083)**
Recovery of assets written-off	-	10,152	3,926	52,767	-	-	66,845
Net gain (loss)	**(20)**	**(106,026)**	**4,566**	**(154,085)**	**6,684**	**(79,357)**	**(328,238)**

As of December 31, 2019	Loans and advances to banks MCh$	Loans and advances to customers Commercial loans MCh$	Mortgage loans MCh$	Consumer loans MCh$	Contingent loans MCh$	Other loans MCh$	Total MCh$
Allowances accrued:							
Individual allowances	-	(40,175)	-	-	-	-	(40,175)
Collective allowances	-	(31,489)	(7,936)	(282,708)	(691)	(3,627)	(326,451)
Net gain (loss) from allowances accrued	-	(71,664)	(7,936)	(282,708)	(691)	(3,627)	(366,626)
Release of allowances:							
Individual allowances	-	7,203	-	-	115	-	7,318
Collective allowances	-	7,195	1,172	1,501	9,295	41	19,204
Net gain (loss) on release of allowances	-	14,398	1,172	1,501	9,410	41	26,522
Net gain (loss) on allowances	**-**	**(57,266)**	**(6,764)**	**(281,207)**	**8,719**	**(3,586)**	**(340,104)**
Recovery of assets written-off	-	9,647	6,282	48,145	-	-	64,074
Net gain (loss)	**-**	**(47,619)**	**(482)**	**(233,062)**	**8,719**	**(3,586)**	**(276,030)**

According to Management's judgment, allowances made for credit risk and impairment losses cover all possible losses that may arise from not recovering assets according to the background information analyzed by the Bank.

Note 32 Personnel payroll and expenses

The following expenses derived from the relationship between the Bank as employer and its employees, which correspond to remunerations, compensations and other expenses have been accrued or paid to personnel during the years ended December 31, 2020 and 2019:

	12/31/2020 MCh$	12/31/2019 MCh$
Payroll	143,138	148,205
Bonuses	87,236	91,880
Severance indemnity payments	5,750	36,855
Training expenses	1,406	2,162
Other personnel expenses	19,982	20,047
Total	**257,512**	**299,149**

Note 33 Administrative expenses

As of December 31, 2020 and 2019, this caption is composed of the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Administrative expenses		
Maintenance and repair of property and equipment	7,338	9,344
Insurance premiums	6,427	4,672
Office stationery	2,711	2,803
IT and communication expenses	52,101	52,696
Electricity, heating and other services	3,050	3,240
Security patrol and security transport services	3,750	3,991
Representation expenses and personnel transportation	336	1,681
Legal and notary expenses	8,574	9,134
Professional service fees	4,554	10,452
Fines imposed by the CMF	-	48
Fines imposed by other entities	106	295
Expenses related to short-term lease contracts	1,268	2,501
Other expenses related to lease contract obligations	312	232
Other general administrative expenses	46,550	46,246
Subcontracted services		
Data processing	771	397
Sale of products	138	322
Other (1)	47,684	51,989
Board of Directors expenses		
Directors' fees	1,063	1,053
Other Directors' expenses	-	2
Publicity and advertising	27,097	30,572
Taxes and contributions		
Real estate	928	857
Patents	2,353	2,350
Other taxes	364	978
Contributions to the CMF	9,146	8,156
Total	**226,621**	**244,011**

(1) This item comprises mainly expenses from card processing, collection expenses, and advisory services by the subsidiaries CAT Administradora de Tarjetas S.A. and Servicios Integrales S.A., amounting to MCh$22,576 (MCh$28,306 as of December 31, 2019). In addition, the services of Scotia Servicios Corporativos SpA are included for MCh$8,190 (MCh$7,778 as of December 31, 2019).

Note 34 Depreciation, amortization and impairment

The caption "Depreciation, amortization and impairment" in the Consolidated Statement of Income for the year is composed of the following expenses incurred during the years ended December 31, 2020 and 2019:

	12/31/2020 MCh$	12/31/2019 MCh$
Depreciation of property and equipment	13,428	12,252
Amortization of intangible assets	26,145	26,178
Amortization and depreciation of right-of-use assets under lease contracts	19,206	18,347
Total depreciation and amortization	**58,779**	**56,777**
Impairment of intangible assets	72	219
Total impairment	**72**	**219**
Total	**58,851**	**56,996**

Note 35 Other operating income

As of December 31, 2020 and 2019, this caption comprises the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Compensation received	11,510	2,907
Income from assets received in lieu of payment	9,906	13,166
Incentives received from credit brands	7,266	11,119
Reimbursement of expenses	5,699	8,833
Income from advisory services	4,478	4,851
Gain from the sale of property and equipment	2,234	23,298
Other income from subsidiaries	1,896	647
Insurance company compensations	1,601	-
Income other than interest and commissions from lease contracts	575	1,123
Other income from lease operations	341	279
Leases received	70	137
Release of other provisions	31	1,310
Income from COVID-19 concessions	27	-
Grants received from Minvu (Ministerio de Vivienda y Urbanismo)	22	85
Gain from the sale of interest in companies	-	1
Other operating income	1,237	2,343
Total	**46,893**	**70,099**

Note 36 Other operating expenses

As of December 31, 2020 and 2019, this caption comprises the following:

	12/31/2020 MCh$	12/31/2019 MCh$
Expenses related to operational risk	12,036	5,403
Write-off of assets received in lieu of payments	10,107	11,097
Provisions for contingencies	6,925	2,570
Expenses related to provisions for securitized bonds	5,581	4,342
Write-off due to commercial decisions	3,282	1,256
Provision for assets received in lieu of payment	1,818	1,724
Local camera compensation exchange fees	1,806	1,718
Correspondent bank expenses	1,784	1,438
Other operating expenses of subsidiaries	1,009	1,049
Donations	685	506
Expenses related to the sale of goods in lieu of payment	657	273
Maintenance expenses from assets received in lieu of payment	517	712
Legal settlements fees	425	706
Leased asset expenses	411	588
Write-off of recovered leased assets	408	358
Non-deductible expenses under Income Law Art 21	53	414
Loss from the sale of property and equipment	42	1
Return of prior-year commissions	6	17
Provisions for recovered leased assets	2	1,871
Restructuring costs	-	12
Other operating expenses	1,305	2,719
Total	**48,859**	**38,774**

Note 37 Transactions with related parties

As per instructions in Chapter 12-4 of the Updated Summary of Standards issued by the CMF, related parties are persons or entities that, have a direct interest or indirect interest through in the Bank's ownership when such interest exceeds 1 % of the shares, as well as persons who, without holding an interest in the Bank's ownership, have authority and responsibility in the planning, management and control of activities of the Bank or its subsidiaries. Persons or entities related to the Bank holding, directly, through third parties or both, a share higher than 5% are also considered related parties or where they act as director, general manager or other equivalent position.

Article 89 of the Law on Public Companies, also applied to banks, establishes that any transaction with a related party should be performed in fair conditions, similar to the ones commonly prevailing in the market.

On the other hand, Article 84 of the General Banking Law establishes the limits for the loans that can be granted to related parties and the prohibition to grant loans to the directors, managers or general representatives of the Bank.

a) Loans to related parties

Loans and receivables, contingent loans and assets related to securities and investments held for trading with related parties are as follows:

	As of December 31, 2020			As of December 31, 2019		
	Operating companies MCh$	Investment companies MCh$	Individuals MCh$	Operating companies MCh$	Investment companies MCh$	Individuals MCh$
Loans and receivables:						
Commercial loans	274,749	14,131	18,647	225,579	13,896	18,698
Mortgage loans	-	-	81,210	-	-	72,951
Consumer loans	-	-	15,381	-	-	16,063
Gross loans	**274,749**	**14,131**	**115,238**	**225,579**	**13,896**	**107,712**
Allowances for loans	(1,026)	(114)	(785)	(1,113)	(97)	(838)
Net loans	**273,723**	**14,017**	**114,453**	**224,466**	**13,799**	**106,874**
Contingent loans:						
Total contingent loans	17,606	5,480	22,655	24,841	6,490	25,923
Allowances for contingent loans	(29)	(3)	(64)	(25)	(10)	(91)

b) Other assets and liabilities with related parties

	12/31/2020 MCh$	12/31/2019 MCh$
Assets		
Derivative instruments	1,453,122	833,253
Other assets	4,232	1,334
Liabilities		
Derivative instruments	1,437,115	1,062,968
On-demand deposits	71,212	59,664
Term and on-demand deposits	204,178	381,048
Other liabilities	5,881	3,406

c) Gain or loss from transactions with related parties

	For the years ended			
	12/31/2020		12/31/2019	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Interest and indexation income and expenses	15,990	8,351	11,231	7,368
Fee and commission income and expenses	1,680	16,130	884	21,767
Gain or loss from trading activities	1,565,157	1,826,829	823,091	1,146,414
Gain or loss from other financial transactions	411	-	352	-
Operating support expenses	-	27,055	-	29,050
Other income and expenses	1,785	7,465	1,152	5,434
Total	**1,585,023**	**1,885,830**	**836,710**	**1,210,033**

d) Contracts with related parties

As of December 31, 2020 and 2019, no contracts with related parties have been entered into for transactions other than the normal operations related to the line of business.

e) Directors and key management personnel compensation

As approved at Shareholders' Meetings, as of December 31, 2020, the Bank and its subsidiaries have paid to the Board of Directors or accrued with a debit to profit or loss for the period the amount of MCh$1,063 (MCh$1,055 as of December 31, 2019). This amount has been paid for compensation, fees and other expenses related to their functions.

The compensation of key management personnel is detailed as follows:

	12/31/2020		12/31/2019	
	Directors MCh$	Key management personnel MCh$	Directors MCh$	Key management personnel MCh$
Short-term benefits	1,063	14,149	1,055	14,308
Severance indemnity payments	-	1,139	-	848
Total	**1,063**	**15,288**	**1,055**	**15,156**

f) Composition of key personnel

As of December 31, 2020 and 2019, the Bank's key personnel comprises the following:

Position	12/31/2020 No. of	12/31/2019 No. of
Directors	11	11
Key management personnel (*)	76	83

(*) Key personnel are composed of divisional managers and the managers directly reporting to them.

Note 38 Fair value of financial assets and liabilities

Determination of the fair value of financial instruments.

The following is a comparison between the carrying amount of the Bank's financial assets and liabilities and their corresponding fair value as of December 31, 2020 and 2019:

	12/31/2020		12/31/2019	
	Carrying amount MCh$	Estimated fair value MCh$	Carrying amount MCh$	Estimated fair value MCh$
Assets				
Cash and deposits in banks	1,252,255	1,252,255	1,384,762	1,384,762
Transactions pending settlement	344,282	344,282	366,308	366,308
Securities held for trading	751,269	751,269	845,707	845,707
Investments sold under repurchase agreements and securities lending	74,483	74,486	23,146	23,146
Derivative instruments	5,293,792	5,293,792	4,571,759	4,571,759
Loans and advances to banks	354,374	354,374	81,127	81,127
Loans and advances to customers	24,870,071	26,067,821	24,812,269	26,048,691
Available-for-sale investment securities	2,121,614	2,121,614	808,674	808,674
Securitized bonds	16,472	17,502	17,417	18,375
Liabilities				
Deposits and other on-demand liabilities	6,805,111	6,805,111	4,865,538	4,865,538
Transactions pending settlement	299,014	299,014	232,354	232,354
Investments sold under repurchase agreements and securities lending	456,319	456,322	1,089,323	1,088,912
Term and on-demand	8,840,138	8,940,964	11,124,022	11,164,751
Derivative instruments	5,733,336	5,733,336	4,574,890	4,574,890
Bank borrowings	4,386,782	4,396,107	3,275,807	3,307,475
Debt securities issued	6,765,390	7,804,273	6,288,227	7,283,642
Other financial liabilities	53,215	53,215	66,891	66,891
Lease contract obligations	168,763	168,763	219,062	219,062

In addition, the estimated fair values presented above are not intended to estimate neither the value of the Bank's earnings generated by its business nor future business activities and, therefore, they do not represent the Bank's value as a going concern.

Calculation analysis and explanation

For assets that are recognized at amortized cost to determine their fair value, the Bank used the market curve for each currency plus an estimate of the spread for each of the main types of products as of December 31, 2020 and 2019. The highest differences are recorded in the mortgage portfolio and bonds issued as they relate to long-term balances. This has an impact on two key aspects:

- Old placements/issuances performed at rates other than those currently in force.
- Their amount is much more sensitive to rate fluctuations.

Determining fair value and hierarchy

The Bank establishes a fair value hierarchy that segregates inputs and/or estimates used in measuring the fair value of financial instruments. The hierarchy assigns the most significant priority to quoted market price (unadjusted) in active markets for identical assets or liabilities (Level 1) and the less significant priority to valuation techniques using significant unobservable inputs (Level 3). The three fair value hierarchy levels are the following:

- Level 1: fair value measurements using quoted prices (unadjusted) in markets for identical instruments for which the Bank has the ability to access at the measurement date. Inputs required to measure at market value the instruments in this category are available on a daily basis and used directly. For Shares and Sovereign Bonds, prices are directly observed in the Stock Exchange, whereas for currency and mutual fund deposits, prices are directly observed in OTC markets. Such prices correspond to the values by which exactly the same assets are traded and accordingly, the measurement of the portfolio does not require any type of assumption or model.

- Level 2: Financial instruments the fair value of which is realized using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices). In this category the instruments that are measured through the discount of contractual cash flows based on a zero-coupon yield curve determined through prices of instruments of similar characteristics and issuer risk. The income approach is used consisting of converting future to present values. For derivative instruments in such category OTC quoted transactions are observed that are informed to the most relevant brokers in the Chilean market and from the Bloomberg and Reuters platform. Inputs observed are forward prices and interest rates. From such inputs, market curves are calculated which represent in numbers the costs of timing of cash flows from the instrument or associated with the volatility of an asset's price, where finally cash flows are discounted. For brokerage securities, the prices of same type of security transactions are observed at similar terms in the Stock Exchange and market curves are calculated from these.

- Level 3: the fair value is based on models which use significant inputs that are not based on observable inputs. This is used when prices or inputs are unobservable either directly or indirectly for similar instruments for the asset or liability at the valuation date. Such valuation models at fair value are of a subjective nature. Accordingly, they base their estimation of prices on a range of assumptions which are widely accepted in the market.

The level in the hierarchy at which a measurement is classified is based on the lowest level of the input that is significant for the measurement of the entire fair value. The table below presents the assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2020 and 2019:

As of December 31, 2020	Carrying amount MCh$	Fair value measurements Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Securities held for trading	751,269	413,641	337,628	-
Available-for-sale investment securities	2,121,614	1,482,553	639,061	-
Derivative instruments	5,293,792	-	5,293,792	-
Securitized bonds	16,472	-	-	17,502
Total assets	**8,183,147**	**1,896,194**	**6,270,481**	**17,502**
Liabilities				
Derivative instruments	5,733,336	-	5,733,336	-
Lease contract obligations	168,763	-	-	168,763
Total liabilities	**5,902,099**	**-**	**5,733,336**	**168,763**

As of December 31, 2019	Carrying amount MCh$	Fair value measurements Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Securities held for trading	845,707	408,230	437,477	-
Available-for-sale investment securities	808,674	736,140	54,546	17,988
Derivative instruments	4,571,759	-	4,571,759	-
Securitized bonds	17,417	-	-	18,375
Total assets	**6,243,557**	**1,144,370**	**5,063,782**	**36,363**
Liabilities				
Derivative instruments	4,574,890	-	4,574,890	-
Lease contract obligations	219,062	-	-	219,062
Total liabilities	**4,793,952**	**-**	**4,574,890**	**219,062**

Note 39 Risk management

1) Introduction

Scotiabank and its subsidiaries operate in a highly-automated, regulated and competitive market, exposed to a number of risks, which may have an adverse impact on the Bank's financial aspects and its corporate image. Such risks require being managed through the use of structures and methodologies that are consistent with the volume and complexity of the transactions and automation levels, with the purpose of ensuring that such risks are managed within the appropriate risk appetite levels established by Management, and in accordance with the strategy established by Corporate Governance. This allows the Bank and its subsidiaries to balance risks and benefits to maximize shareholder value.

As a result of the health emergency due to COVID-19, during 2020 Scotiabank and its subsidiaries have increased their exposure to some risks, which impact on the business and financial position is explained in detail in the notes on accounting changes, significant events and allowances.

Principles

The activities that require assuming and managing risks at the Bank are governed by the following principles:

- Risk and benefit – Business and risk decisions are consistent with the strategies and risk appetite.
- Understanding the risks – All material risks to which the Bank is exposed are identified and managed, including financial and non-financial risks.
- Forward-looking thinking – Emerging risks and potential vulnerabilities are proactively identified.
- Shared responsibility – All employees are responsible for managing risk.
- Focus on the customer – Understanding our customers and their needs is essential for all businesses and risk decision making.
- Protecting our brand – All risk-taking activities must be aligned with the risk appetite determined by the Bank, the Code of Conduct, and the values and principles established in the Policies.
- Controls - Maintaining a solid and resilient control environment to protect our related parties.
- Resilience - Being operationally and financially prepared to respond to negative events.
- Compensation - Performance and compensation structures reinforce the Bank's values and promote a risk-taking behavior.

2) Risk management structure

- **Board of Directors:**

Because the Board of Directors is the highest level in the Bank's risk management structure, it provides supervision, either directly or through its supporting Committees, to ensure that decisions made are consistent with the Bank's strategies and risk appetite. The Board of Directors receives regular updates on key risks, including a summary of the Bank's risk profile, the main and emerging risks, and the performance of the portfolio compared to the limits defined and approves the key risk policies, limits, and the Risk Appetite framework.

Decision-making is centralized in several committees related to risk management, such as:

- **Risk Committee**

It is a supporting Committee which helps the Board of Directors of Scotiabank Chile supervise risk management, including institutional risk, credit risk, market risk and operational risk to which Scotiabank Chile is exposed to improve the ease of its monitoring and oversight. Likewise, it provides the Board of Directors with updated information on the Bank's risk management.

- **Asset and Liability Management Committee (ALCO)**

This Committee has the mission of providing strategic guidelines that allow properly managing the Bank's financial structure consistent with the objectives established by the Board of Directors and the policies of Scotiabank Chile. This Committee is composed of Senior Management members, who are responsible for overseeing the progress of the balance and long-term strategies, establishing a focus for discussing and resolving different issues related to the Bank's growth, funding, products, pricing, risks, and profit or loss.

- **Model Committee**

The Model Committee is an instance formed to define and approve the preparation, application and follow-up and validation of the models used in risk management for the Personal Banking, Consumer Finance - SME and Commercial Banking segments, in the different stages of the credit cycle. Additionally, the Committee oversees the development, approval and implementation of local and global regulatory provision models.

- **Committee for Preventing Money Laundering and the Financing of Terrorism of Scotiabank Chile and its subsidiaries**

Promoting and improving compliance by the Bank and its subsidiaries of the regulations and best practices to prevent, detect and report unusual transactions that may be linked to money laundering.

• **Liquidity Contingency Committee**

The Liquidity Contingency Committee is the highest resolver within the organization during a liquidity stress event, being the contact and consultation point for the Bank's different areas. The Committee may be summoned and enabled by the Executive Vice President – Country Head, as Chairman and Officer in Charge, or in his absence, by the Regional Treasury Vice President or through a resolution by the ALCO. The enablement may be based on assessments of early alerts of a potential liquidity stress event included in the Liquidity Policy and on all information available. When the liquidity position does not allow waiting for the subsequent ALCO meeting, the Chairman and the Officer in charge of the Committee or, in his absence, the Regional Treasury Vice President, has the power to summon and enable the Liquidity Contingency Plan.

• **Non-financial Risk Management Committee Scotiabank Chile and subsidiaries**

Provide high-level oversight on Non-financial risks (Operational Risk, Information Security Risk, Business Continuity Risk, Outsourced Services Risk, New Products and Initiatives Risk, Compliance Risk, Regulatory Report Risk and Reputational Risk), providing a strategic approach and coordinating the development of local internal control programs.

• **Audit Committee**

It is a committee supporting Scotiabank's Board of Directors, responsible for various aspects related to efficiency, maintenance, application and functioning of the Bank and its subsidiaries' internal control systems; close monitoring of compliance with the standards and procedures governing their application, having a clear understanding of the risks which may impact the business activities may have for the Bank; strengthening and supporting the comptrollership function, as well as Management independence and serving as the channel and coordinating the tasks of internal audit and external auditors, serving also as the channel between them and the Bank's Board of Directors.

Division Risk

This Division supports the Bank's objectives and must maintain an efficient and ongoing Risk Management Framework at all the Bank's levels. The Risk Division is responsible for providing a reasonable guarantee to the Senior Management, Board of Directors and Shareholders that risks have been duly identified, controlled and communicated to the key stakeholders. This is achieved by the efficient and timely submission of information. The Risk Division's mission is to guarantee that the results of the risk assumption activities are consistent with the Bank's strategies and risk appetite and that a reasonable balance exists between the risk and benefit to maximize the value for the shareholders.

Certain key risk management activities performed by the risk division are but are not limited to:

Retail Loan Management

- The assessment of the exceptional credit risk and other credit transactions of the different customer service channels for the Consumer Finance, Personal Banking, Financial Retail and SME Banking.

- The comprehensive management of collections together with compliance with the policies, as well as leading projects for the automation of or improvements in collection systems.

Commercial risk

- Assessing loans, exceptions and other transactions of the different customer service channels for the Commercial, Large Companies, Commercial, and Corporate and Real Estate.

Company Normalization and BRP

- Manages borrowers transferred from the Commercial Areas (Corporate, Large Companies, Wholesale, Real Estate and Businesses), including the Lease and factoring operations portfolio which show issues in completion with the obligations with the Bank or show evidence of impairment in their economic or financial position. Note that this Management is also responsible for managing assets received in lieu of payment.

Market risk

- Measuring and communicating to the Senior Management the risks assumed by the Scotiabank Group in Chile because of changes in prices or liquidity so that these are administered in accordance with the risk appetite and existing expectations.

Enterprise Risk Management

- Develop and implement methods to identify, assess, measure and monitor operational, technology and information security risks, challenge the first line of defense and report the results to Senior Management and the Board of Directors.

- Business Continuity Management is the process consisting of early developing the necessary competences to avoid or mitigate the impact of an event resulting in a business interruption.

- Implement the Risk Management Framework and Risk Appetite Framework, being responsible for the Risk Culture and Crisis Recovery Plan, coordinate reports for the Risk Committee. Additionally, it coordinates the governance related to the Risk Division's policies and guidelines, guaranteeing alignment to them, as well as their dissemination, and compliance with the Parent Bank's policies (BNS), local regulations and good market practices.

- Conduct an independent verification of the soundness and reliability of risk models in accordance with their development objectives and use in management activities.

- Provide an overview of the Risk Area, both for reporting, Committees, follow-up of metrics/budget, and being the overall liaison for Risk topics between internal/external auditors.

Compliance

- Assist Management in the application of the compliance program and implement regulations issued by regulatory entities and corporate procedures issued by Scotiabank Chile and its subsidiaries; safeguard and provide advisory on the application of Scotiabank's Code of Conduct; and assist Senior Management in identifying and managing default risk.

- Collaborate with Management on establishing a Crime Prevention Model in conformity with Law No. 20,393 on the Legal Responsibility of Legal entities and ensure its effective implementation and application.

Preventing Money Laundering and the Financing of Terrorism

- Prevent the use of the products of the Bank and its Subsidiaries for crimes associated with Money Laundering and the Financing of Terrorism decreasing the associated reputation risk.

Data Office

- The Data Office establishes the strategy and leads the data management program throughout the Bank; such program is designed to ensure data reliability, availability and backup in order to generate value for the business, deeming data as a strategic asset, and safeguarding the Bank (Data Risk Management) in the event that different regulating agencies require information.

- The responsibilities of the Data Office include establishing the data management framework, data management policies, and standards, tools and operating model for the stages within the data life cycle.

- Provides guidelines on roles and responsibilities; validates compliance with policies and procedures to guarantee that appropriate controls on data quality are in place; identifies data dependencies and interaction and measurement models on the Bank's data quality (through executive reports).

3) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterpart to a financial instrument fails to meet its contractual obligations. It arises mainly from loans and advances to customers and other banks, and investment securities.

The Bank manages credit risk through a number of tools including procedures, models, validation, controls, behavior monitoring, etc. This is framed within a global strategy. Separate limits and models based on client's characteristics and in function of the operating environment are established.

The process used by the Bank to apply its policies and controls includes the following features:

- Centralized awarding process, where all attributions lie on the Credit Committees.
- Clearly established credit discretionary limits.
- Credit Committees specialized by business segments.
- Credit Committees specialized by sectors in the economic activity.

The main controls established by the Bank include:

- Control and follow-up of authorized credit limits by economic activity sector.
- Preparation of credit management reports.
- Early warnings of the commercial portfolio.
- Monthly calculation and control of provisions.
- Follow-up of the impaired portfolio.
- Control of write-offs control and loan recoveries.

The Bank has separate models to establish the appropriate amount of potential losses, based on the following models for the individual and collective evaluation of debtors:

Individual assessment:

Debtors with the following characteristics will be considered as commercial portfolio subject to individual assessment:

All Wholesale customers, i.e. customers assigned to the Corporate, Real Estate, Large Companies and Wholesale segments.

Debtors other than Wholesale that meet the following conditions:

- Annual sales equal to or higher than MCh$1,000.
- Customers whose commercial debts are equal to or higher than MCh$500. Commercial debts comprise loan operations, contingent loans, leases and factoring operations.
- Debtors recording cross-border operations among their loans will be considered individual customers.

In accordance with the Chilean Financial Market Commission (CMF) in Chapter B-1 of the Compendium of Accounting Standards, the individual assessment considers the following segments:

a) Regular Portfolio: Includes those customers whose payment capacity allows them complying with their financial obligations and covers categories from A1 to A6.

b) Substandard Portfolio: Includes those debtors with financial problems or default issues exceeding 30 days and covers categories from B1 to B4.

c) Default Portfolio: Includes all debtors with insufficient payment under foreseeable situations. Categories include a range from C1 to C6.

Group Assessment - Group expected loss models:

The Bank has a proper structure to manage credit risk models, and there is independence of functions in accordance with best practices and local regulations.

In addition, a Model Committee exists to which the developments, validation and follow-up of models are submitted for approval, both from a performance and allowance adequacy perspective, which allows having a proper control of collective allowances. The aforementioned validation is performed by an area that is independent from the area developing such models, where the independent area performs an objective review free from any conflict of interest.

There is a Model Management Policy providing guidelines which allow developments to have a defined standard by the Bank, regardless of the team performing the work. These guidelines cover different matters such as Group Model Methodology, Follow-Up and Control, Data Validation, Model Validation, Model Development, and Allowance Adequacy.

Additionally, in order to have proper supporting evidence and analyses, the Bank prepares Technical Notes covering relevant matters related to model development, such as a recession period to consider, or the discount rate to use when calculating the Loss Given Default parameters.

All models record a Risk Rating according to their usage, maturity, type, materiality and complexity.

The Collective Credit Risk Models based on Scotiabank Chile's portfolio are presented below.

Scotiabank Chile's portfolio

Collective Commercial Model - Non-Retail

This assessment is applied to natural persons and small-sized entities, separating customers in the commercial loan portfolio from customers in the retail portfolio (customers who have assumed loans other than commercial loans). Commercial customers recording sales exceeding MUS$1 or debt exceeding MCh$500 are assessed individually.

Customers are assessed at Tax Identification Number level, grouped as follows: Renegotiated, Not Renegotiated and Miscellaneous debtors (MD).

Additionally, the commercial portfolio includes a standard model issued by the CMF, which is divided into 3 submatrices Lease Contracts, Student and Commercial - Other. These submatrices generally have double entries, where Expected Loss (EL) must be allocated based on the default tranche and guarantee coverage. The model that provides the highest provision between the internal or standard model is applied.

Collective Commercial Model - Retail

This model is applied to natural persons or small-sized entities that have assumed a commercial loan as defined by the CMF. Different commercial models exist for the retail segment, which are applied to each account as applicable based on the probability of default (PD) calculation, and these models are the following: Student loans – State-Guaranteed Student Loan Program (CAE), Student - Chilean Economic Development Agency (Corfo) Loan Program, micro companies (new and former costumers), Housing and General Purposes, and Renegotiated Customer Model.

Additionally, the commercial portfolio includes a standard model issued by the CMF, which is divided into 3 submatrices Lease Contracts, Student and Commercial - Other. These submatrices generally have double entries, where EL must be allocated based on the default tranche and guarantee coverage. The model that provides the highest provision between the internal or standard model is applied.

Housing Mortgage Model

This model is applied to customers with whom the Bank has operations classified as Housing Mortgage loans (for new and former customers). These customers are assessed at the Taxpayer ID No. level. Additionally, there is a standard model established by the CMF in a double-entry matrix where EL must be allocated to default tiers and LTV (Loan to Value) tranches. The model that determines the highest EL is applied.

Consumer Model

This model is applied to customers with whom the Bank has operations classified as Consumer loans. Different consumer models exist, which are applied to each account as appropriate, to determine the lowest rating at customer level for the PD calculation. Such models are: Consumer - Partial Payments (for new and former customers), Consumer – Revolving Credit facilities, Consumer - Renegotiated (at customer level), and Agreements.

Allowances are calculated based on the estimated Expected Loss for each product/debtor, which is composed of three elements: Probability of Default (PD), Loss Given Default (LGD) and Exposure or Debt. PD is defined as the probability that a customer ceases to meet its loan obligations, whereas Loss Given Default is the loss rate that a customer may be exposed in the event of not meeting its obligations. In general, the formula for the calculation of provisions is as follows:

$$\boxed{EL = DP * LGD * Exposure}$$

Where:
- EL: Expected loss from the product/debtor.
- PD: corresponds to probability of default.
- LGD: corresponds to loss given default.
- Exposure: corresponds to the debt in the account.

The Chilean Government's expected loss is allocated to the percentage covered by Small Business Guarantee Fund (Fogape), Investment Guarantee Fund (Fogain) and Corfo debt restructuring operations, in addition to other types of co-debtors such as mutual guarantee associations (SGR) or by School Infrastructure.

Based on the ageing of a customer, their PD may be estimated using a new customer model, a behavior model, or a former customer model. New customer models gather the customer's demographic characteristics and financial behavior, whereas Behavior models look for information on the internal behavior from the Bank or its subsidiary, according to the model, and from financial institutions. In other words, new customer models look for customer's characteristics, and Behavior models look for the customer's internal credit behavior. The Bank groups together customers with similar characteristics to calculate PD and LGD, which allows determining that groups are homogeneous internally and heterogeneous among them.

Subsidiary CAT's provision model

The model used for the subsidiary CAT utilizes the same formula applied to the collective model, based on a statistical model, which is aligned with Basel II and proposes estimating Probability of Default and Loss Given Default. PD is defined as the probability that a customer ceases to meet its loan obligations, whereas Loss Given Default is the loss rate that a customer may be exposed in the event of not meeting its obligations, considering CAT's different recovery and collection strategies.

For the year ended December 31, 2020, CAT Administradora de Tarjetas S.A. made an adjustment of its internal portfolio impairment measurement models based on the collective expected loss model, for measuring collective provisions required under Chapter B-1 of the Compendium of Accounting Standards. This adjustment includes an additional year of this company's recent history, discarding the oldest year to better describe CAT's current portfolio based on information provided internally and in the financial system. These adjustments resulted in a higher expense in the allowance for credit risk amounting to MCh$1,271. Note that there has not been a change in methodology, but only adjustments required by the regulator and the addition of the portfolio's newest information.

Loan quality per class of financial asset

As of December 31, 2020

Individual assessment:	Loans and advances to banks MCh$	Commercial loans MCh$	Commercial lease MCh$	Factoring MCh$	Consumer loans MCh$	Mortgage loans MCh$	Contingent loans MCh$	Total MCh$
A1	351,552	70,150	-	12,213	-	-	126,397	560,312
A2	2,843	3,193,600	19,712	-	-	-	441,134	3,657,289
A3	-	1,672,528	96,277	15,187	-	-	190,909	1,974,901
A4	-	2,384,272	292,849	90,542	-	-	116,374	2,884,037
A5	-	1,289,440	139,553	40,109	-	-	66,681	1,535,783
A6	-	643,857	52,526	14,605	-	-	23,122	734,110
B1	-	101,053	6,093	7,014	-	-	2,380	116,540
B2	-	15,765	984	-	-	-	1,328	18,077
B3	-	14,550	8,359	67	-	-	83	23,059
B4	-	24,938	1,517	-	-	-	269	26,724
C1	-	19,166	903	-	-	-	8	20,077
C2	-	3,519	1,137	-	-	-	1	4,657
C3	-	7,656	-	-	-	-	-	7,656
C4	-	5,491	457	-	-	-	-	5,948
C5	-	76,120	1,583	-	-	-	236	77,939
C6	-	66,335	1,612	373	-	-	3,197	71,517
Subtotal	**354,395**	**9,588,440**	**623,562**	**180,110**	**-**	**-**	**972,119**	**11,718,626**
Collective assessment:	-	1,921,832	39,189	1,177	2,954,550	10,067,663	1,513,675	16,498,086
Total	**354,395**	**11,510,272**	**662,751**	**181,287**	**2,954,550**	**10,067,663**	**2,485,794**	**28,216,712**

As of December 31, 2019

Individual assessment:	Loans and advances to banks MCh$	Commercial loans MCh$	Commercial lease MCh$	Factoring MCh$	Consumer loans MCh$	Mortgage loans MCh$	Contingent loans MCh$	Total MCh$
A1	80,782	372,103	-	14,771	-	-	87,563	555,219
A2	294	3,380,203	63,914	6,379	-	-	581,751	4,032,541
A3	52	2,056,436	64,828	28,659	-	-	265,226	2,415,201
A4	-	2,492,505	322,220	135,655	-	-	125,296	3,075,676
A5	-	1,083,581	139,630	31,761	-	-	77,847	1,332,819
A6	-	465,455	47,550	19,201	-	-	15,835	548,041
B1	-	60,404	6,695	124	-	-	2,702	69,925
B2	-	59,189	3,119	13	-	-	316	62,637
B3	-	27,714	3,360	-	-	-	147	31,221
B4	-	56,850	3,998	127	-	-	70	61,045
C1	-	21,518	2,422	-	-	-	201	24,141
C2	-	6,188	2,393	-	-	-	1	8,582
C3	-	1,285	766	-	-	-	-	2,051
C4	-	11,184	1,255	-	-	-	5	12,444
C5	-	17,387	2,502	-	-	-	155	20,044
C6	-	28,988	320	954	-	-	1,323	31,585
Subtotal	**81,128**	**10,140,990**	**664,972**	**237,644**	**-**	**-**	**1,158,438**	**12,283,172**
Collective assessment:	-	1,710,080	31,107	1,145	3,459,325	9,101,896	1,643,610	15,947,163
Total	**81,128**	**11,851,070**	**696,079**	**238,789**	**3,459,325**	**9,101,896**	**2,802,048**	**28,230,335**

Total provisions for loans

As of December 31, 2020, the total amount of provisions for loans was MCh$506,452, which implies a decrease of approximately 5.3% compared to the provision recorded as of December 2019, of MCh$534,890. Accordingly, and considering the increase in total loans (increase of 0.12% in the same period), the percentage of provisions over total loans decreased from 2.11% in December 2019, to 2.00% in December 2020.

Risk and provision rates	12/31/2020 MCh$	12/31/2019 MCh$
Total provisions for loans	506,452	534,890
Total loans	25,376,523	25,347,159
Percentage provisions / loans	2.00%	2.11%

The decrease in allowances for credit risk is recorded primarily in Consumer and CAT Administradora de Tarjetas' portfolios. One of the effects that generated such decrease was the voluntary withdrawal of 10% of pension funds during July and December 2020. This resulted in a decrease in debts, regularization of delinquency and a reduction in write-offs.

The decrease in provisions for consumer loans was mainly offset by the increase in provisions for commercial loans. This was largely caused by the decrease in economic activity due to the COVID-19 pandemic, which impacted the Bank generating a decrease in commercial loans and an increase in delinquency, overdue portfolio and write-offs.

4) Market risk

Market risk is the risk of adverse changes in market prices. It relates to financial market volatility and reflects the uncertainty faced by a financial entity when confronted with possible adverse effects in risk factors (market interest rates, exchange rates and prices) on its assets, liabilities and equity. It is classified as follows:

- **Interest rate risk**

  Interest rate risk corresponds to the risk of losses due to adverse changes in the interest rate structure. This arises from falls or rises in the yield curve.

- **Spread risk - Basis**

  Spread risk is the risk of losses related to adverse changes in spreads existing in the yield of different financial assets and liabilities. These might reflect particular liquidity conditions of assets, credits and/or specific prepayment clauses whose exercise can result in impairment in the ability to generate future margin.

- **Exchange rate risk**

  Currency risk is the risk of losses due to adverse changes in exchange rates. This risk arises from financial mismatches between assets and liabilities both effective and contingent.

- **Options risk**

  Risk of financial losses related to positions in explicit or implicit options, whether purchased or delivered such as those contained in mortgage loans and education loans.

Balance sheet management

The Bank assets are mainly comprised of mortgage loans (mainly denominated at a fixed rate), commercial loans (including those destined to the financing of foreign trade operations), education loans and consumer loans.

The Bank manages its balance sheet in order to maximize its net interest and indexation income by holding a high proportion of on-demand deposits for which no interests are paid and short-term time deposits, thus granting long-term loans that allow taking advantage of the yield curve within a financial risk management context agreed.

The main balance sheet risks are the interest rate risk produced by long-term assets funded with short-term liabilities, and the inflation risk, as the Bank grants loans in UF and funds those loans using Chilean pesos. In order to mitigate the balance sheet risks, the Bank has short-term interest and inflation rate risk limits, as well as long-term interest rate limits in order to maintain desired risk level by the institution.

The Bank manages a portfolio of non-derivative financial instruments with the purpose of using the difference in the yield curve as well as maintaining positions in liquid financial instruments to cover possible needs for resources.

In addition, the Bank enters into hedging derivative contracts to manage risks arising from its mortgage portfolio, its deposits portfolio, and specific cases.

The Bank's available-for-sale portfolio is as follows:

As of December 31, 2020 **(Individual Bank)**

	Purchase value MCh$	Purchase IRR %	Market value MCh$	Market IRR %	Unrealized gain (loss) MCh$
Notes expressed in Ch$	**1,926,085**	**1.43**	**1,934,347**	**1.57**	**8,262**
Discountable promissory note issued by the Central Bank	699,949	0.18	699,728	1.28	(221)
BCP	16,690	1.53	16,883	0.34	193
BTP	1,175,565	2.20	1,183,838	1.79	8,273
Time deposits in Ch$	33,881	0.40	33,898	0.31	17
Notes expressed in UF	**262,850**	**(0.17)**	**268,902**	**(1.59)**	**6,052**
BCU	137,232	(0.42)	139,008	(2.17)	1,776
BTU	125,618	0.10	129,894	(0.96)	4,276
Total notes	**2,188,935**	**1.24**	**2,203,249**	**1.18**	**14,314**

As of December 31, 2019 **(Individual Bank)**

	Purchase value MCh$	Purchase IRR %	Market value MCh$	Market IRR %	Unrealized gain (loss) MCh$
Notes expressed in Ch$	**526,075**	**2.47**	**529,450**	**1.97**	**3,375**
Discountable promissory note issued by the Central Bank	39,092	2.44	39,218	1.65	126
BCP	189,135	2.73	190,555	1.82	1,420
BTP	282,522	2.30	284,349	2.09	1,827
Time deposits in Ch$	15,326	2.37	15,328	2.26	2
Notes expressed in UF	**259,282**	**(0.11)**	**261,237**	**(0.32)**	**1,955**
BCU	122,751	(0.38)	123,022	(0.44)	271
BTU	136,531	0.13	138,215	(0.22)	1,684
Total notes	**785,357**	**1.62**	**790,687**	**1.21**	**5,330**

Trading/Customer activities

The Bank has a trading area responsible for the active trading of highly liquid instruments, whether Banco Central, bank's and/or corporate papers, derived from interest rate and/or currency (including inflation-adjusted units). This area is responsible for finding earning opportunities in a short-term horizon, taking advantage of temporary disarbitration in the prices and differences in the yield curve (base and spreads), but also, is responsible for providing financial solutions to the Bank's customers.

Value at Risk

The Bank uses Value at Risk (VaR) tools for quantifying the risk related to trading portfolio positions. This includes notes and derivatives classified in the trading portfolio, as well as the exchange risk derived from foreign currency mismatches from operations with customers and currency proprietary positions.

Aligned with the Bank's Parent, Market Risk Department uses the historical simulation method with a level of trust: 99% and 300 days of observations.

Also, the Market Risk Department regularly uses contrast tests in order to establish the predictive quality of its value at risk model (a test of the frequency of excesses).

As of December 31, 2020, total VaR (including rate and currency) amounted to MCh$4,085 (MCh$2,341 as of December 31, 2019).

The impact by risk factor on VaR for each year-end is shown below.

	12/31/2020 MCh$	12/31/2019 MCh$
Bonds in UF	(2,521)	220
Derivatives in UF	1,199	1,595
Bonds in Ch$	(3,099)	26
Derivatives in Ch$	(1,254)	(1,620)
Derivatives in US$	1,995	(70)
Basis US$/Ch$	97	(2,462)
Basis L3L6	(919)	20
Other	(18)	(15)
FX	435	(35)
Total	(4,085)	(2,341)

Other relates to a diversification effect, generated by ledgers including different risk measurements.

Sensitivity of equity and financial margin

The Bank uses the sensitivity of equity and financial margin in order to quantify the interest rate risk of the balance sheet. Both measures include the total assets and liabilities, except for trading portfolios.

Items sensitive to interest rates are presented as follows:

- At contract maturity in the case of fixed rate products.
- Next repricing date in the case of variable rate products.
- Duration as determined by the internal models in the case of products with no contract maturity (for example, checking accounts, credit cards, lines of credit among others).

Non-remunerable assets and non-cost liabilities are recorded as non-sensitive to interest rate:

- Cash on hand.
- Other assets and liabilities.
- Overdue portfolio.
- Provisions.
- Capital and reserves.

The change in the equity value is determined assuming a parallel fall or rise of 100 bp (basis point) in the interest rate structure. The calculation is made separately for domestic currency (UF+Ch$) and foreign currency (US$ and remaining currencies). The total risk will be the sum of the impact considering the most adverse scenario for the group of currencies with which the Bank operates.

The effect on the present value by currency of a parallel movement of 100 points is as follows:

As of December 31, 2020

	VPN	VPN + 1%	VPN - 1%
Ch$	653,310	(107,314)	112,061
UF	1,958,052	(48,084)	42,358
US$	52,098	8,697	(3,716)
FC	17,628	(56)	6
Use	146,757		

As of December 31, 2019

	VPN	VPN + 1%	VPN - 1%
Ch$	(563,518)	(82,948)	89,872
UF	2,239,185	(129,712)	144,755
US$	133,434	(493)	487
FC	5,129	(27)	27
Use	213,180		

The effect on the financial margin by currency of a parallel movement of 100 points is presented below.

As of December 31, 2020

	Net present value				Financial margin			
	Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$	Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$
1 month	193,594	88,882	796,737	2,965	(930)	(852)	(1,909)	(28)
2 months	(242,605)	66,533	(110,989)	3,682	1,064	(582)	243	(32)
3 months	(73,505)	63,268	53,841	(201)	292	(501)	(107)	2
4 months	31,490	485,402	60,736	836	(112)	(3,438)	(108)	(6)
5 months	325,001	(147,868)	173,949	1,428	(1,018)	924	(272)	(9)
6 months	433,699	118,595	151,674	7,847	(1,178)	(642)	(205)	(43)
7 months	(128,942)	61,909	(121,064)	262	296	(284)	139	(1)
8 months	26,120	167,489	(163,673)	695	(49)	(628)	153	(3)
9 months	190,846	157,534	(113,489)	25	(279)	(459)	83	-
10 months	223,021	54,760	(19,816)	-	(233)	(114)	10	-
11 months	136,433	85,963	108,983	9	(85)	(107)	(34)	-
12 months	330,826	(32,373)	(220,262)	84	(69)	13	23	-
					(2,301)	**(6,670)**	**(1,984)**	**(120)**
Exposure to inflation						**11,502**		
Use	**22,577**							

As of December 31, 2019

	Net present value				Financial margin			
	Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$	Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$
1 month	227,002	135,720	678,538	(8,462)	2,175	1,301	6,503	(81)
2 months	(193,383)	13,054	(735,371)	7,551	(1,692)	114	(6,434)	66
3 months	(528,314)	242,177	20,007	1,034	(4,182)	1,917	158	8
4 months	(443,651)	356,583	199,324	868	(3,143)	2,526	1,412	6
5 months	(412,873)	(53,982)	318,618	2,903	(2,580)	(337)	1,991	18
6 months	141,777	45,382	666,213	1,012	768	246	3,609	5
7 months	264,427	4,111	(92,294)	6	1,212	19	(423)	-
8 months	(8,960)	53,396	(234,852)	258	(34)	200	(881)	1
9 months	37,483	214,744	(228,901)	-	109	626	(668)	-
10 months	6,656	87,312	(136,160)	-	14	182	(284)	-
11 months	(222,656)	130,347	(5,124)	-	(278)	163	(6)	-
12 months	115,822	(98,458)	(140,828)	-	48	(41)	(59)	-
					(7,583)	**6,916**	**4,918**	**23**
Exposure to inflation						**10,279**		
Use	**14,554**							

Net present value: net present value of asset and liability flows.

Stress Tests

Risk Management Department develops and reports regularly to the ALCO and the Local Board of Directors stress tests, which include parallel and non-parallel movements of the yield curve, volatility shocks and historical scenarios.

Exposures

Currency risk

The Bank is exposed to the volatility in exchange rates in which its financial positions and cash flows are expressed or indexed. Every year, the ALCO and the Parent Bank review the limits for net exposure levels for currency and the total positions during the day and at the closing, which are daily monitored by Market Risk Management.

The Bank actively operates in positions expressed in U.S. dollars, as well as in other currencies as a result of product requirements by customers.

The summary of exposures to the different currencies, whether from banking or derivative products in its equivalent in local currency, is as follows:

	As of December 31, 2020		
	Assets MCh$	Liabilities MCh$	Net MCh$
US$	46,853,168	46,788,632	64,536
CAD	16,171	12,951	3,220
BRL	26,933	27,011	(78)
PEN	44,112	44,959	(847)
AUD	200,132	198,479	1,653
TWD	3,687	3,702	(15)
DKK	-	-	-
JPY	110,812	108,978	1,834
CHF	311,466	311,090	376
NOK	2,470	2,394	76
NZD	21	-	21
GBP	116,843	117,793	(950)
SEK	8,925	8,631	294
HKD	2,630	2,577	53
ZAR	964	851	113
COP	63,927	64,600	(673)
MXN	147,872	146,827	1,045
EUR	1,369,543	1,368,692	851
Other currencies	32,453	31,842	611

	As of December 31, 2019		
	Assets MCh$	Liabilities MCh$	Net MCh$
US$	53,599,205	53,529,911	69,294
CAD	16,723	15,702	1,021
BRL	19,608	19,485	123
PEN	31,031	31,023	8
AUD	215,781	214,194	1,587
CNY	72,655	72,109	546
DKK	29	-	29
JPY	122,722	121,179	1,543
CHF	350,053	349,807	246
NOK	887	829	58
NZD	-	-	-
GBP	87,937	89,432	(1,495)
SEK	5,251	4,962	289
HKD	6,620	6,602	18
ZAR	40	-	40
COP	49,183	49,436	(253)
MXN	144,153	140,963	3,190
EUR	1,445,066	1,441,896	3,170
Other currencies	-	-	-

Interest rate risk of the banking records

The Bank is exposed to the volatility in the structure of market interest rates over its structural exposures. As a result of the changes in interest rates, margins may increase, but also can be reduced and even cause losses in case adverse movements occur.

The Board of Directors establishes the limits for the purposes of mismatches in the Banking Book (including all those positions that are not for trading) above the financial margin and the economic value of its equity, the compliance of which should be reported to the CMF on a monthly basis.

The table below shows the structural exposure for interest rate of assets and liabilities, considering the terms for changes or renewals in rates; otherwise, the transactions maturity dates are considered.

	As of December 31, 2020				As of December 31, 2019			
	Term mismatch				Term mismatch			
Days	Ch$	UF	US$	FC (*)	Ch$	UF	US$	FC (*)
00002-00030	(1,656,177)	(147,777)	587,132	2,965	(1,096,506)	(63,459)	475,963	(8,462)
00031-00060	(279,063)	64,494	(115,965)	3,682	(258,482)	(1,577)	(741,131)	7,551
00061-00090	(101,883)	61,469	48,931	(201)	(578,719)	233,489	14,010	1,034
00091-00120	6,779	483,794	56,055	836	(477,214)	350,729	194,617	868
00121-00150	301,003	(149,384)	170,622	1,428	(442,812)	(57,285)	314,431	2,903
00151-00180	410,783	117,113	148,218	7,847	112,708	42,638	662,081	1,012
00181-00210	(151,372)	60,427	(123,979)	262	239,173	703	(96,975)	6
00211-00240	3,447	165,687	(166,407)	695	(33,014)	49,816	(238,116)	258
00241-00270	168,345	156,001	(116,136)	25	14,248	211,892	(231,794)	-
00271-00300	198,857	53,277	(22,731)	-	(15,891)	84,963	(138,900)	-
00301-00330	114,914	84,456	106,256	9	(244,270)	127,239	(7,980)	-
00331-00360	309,553	(33,784)	(222,997)	84	93,457	(103,020)	(143,838)	-
00361-00720	295,141	128,258	(203,313)	-	799,158	261,961	(29,152)	-
00721-01080	675,479	67,117	(18,118)	-	533,612	(87,715)	15,384	-
01081-01440	(1,388,554)	73,029	(16,951)	-	162,699	(111,735)	99,440	-
01441-01800	583,892	59,895	(15,192)	-	(82,824)	198,267	(12,331)	-
01801-02160	362,914	(454,152)	(17,290)	-	(46,940)	150,895	557	-
02161-02520	190,076	92,133	(18,400)	-	350,161	(487,803)	(878)	-
02521-02880	(184,677)	257,934	(15,164)	-	210,372	(4,027)	9,137	-
02881-03240	123,426	280,916	(1,035)	-	80,369	205,708	(1,108)	-
03241-03600	646,394	300,918	(17)	-	98,564	336,012	(546)	-
03601-05400	334,161	157,767	75	-	270,823	924,331	(5,406)	-
05401-07200	241	99,194	-	-	42	21,654	(2,616)	-
07201-09000	163	(66,881)	-	-	4	(15,820)	-	-
09001-10800	222	1,255	-	-	3	(26,978)	-	-
10800->>>>>	67	21	-	-	40	6	-	-
NRS	(1,027,399)	6,521	180	-	(809,417)	(6,061)	(131,142)	9,083

(*) FC: Any foreign currency different from the U.S. dollar.

Regulatory limits

The table below indicates the regulatory measure of the interest risk rate and long-term and short-term banking book adjustments.

	Amount	
	12/31/2020 MCh$	12/31/2019 MCh$
SHORT-TERM (Margin)		
Short-term interest rate risk	30,561	72,640
Indexation risk	27,460	34,884
Short-term total risk	**58,021**	**107,524**
Short-term risk limit (35% of margin)	250,461	230,736
Percentage of use of short-term limit	23.17%	46.60%
LONG-TERM (Value)		
Long-term interest rate risk	537,921	390,421
Long-term total risk	**537,921**	**390,421**
Long-term limit (30% of capital)	968,049	836,144
Percentage of use of long-term limit	55.57%	46.69%

Balance sheet exposure (banking)

Market risks arise from exposures to interest rate and price risks in trading positions and the currency risk in global positions.

Banco Central de Chile establishes a regulatory limit for the sum of interest rate risk in trading positions (including derivatives) and currency risk. The Bank must regularly monitor these limits and report weekly to the CMF about its positions at risk and compliance with those limits. Also, on a monthly basis, the Bank must report on its consolidated risk exposure with its subsidiaries and foreign branches to the CMF. The regulatory limit provides that effective equity must be sufficient to cover 8% of assets weighted for credit and market risk.

The following table indicates the regulating measure of trading book risks:

	Amount	
	12/31/2020 MCh$	12/31/2019 MCh$
Interest rate risk	196,978	196,702
Currency risk	6,961	7,970
Interest rate optionality risk	940	998
Total trading book market risk	**204,879**	**205,670**
Weighted assets by consolidated risk	24,372,971	25,651,767
Credit risk regulatory capital (8% APR)	1,949,838	2,052,141
Market risk regulatory capital	204,879	205,670
Total regulatory capital	**2,154,717**	**2,257,811**
Effective consolidated equity	3,226,829	2,787,146
Consumption % (includes CR and MR)	66.78%	83.97%
Basel index (including market risk)	13.24%	10.87%

5) Operational, technological and cybersecurity risk

Operational risk is the risk of loss to which the Bank is exposed due to inadequate or failure in internal processes, human errors, failure in its systems and/or processes or external events. To a certain extent, operational risk exists in each of the Bank and its subsidiaries' business and support activities and could result in financial losses, regulatory sanctions or damage to the Bank's reputation.

In addition, because of the increase in digital operations, use of Internet and the network, operational risks related to cybersecurity have increased, which has forced the Bank to set strategies to protect information stored in the cyberspace and to identify, protect from, detect, respond to and recover from a possible cyberattack, minimizing the damage and impact on the Bank.

Operational risk management

Operational risk management is an ongoing and cross-cutting process to the organization performed by people at all levels within the Bank and its subsidiaries.

The process is designed to identify, evaluate, monitor and report risks and current and potential events, mitigate the impact as well as provide reasonable assurance to the Board of Directors and Senior Management as to the exposure and operational risk management status of the Bank and its subsidiaries.

The Bank and its subsidiaries adopted a three line of defense model consistent with the Risk Management Framework, which establishes the responsibilities related to Operational Risk management.

The Bank manages its operational risks through a governance structure composed of the Board of Directors as its highest hierarchy for approving risk strategies and management, Enterprise Risk Management, Non-Financial Risk Management Committee, Risk Committee and Control areas (second lines of defense).

Management of Technological risks and Cybersecurity

Information Security Management intends to ensure availability, completeness and confidentiality of the Bank's general information; while Cybersecurity safeguards information flowing in cyberspace and its support infrastructure in order to mitigate inherent risks that may affect information security and possibly the business continuity.

The Bank manages risks related to Information Security and Cybersecurity based on a strategy considering the best practices in the financial industry, existing regulatory standards and its Parent's policies.

Enterprise Risk Management is responsible for developing and implementing this strategy, which considers the following main aspects:

- Information security policy.
- Business continuity policy.
- Risk management framework.
- Cybersecurity oversight program focused on the prevention of cyberattacks.
- Program for strengthening culture concerning risks related to information security and cybersecurity.
- Review program for technology infrastructure supporting digital transactions.
- Review program for outsourced critical services, in regard to compliance with information security policies.

The Board of Directors has a crucial role in the approval of Cybersecurity Policies, oversight of results of programs conducted and provision of resources required for developing information security and cybersecurity strategy.

Risk and Control Self-Assessment Program

The Bank and its subsidiaries have a process roadmap including all business and support functions existing within the entity, which is subject to an annual criticality assessment using qualitative variables.

Defining processes for which specific risk and control assessments will be conducted is prioritized annually in accordance with such criticality, which is reviewed and approved by the Non-financial Risk Management Committee. However, the Committee may suggest and approve changes to the defined annual program depending on relevant events that had affected processes, systems, people or external events during such period, such as changes in standards, materialization of incidents, operating losses, among others, that the Committee determines, which will generate an update of risk and control assessment of one or more specific processes. As a supplementary action to this program and in order to ensure a complete coverage, a general risk and control assessment will be conducted on an annual basis to the entity. Such assessment will include an overview of all critical and non-critical processes.

The Risk and Control Self-Assessment (RCSA) program is an integral part of the Bank's Operational Risk Management Framework.

The RCSA program is intended to identify, document and assess relevant operational risks in a process, entity or a significant business unit. The risk and control self-assessment process provides a systematic approach to identify internal related risks and controls, as well as deficiencies affecting the achievement of the defined business objectives. Likewise, this process is a mean of supervising Management actions to remove deficiencies identified and measuring the efficiency of measures.

Key Risk Indicators Program

The Key Risk Indicators Program establishes a systematic approach to coordinate the oversight of key determinants of operational risk, and provides an approach, structure and common terminology to implement and manage the selection of Key Risk Indicators throughout the Bank and its subsidiaries.

The Key Risk Indicators Program covers risk indicators at all levels in the Bank. Key Risk Indicators exist at the Bank level and subdivision (or lines of business) level.

Operational risk management

The operational risk measurement may be qualitative and quantitative. The Bank and its subsidiaries have implemented programs to guarantee the timely measurement of operational risk in order to provide support on effective tactical or strategic decision-making at all levels in the Bank.

Operational risk loss data

The Bank and its subsidiaries identify, gather and manage data on loss associated with operational risk in accordance the with types of loss events of Basel. Losses are reported to Senior Management and data on loss associated with operational risk is monthly reported to the Parent Bank based on certain limits established, for its incorporation in the operational risk loss database of BNS and the follow-up of risk appetite established.

The operational loss database includes the following types of losses:

- Customers, products and business practices.
- Employee practices and safety in the workplace.
- Internal fraud.
- Business interruption and system failure.
- Process performance, delivery and management.
- External fraud.
- Damage to physical assets.

As of December 31, 2020, the Bank and its subsidiaries have recognized MCh$12,501 associated with operational risk expenses (MCh$6,594 in 2019).

Command Center

Corresponds to a committee that reviews and resolves the Bank's the incidents of the Bank and/or subsidiaries considered as relevant, generated by the integration, and led by the Integration VP, in which all individuals involved interact on a coordinated and aligned basis for their resolution.

This committee includes an advisor team which supports the decision-making (applying considerations per scope of activity) and an expert team, which based on the incidents reported, will be summoned to provide accurate information related to the incident, progress status and possible lines of action.

6) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in:

- Meeting contractual and, if applicable, adjusted behavior obligations in a timely manner.

- Settling positions without incurring in significant losses occasioned by anomalous operation volumes.

- Avoiding regulatory sanctions due to non-compliance with regulatory indexes.

- Funding commercial and treasury activities competitively.

There are two sources of liquidity risk:

(i) Endogenous: risk situations derived from controllable corporate decisions.

- High liquidity reached by a reduced base of liquid assets or mismatches in significant assets and liabilities.

- Low diversification or high concentration of financial and commercial assets in terms of issuers, deadlines and risk factors.

- Deficient management of value, flow or credit hedging in terms of the hedge's efficiency, the correlation of value changes, sensitivity ratios of the hedged item and the derivative, among others.

- Adverse corporate reputation effects that result in a non-competitive access to funding, or the lack of it.

(ii) Exogenous : risk situations resulting from movements in uncontrollable financial markets.

- Extreme movements or unexpected corrections/events in international and local markets.

- Regulatory changes, interventions by the monetary authority, among others.

Liquidity risk management is the process used to identify measure, limit and control liquidity risk, based on a group of policies which set the criteria, defines the metrics, organizes the activities and imposes the procedures the Bank should follow for appropriate management.

The Board of Directors of Scotiabank Chile approves this Liquidity Management Policy and oversees its compliance through the Bank's Audit Division. Additionally, it is responsible for defining the liquidity risk appetite and for periodically reviewing the Bank's liquidity strategy.

As the main responsible for managing the Bank's liquidity risk, the Chief Executive Officer needs to lead the business within the current legal framework, and following the established policies, limits and procedures. The Chief Executive Officer acts as the chairman of the Asset and Liability Committee, where he is actively involved in managing the liquidity risk. The Chief Executive Officer delegates authority for managing the liquidity risk to other members of the Senior Management, Committees and appropriate Departments.

The Treasury is in charge of the daily liquidity management, in particular ALM Management, which needs to implement efficient investment and funding strategies in relation to our relevant competitors. For such purposes, it needs to adjust the maturity profiles of the liabilities taking into consideration the income, capital and liquidity of the current and foreseen scenarios, minimizing the risk arising from an excessive mismatch or a high concentration of liabilities.

The tools used for measuring and controlling the liquidity risk are:

a) Accumulated mismatches at different terms.
b) Proportion of Liquid Assets/Enforceable Liabilities.
c) Concentration of depositors.
d) Liquidity stress testing.
e) Measurement of liquidity ratios as the rate of liquidity coverage and net stable funding.

Lastly, and based on an ongoing oversight, the Bank reviews all the aspects of the Liquidity Management in the light of potential risks to which it is exposed on this matter. The liquidity contingency planning is an integral component of this review and its purpose is to provide a framework that allows establishing appropriate actions in case of a liquidity crisis. For this purpose, the Bank has a "Liquidity Contingency Plan" which is reviewed and approved annually by the Local Board of Directors and is recommended by its Parent Bank.

In order to know and quantify the risk profile, the management is focused on maturity flows, concentration of funding, maintaining sufficient liquid assets, quantifying the committed assets, and liquidity stress tests. The development, implementation and quantification of metrics are performed by the Market Risk Management with A&C from the Global Risk Management Market Risk Management (GRM MRM).

The established limit structure and its daily control ensure that liquidity management is within the limits established by the ALCO and approved by the Board of Directors. This is improved by a proper segregation between functions, accountability and the dual control defined in the organizational structure of the Bank and Subsidiaries, which allow the liquidity management to be performed without conflict of interest.

In addition to Liquidity Management, liquidity stress tests are also performed. These tests assess the impact different internal, systematic and global liquidity scenarios have on the Bank and Subsidiaries' funding, through the analysis of liquidity gaps, hedging of liquid assets, amount of extra funding, survival horizon, and status of internal and normative limits.

As of December 31, 2020 and 2019, the maturities of assets and liabilities are detailed as follows:

As of December 31, 2020	Up to 1 month MCh$	Up to 3 months MCh$	Up to 1 year MCh$	To maturity MCh$
Cash on hand	1,252,255	-	-	-
Effective loans	807,671	1,799,576	3,760,280	20,670,369
Loans in adjustable mortgage letters of credit	1,925	3,889	17,423	131,872
Lease contracts	20,091	42,134	179,240	517,948
Agreements	54,270	-	20,043	-
Financial investments	2,521,621	22,913	29	6,027
Other assets	779,352	1,161	-	805,746
Total assets	**5,437,185**	**1,869,673**	**3,977,015**	**22,131,962**
On-demand liabilities	(4,498,650)	-	(1,529,578)	(790,479)
Deposits, bonds and other obligations	(1,653,559)	(2,732,747)	(3,113,317)	(8,898,846)
Agreements	(456,149)	-	-	-
Liabilities for adjustable mortgage letters of credit	(8,947)	(697)	(25,133)	(129,718)
Domestic liabilities	(100,006)	-	-	(14,485)
Foreign liabilities	(16,576)	(339,255)	(1,238,131)	(500,687)
Other liabilities	(520,569)	(76,639)	(32,107)	(655,981)
Total liabilities	**(7,254,456)**	**(3,149,338)**	**(5,938,266)**	**(10,990,196)**

As of December 31, 2019	Up to 1 month MCh$	Up to 3 months MCh$	Up to 1 year MCh$	To maturity MCh$
Cash on hand	1,384,762	-	-	-
Effective loans	1,208,935	1,847,150	4,805,910	20,404,232
Loans in adjustable mortgage letters of credit	-	-	-	157,192
Lease contracts	-	-	-	546,996
Agreements	23,054	-	-	-
Financial investments	1,443,118	722	10,529	73,256
Other assets	796,317	698	-	490,315
Total assets	**4,856,186**	**1,848,570**	**4,816,439**	**21,671,991**
On-demand liabilities	(2,483,126)	(739)	(1,675,969)	(707,756)
Deposits, bonds and other obligations	(2,093,133)	(2,704,184)	(5,468,486)	(8,532,460)
Agreements	(806,829)	(282,000)	-	-
Liabilities for adjustable mortgage letters of credit	-	-	-	(5,878)
Domestic liabilities	(23,383)	-	-	(16,324)
Foreign liabilities	(173,623)	(738,304)	(2,055,545)	(515,524)
Other liabilities	(705,153)	(37)	(38,389)	(45,628)
Total liabilities	**(6,285,247)**	**(3,725,264)**	**(9,238,389)**	**(9,823,570)**

7) Counterparty risk

As a result of the activity with customers, the Bank has counterparty exposures due to the probability that its debtors do not comply with the payments arising from financial derivative contracts. The Bank structures credit risk levels by setting limits for the exposure to risks in terms of individual debtors, which are subsequently classified by groups of debtors, industry and country segments. Such risks are monitored regularly by the Risk Division, and the limits per debtor, group of debtors, products, industry and country are reviewed at least once a year and approved by the Board of Directors and the Senior Risk Committee.

The exposure to credit risks is managed through regular analyses of the ability of debtors and potential debtors to comply with the payments pursuant to the contract terms of the loans and is mitigated by obtaining admissible guarantees.

The Bank controls its positions in derivative contracts with its counterparties. This exposure to credit risk is managed as part of limits for loans to costumers and potential exposures to market fluctuations. Likewise, the Bank adjusts the valuation of contracts based on the creditworthiness of the counterparty and the expected exposure to credit risk given the contracts currently in force.

12/31/2020	Fair value of assets	Credit risk adjustment
	MCh$	MCh$
Total	(423,484)	12,705

12/31/2019	Fair value of assets	Credit risk adjustment
	MCh$	MCh$
Total	(158,192)	(9,150)

8) Capital management

The Bank has a Capital Management Department – which reports to the Manager of the Finance Division - responsible for the follow-up and permanent control of capital availability. This unit is responsible for assuring capital levels that allow a sustained and profitable growth of the business unit.

All the aspects relevant to capital management are contained in the Capital Management Policy, which includes a permanent internal evaluation process for the availability of capital, the definition of standards for conducting stress tests and the calculation of regulatory and internal capital.

In accordance with the General Banking Law, a bank's minimum basic capital may not be less than 3% of its consolidated assets, while its effective equity may not be less than 8% of its risk-weighted assets, net of the provisions required. For these purposes, effective equity is based on the Capital and Reserve or the Basic Capital together with the following adjustments:

a) Subordinated bonds are added up to 50% of that basic capital.
b) Additional provisions are added up to 1.25% of risk weighted assets.
c) Less the balance of assets corresponding to investments in other companies which are not part of the consolidation.

Assets are weighted according to risk categories, which are assigned a risk percentage according to the capital necessary to support each one of those assets. For such purposes, 5 risk ratings are used, plus an interim rating related to derivative instruments offset and settled through a Central Counterparty Entity (0%, 2%, 10%, 20%, 60% and 100%). For example, cash, deposits in other Banks and financial instruments issued by the Banco Central de Chile, have a 0% risk, which means that, according to current regulations, no capital is necessary to support these assets. Property and equipment have a 100% risk, which means that the minimal capital required shall be equivalent to 8% of these assets.

All derivative instruments traded through over-the-counter transactions are considered for the determination of risk assets with a conversion factor over notional values, to derive in the amount of the exposure to credit risk (or "credit equivalent"), adding these credit equivalents and deducting the assets related to these instruments. In addition, the "credit equivalent" of contingent loans is considered, which relates to the exposure to credit risk, resulting from multiplying these by a percentage defined per the type of contingent loan, for its subsequent weighting according to the related rating, less the amounts of the allowances made for such transactions. For example, exposure for revolving credit facilities must be calculated at 35% (translation loan factor) to subsequently weight at 60% for this risk category.

COVID-19 Measures

On March 30, 2020, the CMF issued Circular No. 2248 which introduces an amendment to Chapter 12-1 "Equity for Legal and Regulatory Purposes" of the Updated Summary of Standards (RAN), including Number 4 to Title II concerning the treatment of guarantees established in favor of third parties under bilateral compensation contracts. Subsequently, on April 20, 2020, the CMF issued Circular No. 2250 which amended the same Chapter by adding Number 3.1 to Title I, allowing the inclusion of a portion of Government guarantees to Additional Provisions; however, after a certain period, it was concluded that assets guaranteed by the Chilean Treasury, CORFO and FOGAPE shall be allocated to Category 2 of risk-weighted assets, amending Chapter 12-1 by such rule, removing the modification to Number 3.1 and incorporating such change in letter d, Number 2.2. of Title II, which was amended by Circular No. 2265 on August 21, 2020.

Minimum basic capital and effective equity are detailed as follows:

As of December 31, 2020

Balance sheet assets (net of allowances)	Consolidated assets MCh$	Risk-weighted assets MCh$
Cash and deposits in banks	1,252,255	-
Transactions pending settlement	344,282	146,085
Securities held for trading	751,269	342,065
Investments sold under repurchase agreements and securities lending	74,483	74,483
Derivative instruments	1,804,310	1,383,138
Loans and advances to banks	354,374	874
Loans and advances to customers	24,870,071	19,993,254
Available-for-sale investment securities	2,121,614	143,960
Held-to-maturity investment securities	-	-
Investments in companies	18,435	18,436
Intangible assets	204,804	204,804
Property and equipment	104,933	104,933
Right-of-use assets under lease contracts	190,708	190,708
Current tax assets	17,021	1,702
Deferred tax assets	343,328	34,333
Other assets	490,015	325,644
Off-balance assets		
Contingent loans	2,348,146	1,408,552
Total risk-weighted assets		**24,372,971**

	Amount MCh$	Ratio %
Basic capital	2,398,357	6.80
Effective equity	3,226,829	13.24

As of December 31, 2019

Balance sheet assets (net of allowances)	Consolidated assets MCh$	Risk-weighted assets MCh$
Cash and deposits in banks	1,384,762	-
Transactions pending settlement	366,308	100,545
Securities held for trading	845,707	291,475
Investments sold under repurchase agreements and securities lending	23,146	23,146
Derivative instruments	2,027,216	1,426,065
Loans and advances to banks	81,127	455
Loans and advances to customers	24,812,269	20,872,971
Available-for-sale investment securities	808,674	51,304
Held-to-maturity investment securities	-	-
Investments in companies	16,709	16,709
Intangible assets	186,647	186,647
Property and equipment	112,459	112,459
Right-of-use assets under lease contracts	236,637	236,637
Current tax assets	33,953	3,395
Deferred tax assets	328,940	32,894
Other assets	844,393	677,858
Off-balance assets		
Contingent loans	2,698,755	1,619,207
Total risk-weighted assets		**25,651,767**

	Amount MCh$	Ratio %
Basic capital	2,038,255	5.86
Effective equity	2,787,146	10.87

Note 40 Subsequent events

In the Bank's Management and its subsidiaries' view, between January 1, 2021 and the date of issuance of these consolidated financial statements there have been no subsequent events that could significantly affect the amounts presented in the financial statements or the Bank and its subsidiaries' economic and financial position.

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Chief Financial Manager

FRANCISCO J. SARDÓN DE TABOADA
Chief Executive Officer