Scotiabank Chile

SCOTIABANK CHILE

U.S.$3,000,000,000 Medium-Term Notes Program

USD 125,000,000 2.16% Fixed Rate Notes due November 2026

Issue Price: 100%

Issue Date: November 10, 2021

This information package includes the base offering circular dated May 21, 2021 in relation to the USD 125,000,000 2.16% Fixed Rate Notes due November 2026 (the "**Notes**") issued by Scotiabank Chile (the "**Issuer**") under its U.S.$3,000,000,000 Medium-Term Notes Program (the "**Base Offering Circular**") and the pricing supplement in respect of the Notes dated October 22, 2021 (the "**Pricing Supplement**" and together with the Base Offering Circular, the "**Information Package**").

The Notes will be issued by the Issuer, which operates as a standalone subsidiary of The Bank of Nova Scotia that has no, or assumes no, liability for the offering of the Notes.

Application will be made by the Issuer for the Notes (i) to be listed and admitted to trading on the Taipei Exchange (the "**TPEx**") in the Republic of China (the "**ROC**") and (ii) to be listed on the Official List of, and admitted to trading on, the Singapore Exchange Securities Trading Limited.

The Notes will be admitted to listing and trading on the TPEx pursuant to the TPEx Rules. The effective date of listing and trading of the Notes on the TPEx is on or about November 10, 2021.

The TPEx is not responsible for the content of the Information Package and/or any supplement or amendment thereto and no representation is made by the TPEx as to the accuracy or completeness of the Information Package and/or any supplement or amendment thereto. The TPEx expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of the Information Package and/or any supplement or amendment thereto. The admission of the Notes to listing and trading on the TPEx shall not be taken as an indication of the merits of the Issuer or the Notes.

ROC SELLING RESTRICTION

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China (the "**TPEx Rules**"). Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

ROC TAXATION

The following summary of certain taxation provisions under ROC law is based on current law and practice and that the Notes will be issued, offered, sold and re-sold, directly or indirectly, to "professional investors" as defined under Paragraph 1 of Article 2-1 of the TPEx Rules only. It does not purport to be comprehensive *and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes.*

Interest on the Notes

As the Issuer is not an ROC statutory tax withholder, there is no ROC withholding tax on the interest or deemed interest to be paid on the Notes.

Payments of any interest or deemed interest under the Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC sourced income. However, such holder must include the interest or deemed interest received in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax ("**AMT**"), unless the sum of the interest or deemed interest and other non-ROC sourced income received by such holder and the person(s) who is (are) required to jointly file the ROC income tax return in a calendar year is below 1 million New Taiwan Dollars ("**NT$**"). If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include any interest or deemed interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 20% (unless the total taxable income for a fiscal year is NT$120,000 or under), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Non-ROC corporate holders are not subject to ROC income tax or AMT on any interest or deemed interest receivable or received under the Notes.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to a 0.1% securities transaction tax ("**STT**") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act of the ROC prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from January 1, 2010 to December 31, 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before December 31, 2026. Starting from January 1, 2027, any sale of the Notes will be subject to STT at 0.1% of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from ROC income tax. Accordingly, ROC individual and corporate holders are not subject to ROC income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include such capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act, the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred from the sale of the Notes by such holders could be carried over five years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to ROC income tax on any capital gains generated from the sale of the Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to ROC income tax or AMT on any capital gains generated from the sale of the Notes.

ROC SETTLEMENT AND TRADING

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("**TDCC**") and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg if it applies to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

RISKS ASSOCIATED WITH LIMITED LIQUIDITY OF THE NOTES

Application will be made for the listing of the Notes on the TPEx. No assurance can be given as to whether the Notes will be, or will remain, listed on the TPEx. If the Notes fail to, or cease to, be listed on the TPEx, certain investors may not invest in, or continue to hold or invest in, the Notes.

DOCUMENTS INCORPORATED BY REFERENCE

The most recently published audited consolidated annual financial statements and unaudited interim consolidated financial results of the Issuer shall be deemed to be incorporated in, and to form part of, the Base Offering Circular. KPMG Auditores y Consultores SpA, the Issuer's independent auditor, has not been engaged and has not performed any procedures following the issuance of the audit reports for the financial statements included, or incorporated by reference, in the Base Offering Circular or performed any audit procedures in relation to the Base Offering Circular.

Arranger and Lead Manager
Crédit Agricole Corporate and Investment Bank, Taipei Branch

Arranger
Standard Chartered Bank (Taiwan) Limited

Co-Managers
KGI Bank Co. Ltd.
SinoPac Securities Corporation
Taipei Fubon Commercial Bank Co., Ltd.
Taishin International Bank Co. Ltd.
Yuanta Securities Co., Ltd.

PRICING SUPPLEMENT

Pricing Supplement No. 3
Dated October 22, 2021

SCOTIABANK CHILE (the "Issuer")
ISSUE OF MEDIUM-TERM NOTES
USD 125,000,000 2.16% Fixed Rate Notes due November 2026 (the "Notes")

Series No.: 3

PART A CONTRACTUAL TERMS

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – There are no manufacturers for the purpose of MiFID II. Any person offering, selling or recommending the Notes (a "distributor") should consider (i) the target market for the Notes to be eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients to be appropriate. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting the target market) and determining appropriate distribution channels.

UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – There are no manufacturers for the purpose of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"). Any a distributor should consider (i) the target market for the Notes to be eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. However, a distributor subject to UK MiFIR is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting the target market) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC ("Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision: (a) the expression retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

REPUBLIC OF CHINA SELLING RESTRICTION – The Notes have not been, and shall not be, offered, sold or resold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to the aforementioned professional investor.

SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION – The Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the offering circular dated May 21, 2021 (the "Offering Circular"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular relating to the Notes. The Offering Circular has been, and this Pricing Supplement will be, published on the website of the Singapore Exchange Securities Trading Limited (www.sgx.com). References in this Pricing Supplement to the "Conditions" shall be to the information set out in this Pricing Supplement, read in conjunction with the Offering Circular.

1. General Information:

(i)	Series Number:	3
(ii)	Tranche Number:	1
(iii)	Trade Date:	October 20, 2021
(iv)	Settlement Date (Original Issue Date):	November 10, 2021
(v)	Maturity Date:	November 10, 2026
(vi)	Specified Currency:	U.S dollars
(vii)	Principal Amount (in Specified Currency):	USD 125,000,000
(viii)	Dealer's Discount or Commission:	Not Available
(ix)	Issue Price:	100.00% of the Principal Amount
(x)	Ranking:	Senior

(xi)	Business Days:	New York, London, Santiago, Taipei
2.	**Payment of Additional Amounts:**	Applicable
3.	**Authorization/Approval**	
(i)	Date Board approval for issuance of Notes obtained:	October 30, 2019
4.	**Fixed Rate Notes Only Interest Rate:**	Applicable
(i)	Fixed Interest Rate:	2.16% per annum payable semi-annually in arrears
(ii)	Interest Payment Period:	Semi-Annual
(iii)	Fixed Interest Payment Dates:	Each May 10 and November 10, commencing on May 10, 2022, up to and including the Maturity Date.
(iv)	Day Count Fraction:	30/360, Unadjusted, Modified Following
(v)	Regular Record Dates (if any):	The 15th calendar day prior to each Interest Payment Date
(vi)	Determination Dates:	Not applicable
(vii)	Interest Commencement Date:	November 10, 2021
5.	**Floating Rate Notes Only Interest Rate:**	Not applicable
6.	**Repayment and Redemption:**	
(i)	Issuer Optional Redemption Date:	As per the Conditions solely for taxation reasons
(ii)	Noteholder Optional Redemption Date:	Not Applicable
(iii)	Redemption Price:	Redemption at par
(iv)	Make Whole Redemption:	Not applicable
(v)	Calculation Agent:	Bank of America, NA, London Branch
7.	**Form of Notes:**	
(i)	Temporary global Note to permanent global Note:	Not applicable

(ii) Permanent global Note:	Applicable
(iii) Bearer Note:	Applicable
(iv) Registered Notes:	Not applicable
(v) New Global Note:	Not applicable
(i) Exchange of temporary global Notes into definitive Bearer Notes:	Not applicable
(i) Exchange of permanent global Notes into definitive Bearer Notes:	Not applicable
(i) Exchange of definitive Bearer Notes into Registered Notes:	Not applicable
(ii) Exchange of Registered Notes into Registered Notes in other authorized denominations:	Not applicable
8. U.S. Selling Restrictions:	Regulation S Compliance Category 1; TEFRA C
9. Prohibition of Sales to EEA Retail Investors:	Applicable
10. Prohibition of Sales to United Kingdom Retail Investors:	Applicable
11. Distribution:	Regulation S only
12. Denominations:	The Notes will be available in denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof.
13. Managers:	
(i) The Notes are being purchased, on a several and not joint basis, by the following financial institutions (each a "Manager" and collectively, the "Managers") in the respective amounts set forth next to the name of each Manager pursuant to a Terms Agreement between Issuer and the Managers dated October 20, 2021, executed under the Dealer Agreement. To the extent that any of the Managers are not named as Dealers in the Dealer Agreement, Scotiabank Chile has appointed them as	Crédit Agricole Corporate and Investment Bank, Taipei Branch Standard Chartered Bank (Taiwan) Limited KGI Bank Co. Ltd. SinoPac Securities Corporation Taipei Fubon Commercial Bank Co., Ltd. Taishin International Bank Co. Ltd. Yuanta Securities Co., Ltd.

Dealers thereunder for this transaction pursuant to the relevant Terms Agreement.

(ii)	Stabilizing manager(s)	Not applicable

Part B Other Information

1. Admissions to Listing and Trading:

Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading and to be listed on the Taipei Exchange with effect from the Issue Date and to be admitted to the Official List and trading on the Singapore Exchange Securities Trading Limited with effect from the first business day falling after the Issue Date.

The Taipei Exchange is not responsible for the content of this Pricing Supplement, the Offering Circular and/or any supplement or amendment thereto and no representation is made by the Taipei Exchange as to the accuracy or completeness of this Pricing Supplement, the Offering Circular and/or any supplement or amendment thereto. The Taipei Exchange expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Pricing Supplement, the Offering Circular and/or any supplement or amendment thereto. Admission to the listing and trading of the Notes on the Taipei Exchange shall not be taken as an indication of the merits of the Issuer or the Notes.

2. Ratings:

The Notes to be issued are expected to be rated A by Standard & Poor's.

3. Interests of Natural and Legal Persons Involved in the Issue:

So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and/or may in the future engage, in investment banking and/or commercial banking transactions with, and/or may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4. Use of Proceeds, Estimated Net Proceeds and Total Expenses:

(i)	Use of proceeds:	General corporate purposes
(ii)	Estimated net proceeds to the Issuer (in Specified Currency):	USD 124,605,500

5. Fixed Rate Notes only Yield:

(i)	Indication of yield as of the Original Issue Date:	2.16% per annum

6. Operational Information:

(i) ISIN:	XS2401677948
(ii) Common Code:	240167794
(iii) Book-entry Clearing Systems:	Euroclear Bank S.A./N.V. and Clearstream Banking, S.A.
(iv) Names and addresses of additional Paying Agent(s) (if any):	Not applicable

7. Intended to be held in a manner which would allow Eurosystem eligibility:

No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.

Purpose of Pricing Supplement

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Taipei Exchange and the Singapore Exchange Securities Trading Limited of the Notes described herein pursuant to the U.S.$3,000,000,000 Medium-Term Note Program of Scotiabank Chile.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:

Scotiabank Chile

By: ____________________ Duly authorized	By: ____________________ Duly authorized
Name: Aitor Aldunate	Name: Miguel Royo
Title: Vice President Treasury & Capital Management	Title: Director Treasury

OFFERING CIRCULAR

Scotiabank Chile

SCOTIABANK CHILE
(a Bank constituted in the Republic of Chile)
U.S.$3,000,000,000
Medium-Term Note Program

Under this U.S.$3,000,000,000 Medium-Term Notes Program (the "Program"), Scotiabank Chile (the "Issuer" or "Scotiabank Chile") may from time to time issue medium-term notes ("Notes") which may be issued on a senior or subordinated basis. The Notes will be denominated in any currency agreed upon between the Issuer and the relevant Dealer (as defined below).

Notes may be issued either in bearer form or in registered form and in each case in the nominal amount of the denomination specified in the applicable pricing supplement (the "Pricing Supplement"). The maximum aggregate principal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$3,000,000,000 (or its equivalent in other currencies), subject to increase as described in this Offering Circular.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Program" and any additional Dealers appointed under the Program from time to time by the Issuer (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis.

Application has been made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in, and quotation of, any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. There is no guarantee that an application to the SGX-ST will be approved. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the "Official List"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein or the relevant Pricing Supplement for the Notes. Admission to the Official List of, and quotation of any Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or such Notes. Any approval in-principle of the SGX-ST for the listing and quotation of any Series (as defined below) of Notes on the SGX-ST is subject to changes in the SGX-ST's policies.

The Program provides that the Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. The Issuer may also issue unlisted Notes.

Notes to be listed on the SGX-ST will be accepted for clearance through either The Depository Trust Company ("DTC") or Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg").

See the section entitled "Risk Factors" beginning on page 5 of this Offering Circular for a discussion of certain risks that should be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act)" or with any U.S. securities laws and include Notes in bearer form that are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered, directly or indirectly, within the United States, its territories or possessions or to, or for the account or benefit of, U.S. persons except persons reasonably believed to be qualified institutional buyers ("QIBs") in accordance with Rule 144A under the Securities Act ("Rule 144A") or outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S") or pursuant to another exemption from the registration requirements of the Securities Act. See "Plan of Distribution."

Arrangers and Dealers

BofA Securities **J.P. Morgan** **Scotiabank**

The date of this Offering Circular is May 21, 2021.

IMPORTANT NOTICE

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains or incorporates all information which is material in the context of the Program and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person is or has been authorized to give any information or to make any representation not contained in, or not consistent with, this Offering Circular, any Supplementary Offering Circular (as defined below), any information incorporated by reference herein or therein or any other information supplied in connection with the Program or the Notes and, in respect of each Tranche (as defined below) of Notes, the applicable Pricing Supplement, in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or any of the Dealers. Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Notes made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this document has been most recently supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this document has been most recently supplemented or that any other information supplied in connection with the Program is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Dealers expressly do not undertake to any investor or prospective investor or purchaser to review the financial conditions or affairs of the Issuer during the life of the Program or to advise any investor in the Notes of any information coming to their attention.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. None of the Issuer and the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (the "EEA"), the United Kingdom, Australia, Brazil, Chile, Dubai, Hong Kong, Japan, Peru, Singapore and Switzerland. See "Transfer and Selling Restrictions." The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and include Notes in bearer form that are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered, directly or indirectly, within the United States, its territories or possessions or to, or for the account or benefit of U.S. persons (as defined in Regulation S) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "Description of the Notes—Forms of Notes" for a description of the manner in which the Notes will be issued. The Notes are subject to certain restrictions on transfer, as discussed in more detail under "Transfer and Selling Restrictions."

This Offering Circular is to be read in conjunction with any Supplementary Offering Circular to this Offering Circular and, in relation to any Tranche or Series of Notes, should be read and constituted together with any applicable Pricing Supplement. Any reference herein to "Offering Circular" means this document together with the documents incorporated by reference herein and any such Supplementary Offering Circular and the documents incorporated by reference therein.

U.S. INFORMATION: This Offering Circular may be provided in the United States on a confidential basis to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of Notes offered hereby pursuant to Rule 144A, provided that any such Offering Circular shall include, by amendment, supplement or otherwise, such information as may be required pursuant to Rule 144(d)(4) under the Securities Act. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Notes is hereby notified that the offer and sale of any Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Note (as defined under "Description of the Notes—Forms of Notes—Registered Notes") or any Notes issued in registered form in exchange or substitution therefor (together "Legended Notes") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "Transfer and Selling Restrictions."

MiFID II PRODUCT GOVERNANCE / TARGET MARKET: The applicable Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "MiFID II") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under Commission Delegated Directive (EU) 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer forth purpose of the UK MIFIR Product Governance Rules.

PRIIPs / IMPORTANT—EEA RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors," the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) No 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs / IMPORTANT—UNITED KINGDOM RETAIL INVESTORS: If the applicable Pricing Supplement for the Notes issued under this Pricing Supplement includes a legend entitled "Prohibition of Sales to UK Retail Investors", such Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision: (a) the expression retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA ; and (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE): Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Program are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

None of this Offering Circular, any supplement hereto, any information incorporated by reference herein or therein and, in respect to each Tranche of Notes, the applicable Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes or are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Dealers that any recipient of this Offering Circular or any

Pricing Supplement should subscribe for or purchase any Note nor are they intended to provide the basis of any credit or other evaluation. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own independent investigation and appraisal of the condition (financial or otherwise) of, and its overall appraisal of the creditworthiness of, the Issuer and the terms of the relevant Notes including the merits and risks involved.

The Dealers have not independently verified the information contained herein. None of the Dealers makes any representation, warranty, or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information in this Offering Circular or incorporated by reference herein or any responsibility for any act or omission of the Issuer or any other person in connection with the issue and offering of the Notes. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes. Potential purchasers cannot rely, and are not entitled to rely, on the Dealers in connection with their investigation of the accuracy of any information or their decision whether to purchase or invest in the Notes. None of the Dealers undertakes to advise any investor or potential investor in or purchaser of the Notes of any information coming to the attention of any of the Dealers. The Dealers accept no liability in relation to any information contained herein or incorporated by reference herein or any other information provided by the Issuer in connection with the Notes, except for any liability arising from or in respect of any applicable law or regulation.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

The Notes may not be suitable for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of the potential investor's own circumstances. In particular, each potential investor, either on its own or with the help of its financial or other professional advisers, should consider whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any Supplemental Offering Circular or any applicable Pricing Supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on the potential investor's overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which the potential investor's financial activities are denominated principally;

(iv) understands thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect the potential investor's investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it considers that it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effect on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

CERTAIN DEFINED TERMS

In this Offering Circular, all references to the "Bank" are to the group of companies for which the Issuer is the parent company, except where it is clear from the context that the term refers to any particular company or a group of companies.

As used in this Offering Circular, the term "billion" means one thousand million (1,000,000,000).

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "U.S.$" and to "U.S. dollars" are to the currency of the United States of America, to "Ch$," "Chilean pesos" and "pesos" are to the currency of Chile, to "euro" and "€" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended and references to "Sterling" are to the currency of the United Kingdom. References to "UF" are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index ("CPI") of the Chilean National Institute of Statistics (*Instituto Nacional de Estadísticas*) for the previous month.

In this Offering Circular, references to the "BIS" are to the Bank for International Settlement, and references to "BIS ratio" are to the capital adequacy ratio as calculated in accordance with the Basel Capital Accord. References to the "Central Bank" are to the Banco Central de Chile. References to the "FMC" are to the Financial Market Commission, which is the legal successor of the Chilean Superintendency of Banks and Financial Institutions ("SBIF") since June 1, 2019.

PRESENTATION OF FINANCIAL INFORMATION

General

This Offering Circular contains the audited consolidated financial statements of the Bank for the years ended December 31, 2019 (the "2019 Audited Consolidated Financial Statements") and December 31, 2020 (the "2020 Audited Consolidated Financial Statements" and, together with the 2019 Audited Consolidated Financial Statements, the "Audited Consolidated Financial Statements"), prepared in accordance with Chilean Bank GAAP (as defined below). The Audited Consolidated Financial Statements were audited by KPMG Auditores y Consultores SpA. The notes to the Audited Consolidated Financial Statements form an integral part of the Audited Consolidated Financial Statements and contain additional information and narrative descriptions or details of these financial statements.

Chilean Bank GAAP

Scotiabank Chile is a Chilean bank. The Bank maintains its financial books and records in Chilean pesos and prepares its audited consolidated financial statements in accordance with the accounting standards and instructions provided by the FMC issued by the SBIF (subsequently absorbed by the FMC as its legal successor), which came into effect on January 1, 2009. The Bank refers to these accounting standards and instructions, as issued by the FMC, as "Chilean Bank GAAP." Chilean Bank GAAP principles are substantially similar to International Financial Reporting Standards ("IFRS") but there are some exceptions (see "—Differences between IFRS and Chilean Bank GAAP" below). See "Note 2(a)—Basis of preparation" in the 2020 Audited Consolidated Financial Statements for more information on the basis of preparation of the Bank's audited consolidated financial statements.

Differences between IFRS and Chilean Bank GAAP

As stated above, Chilean Bank GAAP, as prescribed by the Compendium of Accounting Standards (the "Compendium"), differs in certain respects from IFRS. The main differences include the following:

Suspension of Income Recognition on Accrual Basis

In accordance with the Compendium, financial institutions must suspend recognition of income on an accrual basis in their statements of income for certain loans included in the impaired portfolio. IFRS 9 and IAS 39 do not allow the suspension of accrual of interest on financial assets for which an impairment loss has been determined. Under IFRS 9, interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have subsequently become credit-impaired (or "Stage 3"), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of expected credit loss provision). Off-balance interests are recorded as interest income only if the related payments are received.

Charge-offs and Accounts Receivable

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

Assets Received In Lieu of Payment

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

Loan Loss Allowances

The Bank calculates loan loss allowances in accordance with Chilean Bank GAAP. According to both Chilean Bank GAAP and IFRS, loan loss allowances are calculated using expected loss models. The models adopted with IFRS 9 uses an expected loss approach. These models are, however, not in accordance with specific guidelines under Chilean Bank GAAP. The FMC has resolved that IFRS 9 will not be applied until established as mandatory. The Bank will apply this standard when the FMC determines its application. If adopted, the most significant impact of IFRS 9 on the Bank's financial statements is expected to arise from the new impairment requirements, with impairment losses expected to increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model.

Provisions for Country Risk and for Contingent Loan Risk

Under Chilean Bank GAAP, the Bank provisions for country risk to cover the risk taken when holding or committing resources with any foreign country. These allowances are established in accordance with country risk classifications established by the FMC and, therefore, are not in accordance with IFRS. Also under Chilean Bank GAAP, the Bank can establish allowances related to the undrawn available credit lines and contingent loans in accordance with the FMC. Under IFRS 9, provisions for contingent loans are calculated based on expected credit loss.

Provision for Minimum Dividends

Article No.79 in Chile's Law of Public Companies establishes 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 line item "Provisions" with a debit to the account "Provisions for minimum dividends" in equity.

Additional Provisions for Loans

In conformity with the standards issued by the FMC, 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.

Functional and Presentation Currency

The Chilean peso is the currency of the primary economic environment in which the Bank operates and the currency that influences its structure of costs and revenues, and the Chilean peso has, therefore, been defined as the functional and presentation currency of the Issuer.

Rounding

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments for ease of presentation. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Percentage figures included in this Offering Circular have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, the Bank's public communications often include oral or written forward-looking statements. Statements of this type are included in this Offering Circular or in other communications. All such statements are made pursuant to the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995 and any applicable Chilean securities legislation. The forward-looking statements in this Offering Circular and the documents incorporated by reference include, but are not limited to, statements regarding the Bank's objectives, strategies to achieve those objectives, the regulatory environment in which the Bank operates, anticipated financial results, and the outlook for the Bank's businesses and for the Chilean, U.S. and global economies. Such statements are typically identified by words or phrases such as "believe," "expect," "foresee," "forecast," "anticipate," "intend," "estimate," "plan," "goal," "project," and similar expressions of future or conditional verbs, such as "will," "may," "should," "would" and "could."

By their very nature, forward-looking statements require the Bank to make assumptions and subject to inherent risks and uncertainties, which give rise to the possibility that the predictions, forecasts, projections, expectations or conclusions will not prove to be accurate, that the Bank's assumptions may not be correct and that the Bank's financial performance objectives, vision and strategic goals will not be achieved.

The Bank cautions readers not to place undue reliance on these statements as a number of risk factors, many of which are beyond the Bank's control and effects of which can be difficult to predict, could cause the Bank's actual results to differ materially from the expectations, targets, estimates or intentions expressed in such forward-looking statements. The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: the impact of the global COVID-19 (also commonly referred to as the "coronavirus") pandemic; general economic and market conditions in the countries in which the Bank operates; changes in currency and interest rates; increased funding costs and market volatility due to market illiquidity and competition for funding; the failure of third parties to comply with their obligations to the Bank and its affiliates; changes in monetary, fiscal, or economic policy and tax legislation and interpretation; changes in laws and regulations or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance, and the effect of such changes on funding costs; changes to the Bank's credit ratings; operational and infrastructure risks; reputational risks; the accuracy and completeness of information the Bank receives on customers and counterparties; the timely development and introduction of new products and services; the Bank's ability to execute its strategic plans, including the successful completion of acquisitions and dispositions, including obtaining regulatory approvals; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; global capital markets activity; the Bank's ability to attract, develop and retain key executives; the evolution of various types of fraud or other criminal behavior to which the Bank is exposed; disruptions in or attacks (including cyber-attacks) on the Bank's information technology ("IT"), internet, network access, or other voice or data communications systems or services; increased competition in the geographic and in business areas in which the Bank operates, including through internet and mobile banking and non-traditional competitors; exposure related to significant litigation and regulatory matters; the occurrence of natural and unnatural catastrophic events and claims resulting from such events; and the Bank's anticipation of and success in managing the risks implied by the foregoing. A substantial amount of the Bank's business involves making loans or otherwise committing resources to specific companies, industries or countries. Unforeseen events affecting such borrowers, industries or countries could have a material adverse effect on the Bank's financial results, businesses, financial condition or liquidity. These and other factors may cause the Bank's actual performance to differ materially from that contemplated by forward-looking statements. The Bank cautions that the preceding list is not exhaustive of all possible risk factors and other factors could also adversely affect the Bank's results.

When relying on forward-looking statements to make decisions with respect to the Bank and its securities, investors and others should carefully consider the preceding factors, other uncertainties and potential events. Except as required by law, the Bank, any Dealer or any other person does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by or on its behalf.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(i) the most recently published audited consolidated annual financial statements and, if published later, the most recently published unaudited interim consolidated financial results of the Issuer; and

(ii) all supplements or amendments to this Offering Circular prepared by the Issuer from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any documents incorporated by reference in this Offering Circular can be found on the Issuer's website at the following URL: https://www.scotiabankchile.cl/conocenos/estados-financieros-y-tarifas/estados-financieros/memorias-y-estados-financieros. Such audited consolidated financial statements of the Issuer which are deemed to be incorporated by reference in this Offering Circular may also be obtained at the SGX-ST's website at www.sgx.com. The information on these websites does not, except as specifically set forth above regarding documents that the Issuer publishes or issues from time to time after the date hereof, form part of this Offering Circular and is not incorporated by reference herein. The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular.

If the terms of the Program are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Program, a new offering circular will be prepared.

AVAILABLE INFORMATION

To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act of 1934, as amended (the "Exchange Act") or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4) so long as the Notes are considered "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

TABLE OF CONTENTS

OVERVIEW OF THE PROGRAM

This overview must be read as an introduction to this Offering Circular and is provided as an aid to investors when considering whether to invest in the Notes, but is not a substitute for the Offering Circular. Any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including the documents incorporated by reference. The Issuer operates as a standalone subsidiary of The Bank of Nova Scotia that has no, or assumes no, liability for the offering of the Notes. Certain terms used in this overview are defined elsewhere in this Offering Circular, including in the section entitled "Description of the Notes."

Issuer:	Scotiabank Chile
Arrangers:	BofA Securities, Inc. J.P. Morgan Securities LLC Scotia Capital (USA) Inc.
Dealers:	BofA Securities, Inc. J.P. Morgan Securities LLC J.P. Morgan Securities plc Scotiabank Europe plc Scotia Capital (USA) Inc. The Bank of Nova Scotia, Hong Kong Branch Any other Dealer appointed from time to time by the Issuer either generally in respect of the Program or in relation to a particular Series of Notes.
Fiscal Agent, Non-U.S. Paying Agent and Transfer Agent:	Bank of America, National Association, London Branch
Non-U.S. Registrar:	Bank of America Europe DAC
U.S. Paying Agent, U.S. Registrar and Transfer Agent:	Bank of America, National Association
Singapore Listing Agent:	Allen & Gledhill LLP
Distribution:	Notes may be distributed (i) in the United States to QIBs and (ii) outside the United States to persons other than U.S. persons (as such terms are defined in Regulation S), in each case on a syndicated or non-syndicated basis, subject to the selling restrictions described under "Transfer and Selling Restrictions."
Specified Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement).
Maximum Amount:	The aggregate principal amount of Notes outstanding at any time shall not exceed U.S.$3,000,000,000 or the approximate equivalent thereof in another currency calculated as at the issue date of the relevant Notes. The Program size may be increased from time to time without the consent of the holders of Notes.

Maturities:	Notes may be issued in such maturities as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement as the stated maturity), subject to such minimum or maximum term as may be allowed or required from time to time by the Central Bank (or relevant equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issuance in Series:	The Notes will be issued in separate series (each, a "Series") and the Notes of each Series will all be subject to identical terms whether as to currency, denomination, interest or maturity or otherwise. Each such Series may contain one or more tranches of Notes (each, a "Tranche") having identical terms, including the original issue date and the public offering price; provided that a Tranche of Notes may not comprise both Notes in registered form and Notes in bearer form.
Issue Price:	Notes may be issued at an issue price which is equal to, less than or more than their principal amount, as provided in the applicable Pricing Supplement.
Form of Notes:	Notes will be issued in either registered or bearer form as specified in the applicable Pricing Supplement. Unless otherwise specified in the relevant Pricing Supplement, the Notes offered in the United States to QIBs in reliance on Rule 144A will be represented by one or more Rule 144A registered global notes (each, a "Rule 144A Registered Global Note") and Notes offered outside the United States in reliance on Regulation S will be represented, as specified in the relevant Pricing Supplement, by one or more global notes (each, a "Regulation S Registered Global Note" and, together with a Rule 144A Registered Global Note, the "Registered Global Notes") either in registered or bearer form. Registered Global Notes will be deposited with a custodian for, and registered in the name of a nominee of, DTC; provided that if all Notes of a Series or Tranche are offered outside of the United States in reliance on Regulation S, the Regulation S Registered Global Notes representing such Notes may, alternatively, be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement.
Fixed Rate Notes:	The Issuer will pay interest on Fixed Rate Notes on the dates specified in the applicable Pricing Supplement. Fixed interest on Notes will be calculated on the basis of such Fixed Day Count Fraction as may be set forth in the applicable Pricing Supplement.
Floating Rate Notes:	The Issuer will pay interest on Floating Rate Notes on the dates specified in the applicable Pricing Supplement. Each Series of Floating Rate Notes will have one or more interest rate bases as indicated in the applicable Pricing Supplement. Interest on Floating Rate Notes will be calculated on the basis of such Floating Day Count Fraction as may be set forth in the applicable

	Pricing Supplement.
Interest Period(s) or Interest Payment Date(s) for Floating Rate Notes:	Such period(s) or date(s) as may be indicated in the applicable Pricing Supplement.
Redemption:	The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes of that Series cannot be redeemed prior to its stated maturity, or that such Notes will be redeemable for taxation reasons or at the option of the Issuer and/or the Noteholders upon giving not more than 60 nor less than 30 days irrevocable notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as are indicated in the applicable Pricing Supplement; provided, however, that Notes denominated in currencies other than U.S. dollars may be subject to different restrictions on redemption as described in "Description of the Notes—Special Provisions Relating to Foreign Currency Notes—Minimum Denominations, Restrictions on Maturities, Repayment and Redemption."
Denomination of Notes:	Notes may be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement.
Taxation:	All payments with respect to the Notes will be made without withholding or deduction for or on account of any taxes or other charges imposed by any governmental authority or agency in the jurisdiction of the Issuer or other Relevant Taxing Jurisdiction (as defined herein), unless such withholding is required by law, in which case, subject to certain exceptions, the Issuer will generally pay Additional Amounts as described in "Description of the Notes—Payment of Additional Amounts." See also "Certain Tax Legislation Affecting the Notes—Chilean Taxation."
Status of the Notes:	Each Note will be unsecured and will be either a senior or a subordinated debt obligation ("Senior Notes" and "Subordinated Notes," respectively). Senior Notes will rank equally in right of payment with all other unsecured and unsubordinated obligations of the Issuer thereof. Subordinated Notes will rank junior in right of payment to all senior indebtedness as specified in the applicable Pricing Supplement, which will set forth the applicable terms of such subordination. The Issuer will not make any payment of principal, premium, if any, or interest in respect of the Subordinated Notes unless all amounts then due on its senior indebtedness have been paid in full. See "Description of the Notes—General."
Rating:	The Notes of each Tranche issued under the Program may be rated or unrated. Where the Notes of a Tranche are rated, such rating (i) will be set out in the applicable Pricing Supplement and (ii) will not necessarily be the same as the rating(s) assigned to the Issuer. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or

	withdrawal at any time by the assigning rating agency.
Listing and Admission to Trading:	Each Series of Notes may be listed on the Official List and traded on the SGX-ST and/or listed or admitted to trading on or by such other or additional stock exchange(s), competent authority(ies) and/or market(s) or may be unlisted.
Clearing System:	As specified in the applicable Pricing Supplement.
Governing Law:	The Fiscal Agency Agreement and the Notes will be governed by, and construed in accordance with, the law of the State of New York; provided that the ranking and subordination of the Notes will be governed by, and construed in accordance with, Chilean law.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or outside the United States to non-U.S. persons in reliance on Regulation S or pursuant to another exemption from the registration requirements of the Securities Act. In addition, Notes issued in bearer form are subject to U.S. tax law requirements. For a description of certain restrictions on offers, sales and deliveries of Notes in the United States, the EEA, Australia and certain other jurisdictions. See "Transfer and Selling Restrictions."
Risk Factors:	Prospective purchasers of the Notes should consider carefully all of the information set forth in this Offering Circular or any supplement hereto and, in particular, the information set forth under the caption "Risk Factors" beginning on page 5.

RISK FACTORS

Investors should carefully consider the following risk factors as well as the other information contained in this Offering Circular prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of the Notes. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Bank or that the Bank currently deems immaterial may also impair the Bank's business operations.

Risk Factors in Respect of the Issuer

Business and market risks may affect the ability of the Issuer to fulfil its obligations under the Notes issued under the Program.

As a large financial services company, the Bank faces risks that are inherent in the business and market places in which it operates. Material factors that could affect the Bank's businesses, results of operations and financial condition and the Bank's ability to fulfil its obligations include: credit risk, market risk, liquidity risk, insurance risk, operational risk, information technology and cybersecurity risk, data risk, compliance risk, money laundering and terrorist financing risk, reputational risk, environmental risk, strategic risk and the top and emerging risks including geopolitical risk, legal and regulatory compliance risk, anti-money laundering, technology, information and cyber security risk, technology innovation and disruption, third party service providers and Chilean household indebtedness.

The global coronavirus outbreak, which has negatively impacted the economies exposed to it, could have a material adverse effect on the Bank's business, financial condition and results of operations and adversely affect the Bank's ability to access capital and liquidity.

In the past year, COVID-19 (also commonly referred to as the "coronavirus") has spread globally and disrupted various markets and resulted in severe uncertainty about the economies exposed to the outbreak. The Bank has been affected and will continue to be affected by the coronavirus outbreak both directly and indirectly, through an impact on its customers, counterparties, employees and other stakeholders, both in Chile and elsewhere, as a result of, among others, public health measures, such as business closings and restrictions on travel and gatherings. The exact ramifications of the coronavirus outbreak are highly uncertain and, as of the date of this Offering Circular, it is difficult to predict the spread or duration of the pandemic, including the current "third wave" and any subsequent future resurgence, or its full effect on global and local economies.

The coronavirus outbreak and the preventive measures implemented in Chile and elsewhere to contain its spread could also have an adverse effect on borrowers, which could in turn increase delinquency rates and past due loan ratios. For example, the Chilean government, as well as local and municipal authorities within Chile, have promoted and enforced self-distancing and quarantine measures, including curfews, and have enacted regulations limiting the operations of certain businesses. The Bank's allowances for credit risk and provisions for loans increased in 2020 compared to 2019 due to the increase in expected losses driven by the effects of the coronavirus pandemic on borrowers, including as a result of the related preventive measures implemented in Chile. In order to mitigate the economic effects of the coronavirus outbreak, the Chilean government has also introduced liquidity programs that include, among others, terms that allow the deferral of payments by eligible debtors. Further restrictions on the business community and on the general population, and measures intended to protect debtors, may be introduced by the Chilean government, the Central Bank, the FMC or other regulators and the Bank cannot predict what the effect of current or any future restrictions may be, nor can the Bank predict the duration of any such measures. In addition, customer habits, even following the pandemic and the termination of any such governmental and other restrictions, may have been altered, which may have a material adverse effect on the Bank's business. There can also be no assurance that the adverse impact of the coronavirus outbreak will not lead to a tightening of liquidity conditions or funding uncertainty. Any of the foregoing, and any future adverse conditions related to the coronavirus outbreak not yet known, could have a material adverse effect on the Bank's business, financial condition and results of operations and adversely affect the Bank's ability to access capital and liquidity on financial terms acceptable to the Bank. To the extent the coronavirus virus pandemic adversely affects the business, financial condition and results of operations of the Bank, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

The Bank is vulnerable to disruptions and volatility in the financial markets.

The Bank may face, among others, the following risks related to any economic downturn:

- Reduced demand for the Bank's products and services.
- Increased regulation of the financial services industry. Compliance with such regulations will continue to increase the Bank's costs and may affect the pricing for the Bank's products and services, increase its conduct and regulatory risks to non-compliance and limit its ability to pursue business opportunities.
- Inability of the Bank's borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of the Bank's retail customers and may adversely affect the recoverability of its retail loans, resulting in increased loan losses.
- The process the Bank uses to estimate losses inherent in the Bank's credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of the Bank's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Bank's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Bank's loan loss allowances.
- The value and liquidity of the portfolio of investment securities that the Bank holds may be adversely affected.
- Any worsening of global economic conditions may delay the recovery of the international financial industry and impact the Bank's financial condition and results of operations.

Economic uncertainty could have a negative impact on the Bank's business and results of operations. A slowing or failing of the Chilean or global economy would likely aggravate the adverse effects of these difficult economic and market conditions on the Bank and on others in the financial services industry.

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

Geopolitical events, such as continued tensions in the Middle East and the Korean Peninsula, past changes in certain policy goals of the U.S. government and in trade policies globally, including the introduction of related protectionist initiatives such as new or higher tariffs, and widespread public health crises have also caused, and are likely to continue to cause, uncertainty in the financial markets and concern about the development of the global economy. For example, the outbreak of the coronavirus, which spread globally in the first half of 2020, has disrupted various markets and resulted in severe uncertainty about the economies affected by the outbreak (see also "—The global coronavirus outbreak, which has negatively impacted the economies exposed to the outbreak, could have a material adverse effect on the Bank's business, financial condition and results of operations and adversely affect the Bank's ability to access capital and liquidity" above).

If all or some of the foregoing risks were to materialize, this could have a material adverse effect on the Bank's financing availability and terms and, more generally, on its results, financial condition and prospects.

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

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

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

In addition, the Chilean government has enacted the so-called "financial portability law" (Law No. 21,236 published on the Official Gazette on June 9, 2020) which allows clients having financial products with institutions like the Bank and other providers to change their products such as saving accounts, credit lines, credit cards, deposits, mutual funds, unsecured loans and mortgage loans, among others, to another provider. In the case of secured loans, the security interest will not be cancelled by the existing provider and created by the new provider, but will instead be transferred by virtue of the change of provider. This change in Chilean legislation is mainly intended to allow Chilean individuals, who have at least one financial product (as of the date of this Offering Circular, approximately 97% of the adult population), as well as small and medium-sized enterprise ("SME") clients, to search for better economic terms on their products and to more easily transition from one financial institution to another, increasing competition between financial institutions, such as the Bank, and requiring them to improve their cost-efficiency.

New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If the Bank is unable to successfully compete with current and new competitors, or if the Bank is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, the Bank's business may be adversely affected. In addition, the Bank's failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent its access to new digital-based markets, which would in turn have an adverse effect on the Bank's competitive position and business. Furthermore, the widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt the Bank's existing products and services as the Bank continues to grow its internet and mobile banking capabilities. The Bank's customers may choose to conduct business or offer products in areas that may be considered speculative or risky. Such new technologies could negatively impact the Bank's investments in bank premises, equipment and personnel for the Bank's branch network.

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

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

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

The Bank's ability to maintain its competitive position depends, in part, on the success of new products and services the Bank offers its customers and its ability to continue offering products and services from third parties, and the Bank may not be able to manage various risks it faces as it expands its range of products and services that could have a material adverse effect on it.

The success of the Bank's operations and its profitability depends, in part, on the success of new products and services it offers its customers and its ability to continue offering products and services from third parties. However, the Bank cannot guarantee that its new products and services will be responsive to customer demands, or that they will be successful. In addition, the needs or desires of the Bank's customers may change over time, and such changes may render the Bank's products and services obsolete, outdated or unattractive and the Bank may not be able to develop new products that meet its customers' changing needs. The Bank's success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the banking industry. Technological changes may further intensify and complicate the competitive landscape and influence client behavior. If the Bank cannot respond in a timely fashion to the changing needs of its customers, the Bank may lose customers, which could in turn materially and adversely affect the Bank.

As the Bank expands the range of its products and services, some of which may be at an early stage of development in the markets of certain regions where it operates, it will be exposed to new and potentially increasingly complex risks and development expenses in those markets, with respect to which the Bank's experience and the experience of the Bank's partners may not be sufficient. The Bank's employees and the Bank's risk management systems may not be sufficient to enable it to properly manage such risks. In addition, the cost of developing products that are not launched is likely to affect the Bank's results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on the Bank.

The financial problems faced by the Bank's customers could adversely affect the Bank.

Any market turmoil or economic recession could materially and adversely affect the liquidity, credit ratings, businesses and/or financial conditions of the Bank's borrowers, which could, in turn, increase the Bank's non-performing loan ratios, impair the Bank's loan and other financial assets and result in decreased demand for borrowings in general. The Bank's customers may also significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Bank's fee and commission income. The Bank may also be adversely affected by the negative effects of the heightened regulatory environment on the Bank's customers due to the high costs associated with regulatory compliance and proceedings. Any of the conditions described above could have a material adverse effect on the Bank's business, financial condition and results of operations.

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

Credit ratings affect the cost and other terms upon which the Issuer is able to obtain funding. Rating agencies regularly evaluate the Issuer and their ratings of the Issuer's debt are based on a number of factors, including the Issuer's financial strength and conditions affecting the financial services industry generally. Due to the methodology of the main rating agencies, the Issuer's credit rating is affected by the rating of Chile's sovereign debt. If Chile's sovereign debt is downgraded, the Issuer's credit rating would also likely be downgraded by an equivalent amount. In addition, the Issuer's ratings may be adversely affected by any downgrade in the ratings of the Issuer's indirect parent company and controlling shareholder, The Bank of Nova Scotia.

As of the date of this Offering Circular, the issuer foreign long term credit rating assigned by S&P Global Ratings ("S&P") to Scotiabank Chile is A (negative outlook). The corresponding rating assigned to Scotiabank Chile by Fitch Ratings, Inc. ("Fitch") is A+ (negative outlook). Both S&P and Fitch revised their ratings outlook for the Bank from stable to negative in April 2020 due to the adverse economic conditions resulting both from the coronavirus pandemic and the social unrest that occurred in Chile at the end 2019 and the resulting commercial disruption throughout the country. The revised ratings outlook by Fitch followed the earlier corresponding change in the ratings outlook of The Bank of Nova Scotia, the Bank's indirect parent company and controlling shareholder, due to the disruption to economic activity and financial markets from the coronavirus pandemic.

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

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

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

There can be no assurance that the rating agencies will maintain the current ratings or outlooks. Failure to maintain favorable ratings and outlooks could increase the Issuer's cost of funding and adversely affect interest margins, which could have a material adverse effect on the Issuer.

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

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

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

The credit quality of the Bank's loan portfolio may deteriorate and its loan loss reserves could be insufficient to cover its actual loan losses, which could have a material adverse effect on the Bank.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Bank's businesses. Non-performing or low credit quality loans have in the past negatively impacted the Bank's results of operations and could do so in the future. In particular, the amount of the Bank's reported non-performing loans may increase in the future as a result of growth in the Bank's total loan portfolio, including as a result of loan portfolios that it may acquire in the future (the credit quality of which may turn out to be worse than the Bank had anticipated), or factors beyond the Bank's control, such as adverse changes in the credit quality of the Bank's borrowers and counterparties or a general deterioration in economic conditions in Chile or in global economic and political conditions. If the Bank were unable to control the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Bank.

As of December 31, 2020, the Issuer's non-performing loans were Ch$373,898 million, and the ratio of the Issuer's non-performing loans to total loans was 1.47%. As of December 31, 2020, the Issuer's allowance for loan losses was Ch$506,452 million, and the ratio of the Issuer's allowance for loan losses to non-performing loans was 135.5%.

As part of its COVID-19 relief measures, the Bank granted a voluntary three-month grace period for mortgages and consumer loans. Over 25,000 mortgage customers deferred their payments, representing approximately 20.0% of the mortgage portfolio. As of December 31, 2020, 98.7% of the requested mortgage payment holidays expired and the non-performing loan ratio for these mortgages was 0.04%. Approximately 15,000 consumer loans customers requested the deferral of their payments representing approximately 16.5% of the consumer loan portfolio. As of December 31, 2020, the payment holiday for consumer loans had expired and the non-performing loan ratio for these loans was 1.10% (delinquency over 90 days).

Additionally, the Bank had Ch$511,479 million outstanding in FOGAPE government-guaranteed loans to corporate and small businesses. The average government guarantee coverage for this loan portfolio was approximately 70%.

The Issuer's allowance for loan losses is based on the Issuer's current assessment of and expectations concerning various factors affecting the Issuer, including the quality of the Issuer's loan portfolio. These factors include, among other things, the Issuer's borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Chile's economy, government macroeconomic policies, interest rates and the legal and regulatory environment. As the 2008 financial crisis demonstrated, many of these factors are beyond the Issuer's control. In addition, as these factors evolve, the models the Issuer uses to determine the appropriate level of allowance for loan losses and other assets require recalibration, which can lead to increased provision expense. See "Risk Management—Credit Risk."

As a result, there is no precise method for predicting loan and credit losses, and the Issuer cannot assure you that its allowance for loan losses will be sufficient in the future to cover actual loan and credit losses. If the Issuer's assessment of and expectations concerning the above-mentioned factors differ from actual developments, if the quality of the Issuer's total loan portfolio deteriorates, for any reason, including the increase in lending to individuals and small and medium enterprises, the volume increase in the consumer loan portfolio and the introduction of new products, or if the future actual losses exceed the Issuer's estimates of incurred losses, the Issuer may be required to increase its provisions and allowance for loan losses, which may adversely affect the Bank. If the Issuer is unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Bank.

The value of the collateral securing the Bank's loans may not be sufficient, and the Bank may be unable to realize the full value of the collateral securing its loan portfolio.

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

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

The further expansion of the Bank's loan portfolio (particularly in the consumer, small- and mid-sized companies and real estate segments) can be expected to expose the Bank to a higher level of loan losses and require the Bank to establish higher levels of provisions for loan losses. See "Note 11—Loans and receivables from customers" in the 2020 Audited Consolidated Financial Statements for a description and presentation of the Bank's loan portfolio.

As part of its business strategy, the Bank seeks to increase lending and other services to retail customers, which are more likely to be adversely affected by downturns in the Chilean economy. In addition, as of December 31, 2020, the Bank's residential mortgage loan portfolio totaled Ch$10,067,663, which represented 41.3% of its total loans. See "Note 39—Risk Management—3) Credit risk" in the 2020 Audited Consolidated Financial Statements for a description and presentation of the residential mortgage loan portfolio of the Bank. If the economy and real estate market in Chile experience a significant downturn, this could materially adversely affect the liquidity, businesses and financial conditions of the Bank's customers, which may in turn cause the Bank to experience higher levels of past-due loans, thereby resulting in higher provisions for loan losses and subsequent charge-offs. This may materially and adversely affect the Bank's asset quality, results of operations and financial condition.

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

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

Climate change can create transition risks, physical risks, and other risks that could adversely affect the Bank

Climate change may imply three primary drivers of financial risk that could adversely affect the Bank:

- Transition risks associated with the move to a low-carbon economy, both at idiosyncratic and systemic levels, such as through policy, regulatory and technological changes.

- Physical risks related to extreme weather impacts and longer term trends, which could result in financial losses that could impair asset values and the creditworthiness of the Bank's customers.

- Liability risks derived from parties who may suffer losses from the effects of climate change and may seek compensation from those they hold responsible such as state entities, regulators, investors and lenders.

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

- Credit risks: Physical climate change could lead to increased credit exposure and companies with business models not aligned with the transition to a low-carbon economy may face a higher risk of reduced corporate earnings and business disruption due to new regulations or market shifts. Central Chile has recently been enduring the longest drought of its recent history. This may lead to higher delinquency ratios and provisions for credit loss.

- Market risks: Market changes in the most carbon-intensive sectors could affect energy and commodity prices, corporate bonds, equities and certain derivatives contracts. Increasing frequency of severe weather events could affect macroeconomic conditions, weakening fundamental factors such as economic growth, employment and inflation. This may have a negative impact on the Bank´s fixed income portfolio.

- Operational risks: Severe weather events could directly impact business continuity and operations of both the Bank and its customers.

- Reputational risk could also arise from shifting sentiment among customers and increasing attention and scrutiny from other stakeholders (investors, regulators, etc.) on the Bank's response to climate change.

Any of the conditions described above could have a material adverse effect on the Bank's business, financial condition and results of operations.

The Bank's financial results are constantly exposed to market risk. The Bank is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect the Bank and its profitability.

Market risk refers to the probability of variations in the Bank's net interest income or in the market value of the Bank's assets and liabilities due to volatility of interest rate, inflation, exchange rate or equity price.

Changes in interest rates affect the following areas, among others, of the Bank's business:

- net interest income;

- the volume of loans originated;

- credit spreads;

- the market value of the Bank's securities holdings;
- the value of the Bank's loans and deposits; and
- the value of the Bank's derivatives transactions.

Interest rates are sensitive to many factors beyond the Bank's control, including increased regulation of the financial sector, the reserve policies of the Central Bank, deregulation of the financial sector in Chile, monetary policies and domestic and international economic and political conditions. Variations in interest rates could affect the interest earned on the Bank's assets and interest paid on its borrowings, thereby affecting the Bank's net interest income, which comprises the majority of the Bank's revenue, reducing its growth rate and potentially resulting in losses. Interest rate variations could adversely affect the Bank, including the Bank's net interest income, reducing the Bank's growth rate or even resulting in losses.

When interest rates rise, the Bank may be required to pay higher interest on its floating-rate borrowings while interest earned on the Bank's predominately fixed-rate assets may not rise as quickly, which could cause profits to grow at a reduced rate or decline in some parts of the Bank's portfolio.

Increases in interest rates may reduce the volume of loans the Bank originates. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of the Bank's financial assets and may reduce gains or require the Bank to record losses on sales of its loans or securities.

If interest rates decrease, although this is likely to decrease the Bank's funding costs, it is likely to adversely impact the income the Bank receives from its investments in securities as well as loans with similar maturities. In addition, the Bank may also experience increased delinquencies in a low interest rate environment when such an environment is accompanied by high unemployment and recessionary conditions.

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

The Bank is also exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities denominated in different currencies. Fluctuations in the exchange rate between currencies may negatively affect the Bank's earnings and value of the Bank's assets and securities. Therefore, while the Bank seeks to avoid significant mismatches between assets and liabilities due to foreign currency exposure, from time to time, it may have mismatches. See "Note 39—Risk Management—4) Market risk—Value at Risk" in the 2020 Audited Consolidated Financial Statements for a description and presentation of the risks related to the Bank's trading portfolio positions.

The Bank is exposed to equity price risk in its investments in equity securities in the banking book and in the trading portfolio. The performance of financial markets may cause changes in the value of the Bank's investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of the Bank's investments in equity securities and, depending on their fair value and future recovery expectations could become a permanent impairment, which would be subject to write-offs against the Bank's results. To the extent any of these risks materialize, the Bank's interest income or the market value of the Bank's assets and liabilities could be materially adversely affected.

As a large organization, the Bank is exposed to operational risks.

Similar to all large organizations, the Bank is exposed to many types of operational risk, including the risk of fraud by employees or outsiders, unauthorized transactions by employees, or operational errors, including clerical or record keeping errors or errors resulting from faulty or disabled computer or telecommunications systems. Given the high volume of transactions the Bank processes on a daily basis, certain errors may be repeated or compounded before they are discovered and successfully rectified. Shortcomings or failures in the Bank's internal processes, people or systems, including any of the Bank's financial, accounting or other data processing systems, could lead to, among other consequences, financial loss and reputational damage. In addition, despite the contingency plans the Bank has in place, the Bank's ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports the Bank's businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by the Bank or third parties with which the Bank conducts business.

Failure to successfully implement and continue to improve the Bank's risk management policies, procedures and methods, including the Bank's credit risk management system, could materially and adversely affect the Bank, and the Bank may be exposed to unidentified or unanticipated risks.

The management of risk is an integral part of the Bank's activities. The Bank seeks to monitor and manage the Bank's risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Bank employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating the Bank's risk exposure in all economic market environments or against all types of risk, including risks that the Bank fails to identify or anticipate.

Some of the Bank's qualitative tools and metrics for managing risk are based upon the Bank's use of observed historical market behavior. The Bank applies statistical and other tools to these observations to arrive at quantifications of the Bank's risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Bank did not anticipate or correctly evaluate in the Bank's statistical models. This would limit the Bank's ability to manage the Bank's risks. The Bank's losses thus could be significantly greater than the historical measures indicate. In addition, the Bank's quantified modeling does not take all risks into account. The Bank's more qualitative approach to managing those risks could prove insufficient, exposing the Bank to material unanticipated losses. The Bank could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modelled outcome being misunderstood or the use of such information for purposes for which it was not designed. In addition, if existing or potential customers or counterparties believe the Bank's risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with the Bank. This could have a material adverse effect on the Bank's reputation, operating results, financial condition and prospects.

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

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

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

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

Liquidity and funding risks are inherent in the Bank's business and could have a material adverse effect on the Bank.

Liquidity risk is the risk that the Bank either does not have available sufficient financial resources to meet the Bank's obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Bank implements liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors make it difficult to eliminate completely these risks. Continued constraints in the supply of liquidity, including in inter-bank lending, has affected and may materially and adversely affect the cost of funding the Bank's business, and extreme liquidity constraints may affect the Bank's current operations and its ability to fulfill regulatory liquidity requirements as well as limit growth possibilities.

Increases in prevailing market interest rates and in the Bank's credit spreads can significantly increase the cost of the Bank's funding. Changes in the Bank's credit spreads may be influenced by market perceptions of the Bank's creditworthiness. Changes to interest rates and the Bank's credit spreads occur continuously and may be unpredictable and highly volatile.

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

The Bank anticipates that its customers will continue, in the near future, to make short-term deposits (particularly demand deposits and short-term time deposits), and the Bank intends to maintain its emphasis on the use of banking deposits as a source of funds. As of December 31, 2020, 95.2% of the Bank's customer deposits had remaining maturities of one year or less, or were payable on demand. A significant portion of the Bank's assets have longer maturities, resulting in a mismatch between the maturities of liabilities and the maturities of assets. Historically, one of the Bank's principal sources of funds has been time deposits. Time deposits represented 24.0% and 32.1% of the Bank's total liabilities and equity as of December 31, 2020 and 2019, respectively. The Chilean time deposit market is concentrated given the importance in size of various large institutional investors such as pension funds, mutual funds and corporations relative to the total size of the economy. As of December 31, 2020, the Bank's top 20 time deposits represented 37.4% of total time deposits, or 8.9% of total liabilities and equity, and totaled Ch$3,289,919,409,597. There can be no assurance that future economic stability in the Chilean market will not negatively affect the Bank's ability to continue funding its business or to maintain its current levels of funding without incurring increased funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, the Bank could be materially adversely affected.

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

Central banks have taken extraordinary measures to increase liquidity in the financial markets as a response to the financial crisis. If current facilities were rapidly removed or significantly reduced, this could have an adverse effect on the Bank's ability to access liquidity and on its funding costs.

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

Finally, the implementation of internationally accepted liquidity ratios might require changes in business practices that affect the Bank's profitability. The liquidity coverage ratio ("LCR") is a liquidity standard that measures if banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. As of December 31, 2020, the Bank's consolidated LCR ratio was 158%, above the 100% minimum requirement. The net stable funding ratio ("NSFR") provides a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their activities.

The Bank is subject to regulatory capital and liquidity requirements that could limit its operations, and changes to these requirements may further limit and adversely affect the Bank's operating results, financial condition and prospects.

Chilean banks are required by the General Banking Law to maintain regulatory capital of at least 8% of risk-weighted assets, net of required loan loss allowance and deductions, and paid-in capital and reserves ("core capital") of at least 3% of total assets, net of required loan loss allowances. As of December 31, 2020, the ratio of the Issuer's regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, was 13.24% and the Issuer's core capital ratio was 6.80%. Certain developments could affect the Bank's ability to continue to satisfy the current capital adequacy requirements applicable to the Bank, including:

- the increase of risk-weighted assets as a result of the expansion of the Bank's business or regulatory changes;

- the failure to increase the Bank's capital correspondingly;
- losses resulting from a deterioration in the Bank's asset quality;
- declines in the value of the Bank's investment instrument portfolio;
- changes in accounting standards;
- changes in provisioning guidelines that are charged directly against the Bank's equity or net income; and
- changes in the guidelines regarding the calculation of the capital adequacy ratios of banks in Chile.

On January 19, 2019, the Chilean government passed a law that amends, among others, the General Banking Law (the General Banking Law, as amended, is referred to herein as the "New General Banking Law") and establishes new capital regulation for banks in Chile in line with Basel III standards and the merger of the banking regulator with the FMC, with all former SBIF attributions being transferred to the FMC. The FMC was created by Law 21,000 in 2017 and started operating on December 14, 2017, becoming the legal successor of the Superintendency of Securities and Insurance as of January 15, 2018, and the legal successor of the SBIF on June 1, 2019.

The FMC is now the sole supervisor for the Chilean financial system overseeing insurance companies, companies with publicly traded securities, credit unions, credit card and prepaid card issuers, and banks. This commission is responsible for the proper functioning, development and stability of the financial market, facilitating the participation of market agents and defending public faith in the financial markets. To do so, it must maintain a general and systemic vision of the market, considering the interests of investors and policyholders. It is also responsible for ensuring that the persons or entities audited, from their initiation until the end of their liquidation, comply with the laws, regulations, statutes and other provisions that govern them.

The FMC is in charge of a Council, which is composed of five commissioners appointed by the President of Chile from among persons of recognized professional or academic prestige in matters related to the financial system. One of the commissioners, the Chairman of the FMC, is not subject to any further approval process. Four commissioners are further subject to an approval process by four-sevenths of the Chilean Senate during a session specially convened for that purpose, and designated by supreme decree issued through the Ministry of Finance.

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

Under the New General Banking Law, minimum capital requirements have increased in terms of amount and quality. Total Regulatory Capital remains at 8.0% of risk-weighted assets, which includes credit, market and operational risk. Minimum Tier 1 capital increased from 4.5% to 6.0% of risk-weighted assets, of which up to 1.50% may be Additional Tier 1 (AT1), either in the form of preferred shares or perpetual bonds, both of which may be convertible to common equity. The FMC established the conditions and requirements for the issuance of perpetual bonds and preferred equity in Chapter 21-2 of its Updated Rules Compilation (*Recopilación Actualizada de Normas* or "RAN"). Tier 2 capital is now set at 2.0% of risk-weighted assets.

Additional capital demands are incorporated through a Conservation Buffer of 2.5% of risk-weighted assets, setting a Total Equity Requirement of 10.5% of risk-weighted assets. The Central Bank may set an additional Counter Cyclical Buffer of up to 2.5% of risk-weighted assets with agreement from the FMC. Both buffers must be comprised of core capital.

The FMC, with agreement from the Central Bank, may impose additional capital requirements for Systemically Important Banks ("SIB") of between 1.0-3.5% of risk-weighted assets. Notably, the Central Bank may require: (1) the addition of up to 2.0% to the core capital to total assets ratios; (2) a reduction in the technical reserve requirement trigger from 2.5 times regulatory capital to 1.5 times regulatory capital; and/or (3) a reduction in the interbank loan limit to 20.0% of regulatory capital of any SIB. In November 2020, the FMC established the criteria to assess which banks will be considered SIBs through the issuance of Chapter 21-11 of the RAN. On March 31, 2021 the FMC issued the first resolution qualifying the systemic importance of Chilean banks, and the Bank was classified as an SIB, as well as Banco de Chile, Banco Santander-Chile, Banco de Crédito e Inversiones, Banco del Estado de Chile and Itaú Corpbanca.

The following table sets forth a comparison between the current regulatory capital demands, and those under the New General Banking Law.

Capital requirements: Basel III, General Banking Law and New General Banking Law

Capital categories	General Banking Law	New General Banking Law
	(% over risk weighted assets)	
(1) Total Tier 1 Capital (2+3)	4.5	6.0
(2) Basic Capital	4.5	4.5
(3) Additional Tier 1 Capital (AT1)	—	1.5
(4) Tier 2 Capital	3.5	2.0
(5) Total Regulatory Capital (1+4)	8.0	8.0
(6) Conservation Buffer	2.0% over regulatory capital in order to be classified in Category A of solvency.	2.5
(7) Total Equity Requirement (5+6)	8.0	10.5
(8) Counter Cyclical Buffer	—	up to 2.5
(9) SIB[(1)] Requirement	Up to 6.0% in case of a merger	Between 1.0 - 3.5
(1) Total Tier 1 Capital (2+3)	4.5	6.0

(1) Systemically Important Banks (SIBs).

The Bank's ratio of regulatory capital to risk-weighted assets, net of loan loss allowance and deductions, including an initial estimate of the adjustments for market risk was 11.98% as of December 31, 2020. There can be no assurance that the adoption of the Basel III capital requirements will not have a material impact on the Bank's capitalization ratios.

The New General Banking Law also incorporates Pillar II capital requirements with the objective of assuring an adequate management of risk. The FMC, with at least four votes from its commissioners, has the power to impose additional regulatory capital demands of up to 4.0% of risk-weighted assets, either Tier I or Tier II, if it determines that the previous capital levels and buffers are not enough for a financial institution. The FMC has also established weighting rules for risk-weighted assets, which will be mandatory for Chilean banks beginning December 2021. Under the new weightings for risk-weighted assets, banks must maintain regulatory capital of at least 8.0% of risk-weighted assets, net of required loan loss allowance and deductions, and paid-in capital and reserves ("core capital") of at least 3.0% of total assets, net of required loan loss allowances. The Bank must maintain a minimum regulatory capital to risk-weighted assets ratio of 8.0%. Furthermore, on December 1, 2020, following the publication of new regulations through chapters of the RAN relating to Tier III and the determination of risk-weighted assets, the FMC announced the completion of the regulatory implementation process of Basel III standards in Chile. Notwithstanding the foregoing, Basel III requirements will not be mandatory for Chilean banks before November 30, 2021, and in the case of Tier III requirements, not before 2023.

The Bank may also be required to raise additional capital in the future in order to maintain the Bank's capital adequacy ratios above the minimum required levels. The Bank's ability to raise additional capital may be limited by numerous factors, including: the Bank's future financial condition, results of operations and cash flows; any necessary government regulatory approvals; the Issuer's and its subsidiaries' credit ratings; general market conditions for capital raising activities by commercial banks and other financial institutions; and domestic and international economic, political and other conditions. If the Bank requires additional capital in the future, the Bank cannot assure you that it will be able to obtain such capital on favorable terms, in a timely manner or at all. Furthermore, the FMC may increase the minimum capital adequacy requirements applicable to the Bank. Accordingly, although the Bank currently meets the applicable capital adequacy requirements, the Bank may face difficulties in meeting these requirements in the future. If the Bank fails to meet the capital adequacy requirements, the Bank may be required to take corrective actions. These measures could materially and adversely affect the Bank's business reputation, financial condition and results of operations. In addition, if the Bank is unable to raise sufficient capital in a timely manner, the growth of the Bank's loan portfolio and other risk-weighted assets may be restricted, and the Bank may face significant challenges in implementing the Bank's business strategy. As a result, the Bank's prospects, results of operations and financial condition could be materially and adversely affected.

The SBIF and the Central Bank published new liquidity standards in 2015 and ratios that must be implemented and calculated by all banks. These will eventually replace the current regulatory limits imposed by the SBIF and the Central Bank described above. These new liquidity standards are in line with those established in Basel III. The most important liquidity ratios that will eventually be adopted by Chilean banks are:

- Liability concentration per institutional and wholesale counterparty. Banks will have to calculate the percentage of their liabilities coming from institutional and wholesale counterparties, including ratios regarding renovation, renewals, restructurings, maturity and product concentration of these counterparties.

- Liquidity coverage ratio (LCR), which measures the percentage of liquid assets over net cash outflows. The new guidelines also define liquid assets and the formulas for calculating net cash outflows.

- Net Stable Funding Ratio (NSFR), which will measure a bank's available stable funding relative to its required stable funding. Both concepts are also defined in the new regulations.

Beginning on March 30, 2016, banks began reporting these ratios to the Central Bank and the SBIF and, since the FMC absorbed SBIF, to the FMC. The final limits and results for the LCR were published in May 2018, with minimum LCR of 60.0% starting from January 1, 2019, gradually increasing by 10.0% until reaching 100%. Due to the coronavirus pandemic, in March 2020, the Central Bank announced the relaxation of liquidity requirements for banking entities. For this purpose, the Chilean compendium of financial rules was modified to expressly consider that in situations of national emergency or other serious exceptional circumstances, the Council of the Central Bank may, at its sole discretion, relax or suspend the application of the existing liquidity limits. The definitive limits banks must meet in order to comply with the other liquidity ratios have not been published yet. For this reason, the Bank cannot yet determine the effect that the implementation of these models will have on its business. Such effect could be material and adverse if it materially increases the liquidity the Bank is required to maintain.

The Bank is subject to regulatory risk, or the risk of not being able to meet all of the applicable regulatory requirements and guidelines.

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

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

Changes in regulations may also cause the Bank to face increased compliance costs and limitations on the Bank's ability to pursue certain business opportunities and provide certain products and services. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. There can be no assurance that laws or regulations will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on the Bank's business and results of operations.

Modifications to reserve requirements may affect the Bank's business.

Deposits in Chile are subject to a reserve requirement of 9.0% for demand deposits and 3.6% for time deposits (with terms of less than one year). The Central Bank has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which these deposits are denominated) to implement monetary policy. In addition, to the extent that the aggregate amount of the following types of liabilities exceeds 2.5 times the amount of a bank's regulatory capital, a bank must maintain a 100% reserve against them: demand deposits, deposits in checking accounts, obligations payable on sight incurred in the ordinary course of business and, in general, all deposits unconditionally payable immediately. The New General Banking Law also states that the FMC, with the approval from the Central Bank, may lower the amount of a bank's regulatory capital over which a SIB must maintain a 100.0% reserve, from 2.5 times to 1.5 times. If the Central Bank were to increase reserve requirements, this could lead to lower loan growth and have a negative effect on the Bank's business.

The Bank's business could be affected if its capital is not managed effectively or if changes limiting the Bank's ability to manage its capital position are adopted.

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

Changes to the pension fund system may affect the funding mix of the Bank.

The current pension fund system dates from the 1980s when pensions went from being state-funded to privately-funded, which requires Chilean employees to set aside 10% of their wages. While the system is widely regarded as a success, the demographics of the Chilean society have changed and there have been some modifications to the system. As of December 31, 2020, the Chilean pension fund management companies (*Administradora de Fondos de Pensión*, or "AFPs") had U.S.$6,009 million invested in the Issuer via deposits and fixed income. On January 15, 2020, President Piñera announced a scheme of comprehensive reforms aimed at improving the Chilean pension system, which, as of the date of this Offering Circular, is being discussed in Congress. If Congress approves the proposed reforms, Chile's reformed pension system would be funded through a combination of contributions from the state, employers and workers. Pursuant to the proposed reforms, which are to be implemented gradually, an additional 3.0% contribution from employers would complement workers' contributions to their retirement fund (*Ahorro Previsional Personal*). Moreover, a further 3% additional contribution (comprising a 2.8% contribution to the state-administered Collective and Solidary Retirement Fund (*Fondo de Ahorro Colectivo y Solidario*) and a 0.2% contribution to finance dependency insurance policies) will be borne by employers, with state support. The funds collected through this further 3% contribution will be used to provide financial support to current and future retirees, particularly benefitting women, middle-class-income citizens and dependent elderly citizens. The proposed additional contributions, would be managed by an autonomous public institution and be in addition to the current 10% contribution, which will remain under the management of AFPs.

If the proposed reform is approved by Congress, male retirees who have made contributions for a minimum of twelve years will have their pensions increased, on a monthly basis, by UF2.0 (approximately Ch$59,089 as of the date of this Offering Circular), and female retirees who have made contributions for a minimum of eight years will have their pensions increased, on a monthly basis, by UF2.75 (approximately Ch$81,217 as of the date of this Offering Circular). These changes would result in an average 20.0% pension increase for male citizens, benefitting more than 500,000 retirees, and an average 32% pension increase for female citizens, benefitting more than 350,000 retirees. Future retirees and dependent elderly citizens will also benefit from pension increases.

Although widely expected to be approved, the bill is still under discussions and as such, the Bank is unable to predict the final content of the law. While the reform, if implemented, is expected to affect the pension-related operations of financial institutions and other companies active in Chile, the potential adverse effect of the proposed law on the Bank's financial condition and results of operations cannot yet be ascertained.

The legal restrictions on the exposure of Chilean pension funds to different asset classes may affect the Bank's access to funding.

Chilean regulations impose a series of restrictions on how Chilean AFPs may allocate their assets. In the particular case of financial issuers, these restrictions are provided in Decree Law 3,500 of 1980, as amended, on pension funds, and regulated by the Superintendency of Pensions (*Superintendencia de Pensiones*) through the investment regime applicable to pension funds, each involving different assets and limits determined by the amount of assets in each fund and the market and book value of the issuer's equity. Therefore, limits vary within funds of AFPs and financial issuers. If the exposure of any AFP to the Bank exceeds the regulatory limits or the regulatory limits are reduced, the Bank would need to seek alternative sources of funding, which could be more expensive and, consequently, may have a material adverse effect on the Bank's financial condition and results of operations.

On December 16, 2020, the President submitted a bill to Congress to amend Decree Law No. 3,500, which governs the Chilean Pension Funds System. The bill would impose certain restrictions on the ability of account holders to freely transfer the balances held in and to any of the five different classes of funds that form part of and are available for investment in their individual pension fund accounts. As of the date of this Offering Circular, the bill is still pending in Congress and the Bank is unable to predict if it would have any impact on the financial condition of the AFPs and their investment capacity.

In addition, in July and December 2020, and in order to mitigate the impact of the coronavirus pandemic, the Chilean government enacted Laws Nos. 21,248 and 21,295 respectively, which allowed pension fund account holders to make two withdrawals from their individual investment accounts for a maximum amount equal to 10% of the funds held in the individual investment accounts and up to UF150 (approximately Ch$4,429,992 as of the date of this Offering Circular). The Bank cannot predict the consequences of such withdrawals on the financial condition of the AFPs.

As of November 2020, Chilean pension funds held approximately U.S.$5,700 million of financial instruments issued by the Bank. If pension funds were to cease purchasing deposits and bonds issued by the Bank, due to potential regulatory reforms or other reasons, this might increase the Bank's cost of funding, which, in turn, could have an adverse effect on the Bank's operating results, financial condition and prospects.

On April 28, 2021, Law No. 21,330 was published in the Official Gazette, which allows pension fund account holders to make a third withdrawal of funds from their individual accounts of up to 10% of the existing balances subject to a maximum withdrawal of UF 150 and a minimum withdrawal of UF 35, unless the account holder has a balance of less than UF 35 in his or her account, in which case the account holder will be allowed to withdraw the remaining balance. Law No. 21,330 also allows beneficiaries of life annuities (*rentas vitalicias*) from life insurance companies to withdraw up to 10% of the amount corresponding to the technical reserve that the beneficiary maintains with the corresponding insurance company within one year, with a maximum of UF 150. This law does not contemplate the collection of any type of taxes on withdrawn amounts. Additionally, on May 7, 2021 Law No. 21,339 was published in the Official Gazette, providing that pension fund account holders with less than Ch$200,000 on their individual accounts up until March 31, 2021, will be benefited with a Ch$200,000 bonus to be deposited directly on their pension funds accounts within 30 days of its publication.

In the case of withdrawals from pension funds, individuals who have exercised their right of withdrawal may receive a government contribution to their individual account for each year in which their pension is postponed, in an amount to be determined by law to be enacted with a qualified quorum (*ley de quórum calificado*), which requires an absolute majority of each of the members of the House of Deputies and the Senate. Law No. 21,330 also allows pension fund account holders to increase their contribution by one percentage point (i.e., from 10% to 11% of their remuneration), on a voluntary basis, for a minimum period of one year and for as long as they deem appropriate, so as to recover the withdrawn funds. The implementation of this option to increase the individual pension contribution will also be subject to a law of qualified quorum.

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

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

If the judgment, estimates and assumptions the Bank uses in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a material effect on the Bank's results of operations and a corresponding effect on the Bank's funding requirements and capital ratios.

Changes in accounting standards could impact reported earnings.

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the Bank's consolidated financial statements. In addition, the Bank adopted IFRS 16 as of January 1, 2019, requiring new standards for recognition, measurement, presentation and disclosure of leases. This led to Ch$231,760 million of assets for the right of use and lease liabilities for the same amount as of the date of adoption of IFRS 16. Changes made to accounting standards can materially impact how the Bank records and reports its financial condition and results of operations, as well as affect the calculation of the Issuer's capital ratios. In some cases, the Bank could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. For further information about developments in financial accounting and reporting standards, see Notes 2 and 3 to the Audited Consolidated Financial Statements.

The Bank is subject to review by taxing authorities, and an incorrect interpretation by the Bank of tax laws and regulations may have a material adverse effect on it.

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

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

If the judgment, estimates and assumptions the Bank uses in preparing its tax returns are subsequently found to be incorrect, there could be a material adverse effect on the Bank's results of operations. In some jurisdictions, the interpretations of the taxing authorities are unpredictable and frequently involve litigation, which introduces further uncertainty and risk as to tax expense.

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

Disclosure controls and procedures, including internal controls, over financial reporting are designed to provide reasonable assurance that information required to be disclosed by the Bank in reports filed or submitted pursuant to applicable law is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in any applicable law, rules and forms.

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

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

The Bank and its affiliates have entered into a number of services agreements pursuant to which the Bank renders services, such as administrative, accounting, finance, treasury, legal services and others.

Chilean law applicable to public companies and financial groups and institutions and the Bank's by-laws provide for several procedures designed to ensure that the transactions entered into with or among the Bank's financial subsidiaries and/or affiliates do not deviate from prevailing market conditions for those types of transactions, including the requirement that the board of directors of the Bank (the "Board of Directors") approve such transactions. Furthermore, all significant related party transactions must be approved by the audit committee and the board. These significant transactions are also reported in the Bank's annual shareholders meeting. Please see Note 37 of the 2020 Audited Consolidated Financial Statements.

The Bank is likely to continue to engage in transactions with the Bank's affiliates. Future conflicts of interests between the Bank and any of its affiliates, or among the Bank's affiliates, may arise, which conflicts are not required to be and may not be resolved in the Bank's favor.

The Bank may not effectively manage risks associated with the replacement of benchmark indices.

Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be "benchmarks" are the subject of increased regulatory scrutiny. For example, in 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the London interbank offered rate ("LIBOR") benchmark after 2021. On March 5, 2021, the FCA announced that most LIBOR tenors would cease to be representative benchmarks from the end of 2021 (in the case of GBP LIBOR) or June 2023 (in the case of U.S. dollar LIBOR). Thus, the continuation of LIBOR on the current basis cannot and will not be guaranteed, and it appears likely that LIBOR will be discontinued in the near future. This and other reforms may cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated which introduces a number of risks for the business. These risks include (i) legal risks arising from potential changes required to documentation for new and existing transactions; (ii) financial risks arising from any changes in the valuation of financial instruments linked to benchmark rates; (iii) pricing risks arising from how changes to benchmark indices could impact pricing mechanisms on some instruments; (iv) operational risks arising from the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes; and (v) conduct risks arising from the potential impact of communication with customers and engagement during the transition period. The replacement benchmarks, and the timing of and mechanisms for implementation have not yet been confirmed by central banks. Although the Bank currently does not have any bonds maturing after 2021 that use a LIBOR benchmark, it is not currently possible to determine whether, or to what extent, any such changes would affect it. However, the implementation of alternative benchmark rates may have a material adverse effect on the Bank's business, results of operations, financial condition and prospects.

Any failure to effectively improve or upgrade the Bank's information technology infrastructure and management information systems in a timely manner or any failure to successfully implement new IT regulations could have a material adverse effect on the Bank.

The Bank's ability to remain competitive depends in part on the Bank's ability to upgrade its information technology on a timely and cost-effective basis. The Bank must continually make significant investments and improvements in its information technology infrastructure in order to remain competitive. The Bank cannot assure you that in the future it will be able to maintain the level of capital expenditures necessary to support the improvement or upgrading of its information technology infrastructure. Any failure to effectively improve or upgrade its information technology infrastructure and management information systems in a timely manner could have a material adverse effect on it.

In addition, several new regulations are defining how to manage cyber risks and technology risks, how to report a data breach, and how the supervisory process should work, among others. These regulations are quite fragmented in terms of definitions, scope and applicability. A failure to successfully implement all or some of these new global and local regulations, that in some cases have severe sanctions regimes, could have a material adverse effect on the Bank.

Risks relating to data collection, processing and storage systems and security are inherent in the Bank's business.

Like other financial institutions, the Bank manages and holds confidential personal information of customers in the conduct of its banking operations, as well as a large number of assets. Accordingly, the Bank's business depends on the ability to process a large number of transactions efficiently and accurately, and on the Bank's ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential sensitive personal data and other information using the Bank's computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to the Bank's businesses and to its ability to compete effectively. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Bank also faces the risk that the design of the Bank's controls and procedures proves to be inadequate or is circumvented such that its data and/or client records are incomplete, not recoverable or not securely stored. Although the Bank works with its customers, vendors, service providers, counterparties and other third parties to develop secure data and information processing, storage and transmission capabilities to prevent against information security risks, the Bank routinely manages personal, confidential and proprietary information by electronic means, and the Bank may be the target of attempted cyber-attack. If the Bank cannot maintain an effective and secure electronic data and information management and processing system or the Bank fails to maintain complete physical and electronic records, this could result in regulatory sanctions and serious reputational or financial harm to the Bank.

The Bank takes protective measures and continuously monitors and develops its systems to protect its technology infrastructure, data and information from misappropriation or corruption, but its systems, software and networks nevertheless may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action, reputational harm and financial loss. There can be no assurance that the Bank will not suffer material losses from operational risk in the future, including those relating to any security breaches.

The Bank has seen in recent years computer systems of companies and organizations being targeted, not only by cyber criminals, but also by activists and rogue states. The Bank has been and continues to be subject to a range of cyber-attacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could disrupt the Bank's electronic systems used to service its customers. As attempted attacks continue to evolve in scope and sophistication, the Bank may incur significant costs in order to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to its customers. If the Bank fails to effectively manage its cyber security risk, for example, by failing to update its systems and processes in response to new threats, this could harm its reputation and adversely affect its operating results, financial condition and prospects through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets. In addition, it may also be impacted by cyber-attacks against national critical infrastructures of the countries where it operates; for example the telecommunications network. The Bank's information technology systems are dependent on such national critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect its ability to service its customers. As the Bank does not operate such national critical infrastructure, it has limited ability to protect its information technology systems from the adverse effects of such a cyber-attack.

Although the Bank has procedures and controls to safeguard personal information in the Bank's possession, unauthorized disclosures could subject the Bank to legal actions and administrative sanctions as well as damages and reputational harm that could materially and adversely affect the Bank's operating results, financial condition and prospects.

Further, the Bank's business is exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter or prevent employee misconduct and the precautions the Bank takes to detect and prevent this activity may not always be effective. In addition, the Bank may be required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorized access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of the Bank's systems could cause information, including data related to customer requests, to be lost or to be delivered to its customers with delays or errors, which could reduce demand for the Bank's services and products, could produce customer claims and could materially and adversely affect the Bank.

The Chilean government enacted Law No. 21,234, published on the Official Gazette on May 29, 2020, which modifies Law 20,009 and limits the scope of responsibility for users and issuers when a client's cards and/or online payment or transfer user information are lost, stolen or fraudulently used (including through hacking and cloning). Cardholders are obligated to notify the bank through an easily accessible channel when their cards have been lost, stolen, or fraudulently used. In cases of fraud, the user will not be responsible for any fraudulent transactions that the user did not authorize and which were made prior to the fraud notification or within the 30 calendar days following the issuance of said notice. The law also considers increasing fines and jail time for those committing theft or fraud with credit cards, which must be legally pursued by the card issuer.

In light of these new regulations, the Bank is trying to limit the exposure of its customers to credit card fraud through education, insurance coverage, marketing campaigns, daily transfer amount limits, chip technology, improved ATM software, and other technological improvements. It is possible that the Bank may have to assume the cost of transactions made using credit or debit cards that are lost, stolen or fraudulently used, or transactions made using lost or stolen passwords or other credentials that grant access to a person's financial products provided by the Bank. Any such events could increase the Bank's operational expenses and have an adverse effect on the Bank's operating results, financial condition and prospects.

The Bank relies on third parties and affiliates for important products and services.

Third party vendors and certain affiliated companies provide key components of the Bank's business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third parties and affiliated companies can be a source of operational and regulatory risk to the Bank, including with respect to security breaches affecting such parties. The Bank is also subject to risk with respect to security breaches affecting the vendors and other parties that interact with these service providers. As the Bank's interconnectivity with these third parties and affiliated companies increases, the Bank increasingly faces the risk of operational failure with respect to their systems. The Bank may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs and potentially decreasing customer satisfaction. In addition, any problems caused by these third parties or affiliated companies, including as a result of them not providing the Bank their services for any reason, or performing their services poorly, could adversely affect the Bank's ability to deliver products and services to customers and otherwise conduct its business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third party vendors could also entail significant delays and expense. Further, the operational and regulatory risk the Bank faces as a result of these arrangements may be increased to the extent that it restructures such arrangements. Any restructuring could involve significant expense to the Bank and entail significant delivery and execution risk, which could have a material adverse effect on its business, operations and financial condition.

Damage to the Bank's reputation could cause harm to the Bank's business prospects.

Maintaining a positive reputation is critical to protect the Bank's brand, attract and retain customers, investors and employees and conduct business transactions with counterparties. Damage to the Bank's reputation can therefore cause significant harm to the Bank's business and prospects. Harm to the Bank's reputation can arise from numerous sources, including, among others, employee misconduct, including the possibility of fraud perpetrated by its employees, litigation or regulatory enforcement, failure to deliver minimum standards of service and quality, compliance failures, unethical behavior, and the activities of customers and counterparties. Further, negative publicity regarding the Bank may result in harm to the Bank's prospects.

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

The Bank could suffer significant reputational harm if the Bank fails to identify and manage potential conflicts of interest properly. The failure, or perceived failure, to adequately address conflicts of interest could affect the willingness of customers to deal with the Bank, or give rise to litigation or enforcement actions against the Bank. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to the Bank.

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

The Bank is subject to market, operational and other related risks associated with its derivative transactions that could have a material adverse effect on the Bank.

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

Market practices and documentation for derivative transactions in Chile may differ from those in other countries. For example, documentation may not incorporate terms and conditions of derivatives transactions as commonly understood in other countries. In addition, the execution and performance of these transactions depend on the Bank's ability to maintain adequate control and administration systems.

Moreover, the Bank's ability to adequately monitor, analyze and report derivative transactions continues to depend, largely, on the Bank's information technology systems. These factors further increase the risks associated with these transactions and could have a material adverse effect on the Bank.

The Bank is subject to counterparty risk in its banking business.

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

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

The Bank's loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on the Bank.

The Bank's fixed rate loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of the Bank's earning assets and could have a material adverse effect on the Bank. The Bank would also be required to amortize net premiums into income over a shorter period of time, thereby reducing the corresponding asset yield and net interest income. Prepayment risk also has a significant adverse impact on credit card and collateralized mortgage loans, since prepayments could shorten the weighted average life of these assets, which may result in a mismatch in the Bank's funding obligations and reinvestment at lower yields.

The Bank's loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of the Bank's earning assets and adversely affects our operating results. Prepayment risk also has an adverse impact on our residential mortgage portfolio, since prepayments could shorten the weighted average life of this portfolio, which may result in a mismatch in funding or in reinvestment at lower yields. Prepayment risk is inherent in the Bank's commercial activity and an increase in prepayments could have a material adverse effect on the Bank's business, financial condition and results of operations.

Teleworking may cause disruptions to the Issuer's business.

On March 24, 2020, Law No. 21,220 (the "Teleworking Law"), which regulates the employment conditions of remote workers and teleworkers, became effective in Chile. The Teleworking Law creates a number of obligations for employers with regard to remote workers and teleworkers that may have an impact on those companies where employees are permitted to work from home or from a place other than such company's offices.

For companies permitting remote work or teleworking, the company and the employee must sign a teleworking or distance working agreement at the beginning of the employee's working relationship with the company or at any time during the employee's employment when remote or teleworking options are provided to such employee.

The Teleworking Law also establishes a certain flexibility regarding working hours for remote workers, providing the possibility for the parties to establish a total number of weekly working hours, which can be distributed by the employee according to his or her convenience, when by the nature of his or her services he or she must be subject to working hours. In addition, the Teleworking Law provides that employers and remote workers may agree on a working schedule, or exempt employees from a working schedule; however, it will be presumed that remote workers will be subject to a working schedule when they are subject to direct supervision or functional control by the employer. Remote workers also have the right to disconnect from work and not receive communications from the employer for a period of 12 hours in a 24-hour period.

According to the Teleworking Law, employers also have additional obligations, such as (i) to provide employees with the necessary working tools to carry out their functions at a distance; (ii) to pay the costs of operation, functioning, maintenance and repair of the necessary elements for the provision of the services remotely, which includes internet and electricity (employers usually pay a special allowance that will not be subject either to social security contributions or taxes as long as the amount is reasonable and sufficient due to the costs that should be compensated by the employers); and (iii) in the case of employees subject to working hours, to implement an attendance register system authorized by the Labor Board (*Dirección del Trabajo*), compatible with teleworking..

The Bank has adopted measures to implement the Teleworking Law, including an attendance system, and has provided support for working tools and elements for the provision of services remotely. The new obligations set out in the Teleworking Law may lead to a material increase in the Banks's labor costs. Moreover, the Bank cannot assure you that this change or any future regulatory changes related to telework or working conditions will not have a material impact on its business.

The Bank relies on recruiting, retaining and developing appropriate senior management and skilled personnel.

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

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

The Bank's insurance coverage may not adequately cover losses resulting from the risks for which it is insured.

The Bank maintains insurance policies for its operations, including insurance for property, its money transport and directors' and officers' liability, as well as insurance against computer crimes and for employee dishonesty and mistakes, theft and fraudulent use of credit cards, central processing and automatic teller errors and its vehicles. Due to the nature of the Bank's operations and the nature of the risks that it faces, there can be no assurance that the coverage that it maintains is adequate to cover the losses for which the Bank believes it is insured.

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

The Bank is required to comply with applicable anti-money laundering ("AML"), anti-terrorism, anti-bribery and corruption, sanctions and other laws and regulations applicable to it. These laws and regulations require the Bank, among other things, to conduct full customer due diligence (including sanctions and politically-exposed person screening), keep the Bank's customer, account and transaction information up to date and have implemented financial crime policies and procedures detailing what is required from those responsible. The Bank is also required to conduct AML training for its employees and to report suspicious transactions and activity to appropriate law enforcement following full investigation by the Bank's AML team.

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML, anti-bribery and corruption and sanctions laws and regulations are increasingly complex and detailed. Compliance with these laws and regulations requires automated systems, sophisticated monitoring and skilled compliance personnel.

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

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

The reputational damage to the Bank's business and global brand would be severe if the Bank were found to have breached AML, anti-bribery and corruption or sanctions requirements. The Bank's reputation could also suffer if the Bank is unable to protect the bank products and services of its customers from being used by criminals for illegal or improper purposes.

In addition, while the Bank reviews its relevant counterparties' internal policies and procedures with respect to such matters, the Bank, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate compliance procedures and internal policies. Such measures, procedures and internal policies may not be completely effective in preventing third parties from using the Bank's (and the Bank's relevant counterparties') services as a conduit for illicit purposes (including illegal cash operations) without the Bank's (and the Bank's relevant counterparties') knowledge. If the Bank is associated with, or even accused of being associated with, breaches of AML, anti-terrorism or sanctions requirements, the Bank's reputation could suffer and/or the Bank could become subject to fines, sanctions and/or legal enforcement (including being added to "black lists" that would prohibit certain parties from engaging in transactions with it), any one of which could have a material adverse effect on the Bank's operating results, financial condition and prospects.

Any such risks could have a material adverse effect on the Bank's operating results, financial condition and prospects.

The Bank is exposed to risk of loss from legal and regulatory proceedings.

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

The Bank is from time to time subject to certain regulatory investigations and civil and tax claims and party to certain legal proceedings incidental to the normal course of the Bank's business, including in connection with conflicts of interest, lending activities, relationships with the Bank's employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of investigation, discovery, the Bank cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The amount of the Bank's reserves in respect of these matters is substantially less than the total amount of the claims asserted against the Bank and in light of the uncertainties involved in such claims and proceedings, there can be no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Bank. As a result, the outcome of a particular matter may be material to the Bank's operating results for a particular period. As of December 31, 2020, the Bank had provisions for legal contingencies of Ch$18,151 million.

If the Bank is unable to manage the growth of its operations, this could have an adverse impact on the Bank's profitability.

The Bank allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses. From time to time, the Bank evaluates acquisition and partnership opportunities that the Bank believes offer additional value to its shareholders and are consistent with its business strategy. For instance, in 2018, through a series of transactions, Nova Scotia Inversiones Limitada acquired BBVA Chile. On September 1, 2018, BBVA Chile was dissolved and Scotiabank Chile became its legal successor. However, the Bank may not be able to identify suitable acquisition or partnership candidates, and the Bank's ability to benefit from any such acquisitions and partnerships will depend in part on the Bank's successful integration of those businesses. Any such integration, including the integration of BBVA Chile, entails significant risks such as unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims. There can be no assurance that the Bank's expectations with regard to integration and synergies will materialize. The Bank also cannot provide assurance that the Bank will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives. Challenges that may result from the Bank's strategic growth decisions include the Bank's ability to:

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

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

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

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

The Issuer's controlling shareholder has a great deal of influence over the Bank's business and its interests could conflict with yours.

The Bank of Nova Scotia, the Issuer's controlling shareholder, controls the Issuer and the Bank through its holdings in Nova Scotia Inversiones Limitada, which, in turn, is a controlled subsidiary of The Bank of Nova Scotia. As of the date of this Offering Circular, Nova Scotia Inversiones Limitada has control over 76.01% of the Issuer's shares and the Said Family, a minority shareholder group through entities that it controls, has 23.76% of the Issuer's shares. On May 3, 2021, The Bank of Nova Scotia announced that it had reached an agreement to increase its ownership in the Issuer through an acquisition of an additional 7.0% stake from the Said Family. Upon closing of the transaction, which is subject to customary closing conditions and regulatory approvals, The Bank of Nova Scotia will have control over 83.01% of the Issuer's shares. See also "Management and Shareholders—Major Shareholders" for a discussion about the shareholding structure of the Bank after the merger of Scotiabank Chile with Banco Bilbao Vizcaya Argentaria, Chile ("BBVA Chile") on September 1, 2018 (the "Merger").

Due to its share ownership, the Issuer's controlling shareholder has the ability to control the Issuer and its subsidiaries, including the ability to:

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

The Issuer operates as a standalone subsidiary of The Bank of Nova Scotia. Its controlling shareholder has no liability for the Bank's banking operations, except for the amount of its holdings of the Issuer's capital stock. The interests of Nova Scotia Inversiones Limitada may differ from the Bank's interests or those of the Issuer's other shareholders and the concentration of control in Nova Scotia Inversiones Limitada will limit other shareholders' ability to influence corporate matters. As a result, the Issuer may take actions that its other shareholders do not view as beneficial.

Failure to obtain accurate and complete information from or on behalf of the Bank's customers and counterparties could adversely affect the Bank's results.

When deciding to extend credit or enter into other transactions with customers and counterparties, the Bank may rely on information provided to it by or on behalf of customers and counterparties, including audited financial statements and other financial information. The Bank also may rely on representations of customers and counterparties as to the completeness and accuracy of the information. The Bank's financial results could be adversely impacted if the financial statements and other financial information relating to customers and counterparties on which it relies do not comply with the relevant generally accepted accounting practices or are materially misleading.

Risks Factors in Respect to Chile

The Bank's growth, asset quality and profitability may be adversely affected by macroeconomic and political conditions in Chile.

The Bank operates in a heavily regulated market in Chile. A substantial number of the Bank's loans are to borrowers doing business in Chile. Chile's economy has experienced significant volatility in recent decades, characterized, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Bank lends. The Chilean economy may not continue to grow at similar rates as in the past or future developments may negatively affect Chile's overall levels of economic activity.

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

The Bank's revenues are also subject to risk of loss from unfavorable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalization, international ownership legislation, interest-rate caps and tax policies. See also "—Political, legal, regulatory and economic uncertainty arising from social unrest and the outcome social reforms, as well as the new constitution, could adversely impact the Bank's business" below.

As a banking group marketing its products and financial services generally to Chilean consumers, unfavorable economic conditions could materially affect the credit risk and demand for many of the Bank's products and services. In response to difficult economic conditions, the Bank may also seek to reduce its exposure to customers with potentially riskier credits. Furthermore, adverse economic conditions may increase the number of the Bank's customers that are unable to pay for credit services provided, leading to a possible increase in non-performing loans.

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

The Bank's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions in Chile.

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

Political, legal, regulatory and economic uncertainty arising from social unrest and the outcome social reforms, as well as the referendum on Chile's constitution, could adversely impact the Bank's business.

In October 2019, the government of Chile announced an increase in subway fares, which led to massive protests and a rise in social unrest as a result of growing public concern over perceived social inequality. Some groups of protestors have vandalized public and private assets in Santiago and other major cities. The protests and associated violence have caused commercial disruption throughout the country, especially in Santiago and other large cities, such as Valparaiso, Concepcion, Antofagasta and La Serena. In response to these events, the government announced a social agenda intended to increase basic pensions, expand social health coverage, and reduce and stabilize tariffs for some public services (such as public transportation and electricity) distributed to regulated clients.

To fund these initiatives, the Chilean Congress approved a tax reform on January 29, 2020 (the "2020 Tax Reform"). The 2020 Tax Reform, enacted on February 24, 2020 as Law No. 21,210, includes, among other measures: (i) an increase from 35% to 40% in the personal income tax bracket for taxpayers with a gross monthly income in excess of Ch$15.0 million; (ii) a progressive tax ranging from 0.075% to 0.275% on real estate properties owned by a taxpayer with a total taxable value exceeding Ch$400.0 million; (iii) stricter requirements for private investment funds to benefit from preferential tax treatment; (iv) the creation of a new special tax regime for SMEs; (v) a partially integrated regime as a single tax system for large companies, with a 27% tax rate that will be partially deductible from the final tax to be paid by the owners of the taxpayer entity, who will have a maximum tax burden of 44.5%; (vi) the discontinuation of the provision allowing Chilean holding companies that incur tax losses to claim a refund of the corporate income tax paid by their Chilean affiliates on dividends received by such holding company; (vii) a more restrictive treatment for capital gains taxation; (viii) a special tax contribution of 1% on investments in fixed assets in excess of U.S.$10 million (for the part of the excess) for the benefit of regions hosting projects that exceed U.S.$10 million when a given project requires submission to the environmental approval system for approval; (ix) an accelerated depreciation regime of 50% of the value of new fixed assets imported or acquired between October 31, 2019 and December 31, 2021, with the remaining 50% to be subject to accelerated depreciation; (x) amendments to the tax on emissions from thermal power plants, pursuant to Law No. 20,780, which changes the "taxable event" from emissions from boilers and turbines with a thermal capacity of 50 MWt or more, to emissions of polluted compounds or CO2 to the extent that they exceed legally-mandated thresholds; and (xi) the extension of the ability to credit 100% of the corporate income tax to December 31, 2026 for investors residing in countries which have signed a tax treaty with Chile before January 1, 2020, even if such a treaty is not yet in force.

Finally, important political and social actors claim that the social unrest reflects the desire of a new social contract. Chile's current constitution dates to 1980. On November 15, 2019, the majority of the local political parties agreed on a new constitutional process, to be initiated by a referendum to vote on two matters: (i) if there should be a new constitution and (ii) if so, should the convention for drafting the constitution be comprised of an elected mixed assembly or entirely comprised of elected citizens. This referendum took place in October 2020 with a relevant majority voting in favor of a new constitution to be drafted by an elected body comprised of elected citizens. The election for the body that will draft the new constitution will be held on May 15, 2021. Each new article of the constitution would have to first be approved by two thirds of the new body. The body will have up to a year to complete the draft of the constitution. A vote with compulsory participation would then be held to ratify the new constitution.

As a consequence of the social unrest and the political agreement to vote on a new constitution, there was increased volatility in the Chilean stock market and exchange rate fluctuations that resulted in a weakening of the Chilean peso against the U.S. dollar. The peso depreciated 19.1% after October 18, 2019, when the more serious events started, to a record high level of Ch$828.25 on November 29, 2019, prompting the Central Bank to inject liquidity into the economy in U.S. dollars. The share prices and bond spreads of local banks suffered significant declines in the market as social protests continued in the country. In addition, many banks and other financial institutions experienced damages at their branches and ATMs as a result of violence and vandalism associated with the protests. Although the Bank is insured against most damages of this type, 53 of the Bank's branches and some of its ATM machines suffered varying levels of damage during this period due to vandalism and pillaging including three branches, which suffered significant damage and did not re-open.

News of the political agreement on a new constitution reduced volatility of the markets and unrest levels have improved since then. The long-term effects of this social unrest are hard to predict, but could include slower economic growth and higher unemployment rates, which could adversely affect our profitability and prospects. For example, an increase in the unemployment rate beyond what the Bank expects, or for a longer period than it expects, could diminish demand for loans and decrease the Bank's customers' ability to repay their loans, increasing the risk of loan losses. There is also uncertainty regarding the outcome of the constitutional process and its long-term impact on the economic conditions. The Bank cannot offer any assurance as to the effect of unrest or actions the government may take to address such unrest, such as increased governmental expenditures, on the economy of sovereign ratings. If social unrest in Chile continues or worsens, it could have a negative impact on economic growth and the business environment in Chile overall, which could have an adverse effect on the Bank's business and prospects, as well as demand for securities from Chile, which could adversely affect the market value of the Notes.

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

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

Changes in taxes, including the corporate tax rate, in Chile may have an adverse effect on the Bank and the Bank's customers.

Ever since the reforms introduced to the Chilean Income Tax Law by the 2014 Tax Reform, enacted as Law No. 20,780, as amended by the 2016 Tax Reform, enacted as Law No. 20.899, the Bank has been subject to the partially integrated tax regime. The partially integrated tax regime was the only taxation regime available for corporations, such as the Bank. For companies subject to such regime, the statutory tax rate in 2020 was 27%, while their owners were subject to personal or withholding taxes on a cash basis, over dividend distributions.

Furthermore, on January 29, 2020, the Chilean Congress approved the 2020 Tax Reform, which was enacted on February 24, 2020 as Law No. 21,210. See "Risk Factors—Risks Factors in Respect to Chile—Political, legal, regulatory and economic uncertainty arising from social unrest and the outcome social reforms, as well as the referendum on Chile's constitution, could adversely impact the Bank's business." The 2020 Tax Reform maintains the partially integrated regime as a single tax system for large companies, such as the Bank, with a 27% corporate tax rate that will be partially deductible from the final tax to be paid by the owners of the taxpayer entity, who will have a maximum tax burden of 44.45%. However, regarding owners of the taxpayer entity residing in countries with which Chile has entered into double taxation treaties; the 27% corporate tax will be fully creditable against their final taxes. The same treatment applies for investors residing in countries with which Chile has signed a double taxation treaty before January 1, 2020, even if such a treaty is not yet in force, such as the U.S. In both cases, the maximum tax burden is lowered from 44.45% to 35%.

Overall, the 2020 Tax Reform will not increase the total tax burden over income generated by the Bank, which will continue to be capped at 44.45% or 35%, depending on the investor's country of residence. However, the Bank cannot predict at this time if these reforms will have a material impact on its business or customers or if further tax reforms will be implemented in the future. The Bank's effective corporate tax rate could rise in the future, which may have an adverse impact on its results of operations.

On April 22, 2021, the Chilean Chamber of Deputies approved the base text of a bill aiming to create a transitory one-time wealth tax over individuals who are residents or are domiciled in Chile with net estates of at least U$22 million. The proposed wealth tax would be applied at a 2.5% rate over the portion of an individual's net estate exceeding U$22 million and would not be creditable against other Chilean taxes.

Furthermore, the base text of the bill aforementioned includes a temporary increase to 30% of the corporate tax applicable to taxpayers qualifying as "Mega Enterprises." To this extent, taxpayers would qualify as "Mega Enterprises" if their average revenue over the last 3 years prior to the bill's publication on the Official Gazette, exceeds UF 1 million. The corporate tax rate increase would affect income earned by "Mega Enterprises" in 2021 and 2022.

The base text of the bill also provides for a temporary suspension of certain regulations on capital gains taxes and private investment funds.

Regarding capital gains taxes, the bill proposes the suspension of the tax treatment provided by Article 107 of the Chilean Income Tax Law, which establishes that, under certain conditions, capital gains obtained in the sale or transfer of highly traded shares and quotas of public mutual funds are not considered taxable income for any Chilean tax purpose. According to the base text of the bill, capital gains obtained in the years 2021 and 2022 would not benefit from the exemption above.

Finally, with regard to private investment funds, the base text proposes the temporary suspension of the exemption that benefits income distributions made by private investment funds to taxpayers subject to corporate income tax. As a result, quota-holders may become subject to corporate income tax on distributions made by private investment funds in the years 2021 and 2022.

The Bank's effective tax burden could increase if the proposed bill is approved by the Chilean Congress, which may have an adverse impact on its results of operations.

Developments in other countries may affect the Bank, including the prices for the Bank's securities.

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

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

If these, or other nations' economic conditions deteriorate, the economy in Chile, as both a neighboring country and a trading partner, could also be affected and could experience slower growth than in recent years, with possible adverse impact on the Bank's borrowers and counterparties. If this were to occur, the Bank would potentially need to increase its allowances for loan losses, thus affecting the Bank's financial results, the Bank's results of operations and the price of the Bank's securities. As of December 31, 2020, 2.2% of the Bank's assets were held abroad. There can be no assurance that the ongoing effects of the global financial crisis will not negatively impact growth, consumption, unemployment, investment and the price of exports in Chile. Crises and political uncertainties in other Latin American countries could also have an adverse effect on Chile, the price of the Bank's securities or the Bank's business.

Chile has considerable economic ties with China, the United States and Europe. In 2020, approximately 38.2% of Chile's exports went to China, mainly copper. China's economy has recovered at a strong pace following the coronavirus pandemic, but an additional slowdown in economic activity in China may affect Chile's GDP and export growth as well as the price of copper, which is Chile's main export. Chile exported approximately 13.4% of total exports to the United States and 13.1% to Europe in 2020.

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

Fluctuations in the rate of inflation may affect the Bank's results of operations.

High levels of inflation in Chile could adversely affect the Chilean economy and have an adverse effect on the Bank's business, financial condition and results of operations. Extended periods of deflation could also have an adverse effect on the Bank's business, financial condition and results of operations. In 2009, Chile experienced deflation of 1.4% as the global economy contracted. In 2019 and 2020, CPI inflation was stable at 3.0%.

The Bank's assets and liabilities are denominated in Chilean pesos, UF and foreign currencies. The UF is revalued in monthly cycles. On each day in the period beginning on the tenth day of any given month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index during the prior calendar month. There can be no assurance that the Bank's business, financial condition and result of operations in the future will not be adversely affected by changing levels of inflation, including from extended periods of inflation that adversely affect economic growth or periods of deflation.

Any change in the methodology of how the CPI index or the UF is calculated could also adversely affect the Bank's business, financial condition and results of operations.

Currency fluctuations could adversely affect the Bank's financial condition and results of operations and the value of the Bank's securities.

Any future changes in the value of the Chilean peso against the U.S. dollar will affect the U.S. dollar value of the Bank's securities. The Chilean peso has been subject to large devaluations and appreciations in the past and could be subject to significant fluctuations in the future. The Bank's results of operations may be affected by fluctuations in the exchange rates between the peso and the dollar despite the Bank's policy and Chilean regulations relating to the general avoidance of material exchange rate exposure. In order to avoid material exchange rate exposure, the Bank enters into forward exchange transactions.

The following table shows the value of the Chilean peso relative to the U.S. dollar as reported by the Central Bank at year end for the last five years and the devaluation or appreciation of the peso relative to the U.S. dollar in each of those years.

Year	**Exchange rate (Ch$) at period end**	**Appreciation (Devaluation) (%)**
2016	667.29	(5.7)
2017	615.22	(7.8)
2018	695.69	13.1
2019	744.62	7.0
2020	711.24	(4.5)
2021 (through May 19, 2021)	713.63	0.3

Source: Central Bank.

The Bank may decide to change its policy regarding exchange rate exposure. Regulations that limit such exposures may also be amended or eliminated. Greater exchange rate risk will increase the Bank's exposure to the devaluation of the peso, and any such devaluation may impair the Bank's capacity to service foreign currency obligations and may, therefore, materially and adversely affect its financial condition and results of operations. Notwithstanding the existence of general policies and regulations that limit material exchange rate exposures, the economic policies of the Chilean government and any future fluctuations of the peso against the dollar could affect the Bank's financial condition and results of operations.

The Bank is subject to substantial regulation and regulatory and governmental oversight, which could adversely affect its business, operations and financial condition.

As a financial institution, the Bank is subject to extensive regulation, which materially affects its businesses. Therefore, the statutes, regulations and policies to which the Bank is subject may be changed at any time. In addition, the interpretation and the application by regulators of the laws and regulations to which the Bank is subject may also change from time to time. In the wake of the global financial crisis of 2008, the financial services industry continues to experience significant financial regulatory reform in jurisdictions outside of Chile that directly or indirectly affect the Bank's business, including Canada, the UK, the European Union, the United States, Latin America and other jurisdictions. Changes to current legislation and their implementation through regulation (including additional capital, leverage, funding, liquidity and tax requirements), policies (including fiscal and monetary policies established by central banks and financial regulators, and changes to global trade policies), and other legal and regulatory actions may impose additional regulatory burden on The Bank of Nova Scotia, including the Bank, in these jurisdictions. The manner in which these laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which the Bank operates, the Bank may face higher compliance costs.

Any legislative or regulatory actions and any required changes to the Bank's business operations resulting from such legislation and regulations, as well as any deficiencies in the Bank's compliance with such legislation and regulation, could result in significant loss of revenue, limit the Bank's ability to pursue business opportunities in which it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require the Bank to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Bank or otherwise adversely affect its businesses. In particular, legislative or regulatory actions resulting in enhanced prudential standards, in particular with respect to capital and liquidity, could impose a significant regulatory burden on the Bank or on its bank subsidiaries and could limit the bank subsidiaries' ability to distribute capital and liquidity to the Bank, thereby negatively impacting the Bank. Future liquidity standards could require the Bank to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the Bank's regulatory authorities, as part of their supervisory function, periodically review the Bank's allowance for loan losses. Such regulators may require the Bank to increase its allowance for loan losses or to recognize further losses. Any such additional provisions for loan losses, as required by these regulatory agencies, whose views may differ from those of the Bank's management, could have an adverse effect on the Bank's earnings and financial condition. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Bank.

The wide range of regulations, actions and proposals which most significantly affect the Bank, or which could most significantly affect the Bank in the future, relate to capital requirements, funding and liquidity and regulatory reforms in Chile, and are discussed in further detail below. These and other regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase the Bank's operating costs and negatively impact its business model. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis. In addition, the volume, granularity, frequency and scale of regulatory and other reporting requirements necessitate a clear data strategy to enable consistent data aggregation, reporting and management. Inadequate management information systems or processes, including those relating to risk data aggregation and risk reporting, could lead to a failure to meet regulatory reporting requirements or other internal or external information demands and the Bank may face supervisory measures as a result.

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

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

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

On November 20, 2013, the Chilean Congress approved new legislation to reduce the maximum rates that can be charged on loans. This new legislation is aimed at loans of less than UF50 (U.S.$1,975) and between UF50 and UF200 (U.S.$7,901) and with a term of more than 90 days, and thus includes consumer loans in installments, lines of credit and credit card lines. Previously, the maximum interest rate for loans of less than UF200 and with a term of more than 90 days was calculated as the average rate of all transactions undertaken within the banking industry over the previous month of loans of less than UF200 and with a term of more than 90 days, multiplied by a factor of 1.5. The objective was to lower the maximum rate to a level closer to the average interest rate for loans between UF200 (U.S.$7,901) to UF5,000 (U.S.$197,531) plus 14%, unless the flow of new loans in the industry decreases by 10%-20%, in which case the reduction will be partially or completely suspended until the next period. The average and maximum rates are published daily by the FMC. By year-end 2018, the maximum rate for loans equal or lower than UF50 (U.S.$1,975) was 35.58%. The maximum rate for loans between UF50 (U.S.$1,975) and UF200 (U.S.$7,901) was 28.58%.

In January 2019, the New General Banking Law was enacted by the Chilean government. Among other things, the New General Banking Law provides new minimum capital requirements in line with Basel III regulations, new regulations regarding the corporate governance of the banking regulator, which was replaced by the FMC as its legal successor on June 1, 2019, and new rules regarding bank liquidation.

On December 1, 2020, the FMC announced the completion of the regulatory implementation process of Basel III standards in Chile. Notwithstanding the foregoing, Basel III requirements will not be mandatory for Chilean banks before November 30, 2021, and in the case of Tier III requirements, not before 2023. On December 26, 2019, the FMC allowed banks to have processing data for critical or strategic activities of the banks and their subsidiaries sites off Chile. On December 1, 2020, following the publication of new chapters of the RAN relating to Tier III, the FMC published new regulations governing risk-weighted assets applicable as from December 1, 2021.

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

As of December 31, 2020, on a consolidated basis, the Bank had 7,859 employees. Of the total number of employees, approximately 52.0% were unionized as of December 31, 2020. The Bank has entered into collective bargaining agreements with six unions, each of which became effective on September 1, 2018, March 1, 2019, August 1, 2019, December 1, 2019, January 1, 2020, April 1, 2020 and expire on August 31, 2021, February 28, 2022, March 31, 2023, July 31 2022, November 30, 2022, December 31, 2023 and March 31, 2023, respectively. The Bank generally applies the terms of its collective bargaining agreements to unionized and non-unionized employees. The Bank has traditionally had good relations with the Bank's employees and their unions, but the Bank cannot assure you that in the future, a strengthening of cross-industry labor movements will not materially and adversely affect its business, financial condition or results of operations.

Congress passed a new labor law in 2016 that became effective April 1, 2017. The main points included in this law are:

- Legalizes industry-wide unions.
- Expands the scope of collective bargaining. Currently some groups of workers are excluded from the collective bargaining process.
- Gives unions sole collective bargaining rights. Non-union groups can no longer negotiate a collective bargaining agreement.
- Expands workers ability to switch unions and gives workers the same rights under a collective bargaining agreement if they affiliate themselves post-negotiations.
- Expands the right to greater information of unions including the wages of each worker included in a collective bargaining agreement.
- Simplifies the standard collective bargaining process.
- Collective bargaining agreements must last maximum three years instead of four.
- Eliminates the ability of the employer to replace workers on strike and establishes minimum service guidelines that workers must respect.
- Establishes the current collective bargaining agreement as the bargaining floor for future collective bargaining agreements.
- Amplifies the matters that can be negotiated in collective bargaining.
- Increases the hours for training of union representatives.
- Strengthens the participation of women in unions.

At this time, the Bank is unable to estimate the impact these new regulations will have on labor relations and costs. The Chilean Congress is currently considering new labor and pension law reforms, which were designed to make the labor market more flexible and to increase employers' contribution to pension savings. Such new legislation could have an adverse effect on the Bank's business, results of operation or financial condition in the future.

These and any additional legislative or regulatory actions in Chile, Canada, the European Union, the United States or other countries, and any required changes to the Bank's business operations resulting from such legislation and regulations, could result in reduced capital availability, significant loss of revenue, limit the Bank's ability to continue organic growth (including increased lending), pursue business opportunities in which the Bank might otherwise consider engaging and provide certain products and services, affect the value of assets that the Bank holds, require the Bank to increase its prices and therefore reduce demand for its products, impose additional costs on the Bank or otherwise adversely affect its businesses. Accordingly, there can be no assurance that any such new legislation or regulations would not have an adverse effect on its business, results of operations or financial condition in the future.

On November 26, 2020, the Ministry of Finance (*Ministerio de Hacienda*) and the Ministry of Labor and Social Security (*Ministerio del Trabajo y Previsión Social*), issued Supreme Decree No. 2,097 published on the Official Gazette on December 4, 2020, through which the provisions of the Employment Protection Law (*Ley de Protección del Empleo*) and of Law No. 21,263 easing certain requirements to draw from the Unemployment Insurance Fund were extended until the beginning of March 2021 and December 2021, as applicable.

New laws and regulations issued in response to the coronavirus pandemic could affect the Bank's business.

On March 23, 2020, as a part of several measures adopted in response to the spread of the coronavirus, the Central Bank announced the creation of the Conditional Credit Facility for Incremental Banking Placements program (*Facilidad de Financiamiento Condicional al Incremento de las Colocaciones* ("FCIC")), a special credit line facility for commercial banks to increase loan placements, which is conditional on the growth of credit issuance. The main purpose of the FCIC is to encourage banks to continue financing households and companies, particularly small and medium-sized enterprises that do not have access to the Chilean capital markets.

On March 26, 2020, the Central Bank established the operational rules for the FCIC, along with temporarily relaxing its regulation on Chilean banks' liquidity management. The characteristics of the FCIC are as follows: (i) the FCIC is a credit line open to all Chilean commercial banks that issue commercial or consumer loans, for an aggregate amount of up to the equivalent to U.S.$40 billion; (ii) the interest rate is 0.5% per annum, equivalent to nearly zero funding costs; (iii) the FCIC begins with an initial line of credit, which corresponds to 3% of the commercial portfolio plus the consumer loan portfolio (base portfolio) at the end of February 2020; (iv) the FCIC includes an additional line that depends on the credit issuance by each entity; (v) the funds can be withdrawn if the relevant bank provides eligible collateral; and (v) the term of the facility is four years.

On December 14, 2020, as part of the Emergency Plan for the Protection of Family Income, and Economic and Employment Reactivation (*Plan de Emergencia por la Protección de los ingresos de las Familias y la Reactivación Económica y del Empleo*) announced in June 2020 by the government, Law No. 21,288 was published in the Official Gazette. This statute creates an extraordinary fund managed by the Minister of Finance that is designed to cover the government's coronavirus pandemic related expenses (the "COVID-19 Emergency Fund"), which will be funded by the public treasury, as well as profits from the fund's investments. The COVID-19 Emergency Fund will finance up to U.S.$12 billion of the Emergency Plan for the Protection of Family Income, and Economic and Employment Reactivation, and will automatically expire on the earlier of June 30, 2022 or the depletion of the funds. Any remaining balance of the COVID-19 Emergency Fund as of June 30, 2022 will be allocated to the Economic and Social Stabilization Fund (*Fondo de Estabilización Económica y Social* or the "FEES").

On January 4, 2021, Law No. 21,299 was published in the Official Gazette, allowing financial institutions to grant "postponement loans" (*créditos de postergación*) to mortgage loans debtors with the sole purpose of refinancing up to six monthly installments of mortgage secured loans. The postponement loans will be guaranteed by the FOGAPE and will be exclusively used to pay the deferred installments of mortgage secured loans. In addition, postponement loans will not be subject to stamp taxes and their interest rate will not exceed the rate of the related original mortgage secured loans.

On February 3, 2021, Law No. 21,307 was published in the Official Gazette introducing changes to the Small Enterprise Guarantees Fund (*Fondo de Garantía para Pequeños Empresarios* or "FOGAPE") and creating a new FOGAPE program focused on economic recovery by guaranteeing the financing of investments, working capital and debt refinancing to SMEs and large-enterprises (the "FOGAPE REACTIVA Program") through December 31, 2021. The main aspects introduced by Law No. 21,307 are: (i) extension of the benefits provided to SMEs by Law No. 21,229 (the "FOGAPE COVID-19 Program") from April 30, 2021 to December 31, 2021; (ii) the maximum spread in addition to the monetary policy rate applicable to financings guaranteed by the FOGAPE REACTIVA Program and granted by institutions with access to Central Bank's funding has been modified from a maximum rate equivalent to the monetary policy rate (*Tasa de Política Monetaria* or "TPM") set by the Central Bank (currently at 0.5%) plus 3% per year to a maximum rate equivalent to the TPM plus the annual equivalent of a monthly rate of 0.6%; (iii) authorization to the Ministry of Finance to increase (by means of a supreme decree) the FOGAPE guarantee coverage limits (including both the coverage percentage and the guaranteed amounts) for those economic sectors most affected by Chile's financial and economic context, and also to permit secured financings of acquisition of fixed assets and leasing transactions up to 1.5 times the ceiling of loans under the FOGAPE programs; (iv) amendment to the use of proceeds of FOGAPE guaranteed financings to permit for debt refinancing; (v) stamp tax exemption for all new financings carried out by FOGAPE and for refinancing operations through 2021; and (vi) retroactive option of extension of the term of the loans and guarantees granted under the FOGAPE COVID-19 Program, for up to 60 months after the initial granting date.

On March 1, 2021, a third stage of the FCIC facility line to banks entered into force and will be effective for six months. This third stage of the FCIC will consist mainly of: (i) U.S.$10 billion in value of resources available for banking entities to continue financing and refinancing loans to households and companies, especially those that do not have access to the capital markets, in addition to the U.S.$40 billion committed for the first and second stages of the FCIC; (ii) an applicable interest rate equal to the lowest monetary policy rate during the term of the mentioned third stage; (iii) access to this program linked to the flow of commercial loans to companies with sales of up to UF 1,000,000, with a higher weighting for new loans and debt refinancing granted under the FOGAPE REACTIVA Program, with a limit of U.S.$2 billion per bank; and (iv) access by banking entities subject to the posting of eligible collateral.

As of the date of this Offering Circular, the Bank has requested use of the FICIC for an amount equivalent to Ch$2,340,226 million. The Bank cannot assure that measures adopted by the Central Bank and the Chilean government will not have any impact on its business or financial condition.

On April 23, 2021, with the purpose of facilitating the flow of credit to companies, the FMC announced a measure for the treatment of provisions of banks and cooperatives. The exceptional treatment provided by the FMC for the commercial portfolio exempt banks and cooperatives from their obligation to compute higher provisions for installments rescheduled by customers corresponding to flexible payment conditions granted by financial institutions. This exceptional treatment will be in effect until July 31, 2021, and considers the freezing of provisions that meet the following conditions: (i) commercial portfolio debtors must be either up to date in their payments or have arrears of up to 30 days at the time of the rescheduling; (ii) grace periods or postponed loans may not last over six consecutive months, regardless of their measure; and (iii) banks must give special consideration to debtors who have benefited from previous postponement measures. In turn, these debtors must evidence an appropriate payment behavior during the period between postponements.

Reform to foreign exchange regulations may create more competition for domestic banks.

On December 24, 2020, the board of directors of the Central Bank adopted a resolution amending the Compendium of Foreign Exchange Regulations to expand the list of foreign exchange transactions that may be made in Chilean pesos. The newly authorized transactions include: (i) derivatives transactions with physical settlement in Chilean pesos; (ii) the opening and maintenance of Chilean peso bank accounts by non-Chilean domiciled/residents; (iii) the granting of credits in Chilean pesos by Chilean domiciled/residents to non-Chilean domiciled/residents; (iv) the making of deposits or other investments abroad in Chilean pesos by Chilean domiciled/residents; and (v) the granting or making of Chilean peso credits, deposits, investments or capital contributions by non-Chilean domiciled/residents. The new regulations became effective on March 1, 2021 for the transactions described in (i), (ii) and (iii), and will become effective on September 1, 2021 for the transactions described in (iv) and (v).

The Bank cannot assure that these reforms to foreign exchange regulations will not create a more competitive environment if banks operating abroad start lending into Chile in the currency.

The new constitution could change the current Chilean institutions and could affect the Bank.

On October 25, 2020, Chile approved the drafting of a new constitution by plebiscite. The new constitution will be written by a constitutional convention composed by 155 delegates, were elected by vote on May 15 and May 16, 2021. The process of drafting the new constitutional text is to take nine months, which may be extended once for another three months. Thus, the new constitution resulting from the convention is expected to be put to a plebiscite for ratification or rejection in May or June 2022.

On December 21, 2020, Congress approved a constitutional amendment pursuant to Law No. 21,298 to reserve 17 out of the 155 seats in the constitutional convention for indigenous people as such are recognized by Law No. 19,253.

As of the date of this Offering Circular, the impact of the new constitution on the Bank's business or its financial condition derived from remains uncertain.

Risks Related to the Notes Generally

Notes issued under the Program may not be a suitable investment for all investors.

Each potential investor in Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in such Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such Notes will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including Notes with principal or interest payable in one or more Specified Currencies, or where the Specified Currency for principal or interest payments is different from the potential investor's usual currency for holding investments;

- understand thoroughly the terms of the relevant Notes and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment in the relevant Notes and its ability to bear the applicable risks.

There is no trading market for the Notes; you may be unable to sell your Notes if a trading market for the Notes does not develop.

Each Series of Notes will constitute a new issue of securities with no established trading market. Approval-in-principle has been obtained from the SGX-ST for the establishment of the Program and application will be made to the SGX-ST for permission to deal in and for the listing and quotation for any Notes which are agreed at the time of issue to be so listed on the Official List. Formal approval will be granted when a particular Series of Notes has been admitted to the Official List. The Issuer cannot assure you that an active trading market for the Notes will develop. If a trading market does not develop or is not maintained, holders of the Notes may experience difficulty in reselling the Notes or may be unable to sell them at all. Even if a market develops, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes, the ability of holders to sell the Notes or the prices at which the Notes could be sold. Because the market for any Series of Notes may not be liquid, you may have to bear the economic risk of an investment in the Notes for an indefinite period of time. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Issuer's performance and business prospects and other factors.

There is market price risk associated with an investment in the Notes.

The market price of each Series of Notes depends on various factors, such as changes of interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the relevant type of Note. The market price of each Series of Notes may also be negatively affected by an increase in the Issuer's credit spreads (i.e., the difference between yields on the Issuer's debt and the yield of government bonds or swap rates of similar maturity). The Issuer's credit spreads are mainly based on its perceived creditworthiness but also influenced by other factors such as general market trends as well as supply and demand for such Series of Notes.

There is exchange rate risk and risk of exchange controls associated with an investment in the Notes.

An investment in Notes that are denominated in, or the payment of which is to be or may be made in or related to the value of, a currency or composite currency other than the currency of the country in which the purchaser is a resident or the currency in which the purchaser conducts its business or activities (the "home currency") entails significant risks that are not associated with a similar investment in a security denominated in the home currency. Such risks include the possibility of significant changes in rates of exchange between the home currency and the various foreign currencies (or composite currencies) after the issuance of such Note and the possibility of the imposition or modification of foreign exchange controls by either the U.S. or foreign governments. Such risks generally depend on economic and political events over which the Issuer has no control. In recent years, rates of exchange between certain currencies have been highly volatile and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in such rate that may occur during the term of any Note. Depreciation of the currency in which a Note is denominated against the relevant home currency would result in a decrease in the effective yield of such Note below its coupon rate and, in certain circumstances, could result in a loss to the investor on a home currency basis.

Foreign exchange rates can either be fixed by sovereign governments or float. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar. National governments, however, rarely voluntarily allow their currencies to float freely in response to economic forces. Governments in fact use a variety of techniques, such as intervention by a country's central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency, or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-home currency denominated Notes is that their home currency-equivalent yields could be affected by governmental actions, which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces, and the movement of currencies across borders. There will be no adjustment or change in the terms of such Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable Specified Currency.

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal and of premium, if any, or interest, if any, on a Note. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note not denominated in U.S. dollars would not be available at such Note's maturity. In that event, the Issuer would make required payments in U.S. dollars on the basis of the market exchange rate on the date of such payment, or if such rate of exchange is not then available, on the basis of the market exchange rate as of the most recent practicable date. See "Special Provisions Relating to Foreign Currency Notes—Payments on Foreign Currency Notes."

There is interest rate risk associated with an investment in the Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks, and the Issuer cannot assure you that such ratings will not be lowered, suspended or withdrawn by the rating agencies.

One or more independent credit rating agencies may assign credit ratings to the Notes. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating assigned to the Notes to be issued under the Program. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. The Issuer cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any ratings assigned to Notes as at the date of this Offering Circular are not indicative of future performance of the Issuer's business or its future creditworthiness.

The Issuer's obligations under the Notes will be subordinated to certain statutory liabilities.

Under Chilean bankruptcy law, the Issuer's obligations under the Notes are subordinated to certain statutory preferences. In the event of the Issuer's liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses related thereto, will have preference over any other claims, including claims by any investor in respect of the Notes.

Changes in Chilean tax laws could lead to the Issuer redeeming the Notes.

Payments of interest in respect of the Notes made by the Issuer to foreign holders will be subject to Chilean interest withholding tax currently assessed at a rate of 4.0%. Subject to certain exemptions, the Issuer will pay Additional Amounts (as defined in "Description of the Notes—Payment of Additional Amounts") so that the amount received by the holder after Chilean withholding tax will equal the amount that would have been received if no such taxes had been applicable. The Notes can be redeemable at the Issuer's option, subject to applicable Chilean law, in whole but not in part, at any time, at the principal amount thereof plus accrued and unpaid interest and any Additional Amounts due thereon if, as a result of changes in the laws or regulations affecting Chilean taxation, the Issuer becomes obligated to pay Additional Amounts on the Notes based on a rate of withholding or deduction in excess of 4.0%. The Issuer cannot assure you that an increase in withholding tax rate will not be presented to or enacted by the Chilean Congress. See "Description of the Notes—Redemption Prior to Maturity Solely for Taxation Reasons" and "Certain Tax Legislation Affecting the Notes—Chilean Taxation."

The Notes are subject to certain transfer restrictions.

The Notes have not been registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Notes may be transferred or resold only in a transaction registered under or exempt from the registration requirements of the Securities Act and in compliance with any other applicable securities law. See "Transfer and Selling Restrictions."

The Issuer may incur additional indebtedness ranking senior or equally to the Notes or secured indebtedness.

The Issuer may issue additional senior debt, including secured indebtedness that is effectively senior to both Senior and Subordinated Notes. The Issuer may also issue Subordinated Notes that rank junior in right of payment and in liquidation to all of the Issuer's senior indebtedness. If the Issuer incurs any additional debt that ranks on an equal and ratable basis with the Notes of any series, the holders of that debt will be entitled to share ratably with the holders of the Notes of such series in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of the Issuer subject to satisfaction of certain debt limitations. This may have the effect of reducing the amount of proceeds paid to you. The Issuer also has the ability to incur collateralized debt and such debt would be effectively senior to the Notes to the extent of such collateral.

The Issuer or other intermediaries may be required to withhold U.S. tax on payments made to certain non-U.S. financial institutions on certain Notes.

Provisions of U.S. tax law commonly referred to as the Foreign Account Tax Compliance Act, or FATCA, impose a 30% withholding tax on certain payments made to a foreign financial institution (such as the Issuer) unless the financial institution is a "participating foreign financial institution," or a PFFI, or otherwise exempt from FATCA. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department, or an FFI agreement, pursuant to which it agrees to perform specified due diligence, reporting and withholding functions. Specifically, under its FFI agreement, a PFFI will be required to obtain and report to the IRS certain information with respect to financial accounts held by U.S. persons or U.S.-owned foreign entities and to withhold 30% from "foreign passthru payments" (which term is not yet defined) that it makes to "recalcitrant" accountholders or to foreign financial institutions that are not PFFIs or otherwise exempt from FATCA on or after the date that is two years after the date of publication of final Treasury regulations defining the term "foreign passthru payments." No such withholding would apply to any payments made on debt obligations that are issued before (and not materially modified after) the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published. The United States and Chile have entered into an intergovernmental agreement to facilitate the implementation of FATCA pursuant to which Chilean financial institutions (such as the Issuer) will be directed by Chilean authorities to register with the IRS and fulfill obligations consistent with those required under an FFI agreement. The Issuer has registered with the IRS as a PFFI. The United States has also entered into intergovernmental agreements with other jurisdictions. These intergovernmental agreements (including the intergovernmental agreement with Chile) do not address how the United States and the relevant jurisdictions (including Chile) will address "foreign passthru payments" or whether withholding on such payments will be required by financial institutions that are subject to a FATCA intergovernmental agreement.

Investors may find it difficult to enforce civil liabilities against the Issuer or the Issuer's directors, officers and controlling persons.

The Issuer is a Chilean banking corporation. None of the Issuer's directors are residents of the United States and its executive officers reside outside of the United States. In addition, most of the Issuer's assets and the assets of the Issuer's directors and executive officers are located outside the United States. Although the Issuer has appointed an agent for service of process in any action against the Issuer in the United States with respect to the Issuer's Notes, none of the Issuer's directors, officers or controlling persons has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult for investors to effect service of process within the United States on such persons.

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

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Program. Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the relevant Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact such investment will have on the potential investor's overall investment portfolio. Certain Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer.

Notes with an optional redemption are likely to have a limited market value. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Variable Rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Increased regulatory oversight, uncertainty relating to the LIBOR calculation process and phasing out of LIBOR after 2021 may adversely affect the value of, return on and trading market for Floating Rate Notes.

On July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that the FCA will no longer persuade or require banks to submit rates for the calculation of LIBOR after 2021. Subsequently, on March 5, 2021 the FCA announced that most LIBOR tenors would cease to be representative benchmarks from the end of 2021 (in the case of GBP LIBOR) or June 2023 (in the case of U.S. dollar LIBOR). These announcements, in conjunction with financial benchmark reforms more generally and changes in the interbank lending markets, have resulted in uncertainty about the future of LIBOR and certain other rates or indices which are used as interest rate "benchmarks." These actions and uncertainties may have the effect of triggering future changes in the rules or methodologies used to calculate benchmarks or lead to the discontinuance or unavailability of benchmarks. If LIBOR, EURIBOR or another benchmark that the Issuer uses as the interest rate for Floating Rate Notes is no longer quoted or is discontinued, the interest rate for any such Notes will be calculated using an alternative method. See "Description of the Notes—Interest and Interest Rates." Any of these alternative methods may result in interest payments on the notes that are higher than, lower than or that do not otherwise correlate over time with the interest payments that would have been made on the Notes if the applicable benchmark was available in its current form. Further, the same reforms, actions, costs and/or risks that may lead to the discontinuation or unavailability of LIBOR, EURIBOR or another benchmark may make one or more of the alternative methods impossible or impracticable to determine. For example, if LIBOR is no longer quoted or is discontinued, the final alternative method for determining LIBOR for the applicable Interest Determination Date is to use the LIBOR in effect for the then-current interest period. Any of the foregoing may have an adverse effect on the value of, return on and trading market for any Floating Rate Notes issued by the Issuer that are based on LIBOR, EURIBOR or another benchmark.

Interest on the LIBOR Notes during the floating rate period will be calculated using a reference rate other than LIBOR if a Benchmark Transition Event and related Benchmark Replacement Date occur.

It is impossible to predict for how long banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United

Kingdom or elsewhere. These factors may result in the occurrence of a Benchmark Transition Event and related Benchmark Replacement Date.

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR, then the Issuer will select a Benchmark Replacement in accordance with the benchmark transition provisions of the Floating Rates Notes described in this Offering Circular under the heading "Description of the Notes—Effect of Benchmark Transition Event." After such an event, interest on the LIBOR Notes during the floating rate period will no longer be determined by reference to LIBOR, but instead will be determined by the calculation agent by reference to the applicable Benchmark Replacement.

The selection of a Benchmark Replacement, and any decisions, determinations or elections made by us or the calculation agent in connection with implementing a Benchmark Replacement with respect to the LIBOR Notes during the floating rate period in accordance with the benchmark transition provisions, could result in adverse consequences to the applicable interest rate on the LIBOR Notes during the floating rate period, which could adversely affect the return on, value of and trading market for the LIBOR Notes. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to LIBOR, or that any Benchmark Replacement will produce the economic equivalent of LIBOR.

The manner in which the Secured Overnight Financing Rate is calculated may result in a reduction of the amount of interest payable on the LIBOR Notes during the floating rate period, which may adversely affect the trading prices of the LIBOR Notes.

Under the benchmark transition provisions of the LIBOR Notes described in this Offering Circular under the heading "Description of the Notes—Effect of Benchmark Transition Event," if a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to LIBOR, the rate of interest on the LIBOR Notes during the floating rate period will be determined based on the Secured Overnight Financing Rate ("SOFR") (unless a Benchmark Transition Event and its related Benchmark Replacement Date also occur with respect to the Benchmark Replacements linked to SOFR, in which case the rate of interest will be based on the next-available Benchmark Replacement). References in the following discussion of SOFR to SOFR-linked notes mean Floating Rate Notes at any time when the rate of interest on such floating rate notes is or will be determined based on SOFR.

SOFR is published by the Federal Reserve Bank of New York (the "FRBNY") and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The FRBNY reports that SOFR includes all trades in the Broad General Collateral Rate, plus bilateral Treasury repurchase agreement ("repo") transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "FICC"), a subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). SOFR is filtered by the FRBNY to remove a portion of the foregoing transactions considered to be "specials." According to the FRBNY, "specials" are repos for specific-issue collateral which take place at cash-lending rates below those for general collateral repos because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

The FRBNY reports that SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon, which currently acts as the clearing bank for the tri-party repo market, as well as General Collateral Finance Repo transaction data and data on bilateral Treasury repo transactions cleared through the FICC's delivery-versus-payment service. The FRBNY notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC.

The FRBNY currently publishes SOFR daily on its website at https://apps.newyorkfed.org/markets/autorates/sofr. The FRBNY states on its publication page for SOFR that use of SOFR is subject to important disclaimers, limitations and indemnification obligations, including that the FRBNY may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice.

Because SOFR is published by the FRBNY based on data received from other sources, neither the Issuer nor the calculation agent has any control over its determination, calculation or publication. There can be no assurance that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the SOFR-linked notes. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on the SOFR-linked notes, which may adversely affect the trading prices of the SOFR-linked notes. If the rate at which interest accrues on such Floating Rate Notes during the floating rate period for any interest period declines to zero or becomes negative, no interest will be payable on such Floating Rate Notes with respect to that interest period.

The composition and characteristics of the Secured Overnight Financing Rate may be more volatile and are not the same as those of LIBOR.

There is no guarantee that the Secured Overnight Financing Rate is a comparable substitute for LIBOR. In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "ARRC") announced the Secured Overnight Financing Rate as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of the Secured Overnight Financing Rate are not the same as those of LIBOR. The Secured Overnight Financing Rate is a broad Treasury repo financing rate that represents overnight secured funding transactions. This means that the Secured Overnight Financing Rate is fundamentally different from LIBOR for two key reasons. First, the Secured Overnight Financing Rate is a secured rate, while LIBOR is an unsecured rate. Second, the Secured Overnight Financing Rate is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that the Secured Overnight Financing Rate will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, regulatory, judicial or other events. For example, since publication of the Secured Overnight Financing Rate began on April 3, 2018, daily changes in the Secured Overnight Financing Rate have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates. The return on and value of the Floating Rate Notes may fluctuate more than floating rate securities that are linked to less volatile rates. In addition, the volatility of the Secured Overnight Financing Rate has reflected the underlying volatility of the overnight U.S. Treasury repo market. The New York Federal Reserve has at times conducted operations in the overnight U.S. Treasury repo market in order to help maintain the federal funds rate within a target range. There can be no assurance that the New York Federal Reserve will continue to conduct such operations in the future, and the duration and extent of any such operations is inherently uncertain. The effect of any such operations, or of the cessation of such operations to the extent they are commenced, is uncertain and could be materially adverse to investors in the Floating Rate Notes.

Uncertainty surrounding the development of Term SOFR and the resulting Benchmark Replacement and Benchmark Replacement Adjustment could adversely affect the return on, value of and trading market for such floating rate notes.

The Benchmark Replacements specified in the benchmark transition provisions include as the first alternative in the waterfall Term SOFR, a forward-looking term rate which will be based on SOFR. Term SOFR is currently being developed under the sponsorship of FRBNY, and there is no assurance that the development of Term SOFR will be completed. If a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to LIBOR and, at that time, a form of Term SOFR has not been selected or recommended by the relevant governmental body, then the next-available Benchmark Replacement under the benchmark transition provisions will be used to determine the amount of interest payable on such Floating Rate Notes during the floating rate period for the next applicable interest period and all subsequent interest periods (unless a Benchmark Transition Event and its related Benchmark Replacement Date occur with respect to that next-available Benchmark Replacement). Assuming Term SOFR does not exist at the time of a Benchmark Transition Event and related Benchmark Replacement Date, the second alternative rate in the waterfall is Compounded SOFR. Compounded SOFR is the compounded average of daily SOFR rates that the Issuer expects will be calculated in arrears, while LIBOR is a forward-looking rate. However, there currently is no single market convention with respect to the calculation of Compounded SOFR. Uncertainty surrounding the establishment of market conventions related to the calculation of Term SOFR and Compounded SOFR and whether either alternative reference rate is a suitable replacement or successor for LIBOR may adversely affect the value of and return on such floating rate notes.

Under the benchmark transition provisions of the LIBOR Notes, if a particular Benchmark Replacement or Benchmark Replacement Adjustment cannot be determined, then the next-available Benchmark Replacement or Benchmark Replacement Adjustment will apply. The benchmark transition provisions expressly authorize us to make Benchmark Replacement Conforming Changes with respect to, among other things, the determination of interest periods and the timing and frequency of determining rates and making payments of interest. The additional alternative rates referenced in the definition of Benchmark Replacement are also uncertain. In particular, the applicable alternate rate of interest selected or recommended by the Relevant Governmental Body and the ISDA Fallback Rate, which is the rate referenced in the ISDA Definitions at the time of a Benchmark Transition Event and its related Benchmark Replacement Date, have not been established as of the date hereof. Even after the ISDA Fallback Rate is initially determined, ISDA Definitions and the ISDA Fallback Rate may change over time. The application of a Benchmark Replacement and Benchmark Replacement Adjustment, and any implementation of Benchmark Replacement Conforming Changes, could result in adverse consequences to the amount of interest payable on the LIBOR Notes during the floating rate period, which could adversely affect the return on, value of and trading market for the LIBOR Notes. Further, there is no assurance that the characteristics of any Benchmark Replacement will be similar to the then-current Benchmark it is replacing, or that any Benchmark Replacement will produce the economic equivalent of the then-current Benchmark it is replacing.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favorable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes Issued at a Substantial Discount.

The market values of securities issued at a substantial discount from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

Subordinated Notes are Junior Debt Obligations.

Any Subordinated Notes issued will be subordinate and junior in right of payment to all senior indebtedness as specified in the applicable Pricing Supplement, which will set forth the precise terms of such subordination. The Issuer will not make any payment of principal, premium, if any, or interest in respect of the Subordinated Notes unless all amounts then due on its senior indebtedness have been paid in full. There is no limit on the ability of the Issuer to issue or incur senior indebtedness. The Subordinated Notes are not secured, are not guaranteed by the Issuer or any affiliate of the Issuer and are not subject to any other arrangement that legally or economically enhances the ranking of the Subordinated Notes in relation to more senior claims.

Particular Tax Consequences of Holding Bearer Notes.

Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Bearer Notes in its particular circumstances. See “Certain Tax Legislation Affecting the Notes.” Bearer Notes generally may not be offered or sold in the United States or to United States persons. Unless an exemption applies, a United States person holding a Bearer Note or coupon will not be entitled to deduct any loss on the Bearer Note or coupon and must treat as ordinary income any gain realized on the sale or other taxable disposition of the Bearer Note or coupon.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used for the general banking and other corporate purposes of the Bank or as may otherwise be disclosed in the applicable Pricing Supplement.

SELECTED FINANCIAL INFORMATION

Historical Financial Information

The financial data in the tables below has been extracted or calculated without material adjustment from information contained within the audited consolidated statements of financial position and consolidated statements of income of the Bank as of and for the years ended December 31, 2020 and 2019 contained in the Audited Consolidated Financial Statements included in this Offering Circular.

Consolidated Statements of Financial Position

	As of December 31,	
(Amounts expressed in millions of Chilean pesos)	**2020**	**2019**
Assets:		
Cash and deposits in banks	1,252,255	1,384,762
Transactions pending settlement	344,282	366,308
Securities held for trading	751,269	845,707
Investments sold under repurchase agreements and securities lending	74,483	23,146
Derivative instruments	5,293,792	4,571,759
Loans and advances to banks	354,374	81,127
Loans and advances to customers	24,870,071	24,812,269
Available-for-sale investment securities	2,121,614	808,674
Held-to maturity investment securities	—	—
Investments in companies	18,435	16,709
Intangible assets	204,804	186,647
Property and equipment	104,933	112,459
Right-of-use assets under lease contracts	190,708	236,637
Current tax assets	17,021	33,953
Deferred tax assets	343,328	328,940
Other assets	854,592	844,393
Total assets	**36,795,961**	**34,653,490**
Liabilities:		
Deposits and other on-demand liabilities	6,805,111	4,865,538
Transactions pending settlement	299,014	232,354
Investments sold under repurchase agreements and securities lending	456,319	1,089,323
Term and on-demand deposits	8,840,138	11,124,022
Derivative instruments	5,733,336	4,574,890
Bank borrowings	4,386,782	3,275,807
Debt securities issued	6,765,390	6,288,227
Other financial liabilities	53,215	66,891
Lease liabilities	168,763	219,062
Current tax liabilities	2,355	2,926
Deferred tax liabilities	522	2,535
Provisions	250,583	202,790
Other liabilities	528,887	565,102
Total liabilities	**34,290,415**	**32,509,467**
Equity:		
Attributable to owners of the Bank:		
Capital	1,246,706	996,706
Reserves	496,397	496,397
Other comprehensive income	(213,228)	(156,033)
Retained earnings:		
Retained earnings from previous periods	675,689	523,121
Profit for the period	275,419	254,378
Less: Provision for minimum dividends	(82,626)	(76,314)
	2,398,357	**2,038,255**
Non-controlling interest	107,189	105,768
Total equity	2,505,546	2,144,023
Total liabilities and equity	**36,795,961**	**34,653,490**

Consolidated Statements of Income

(Amounts expressed in millions of Chilean pesos)	For the Year Ended December 31, 2020	2019
Interest and indexation income	1,539,782	1,681,074
Interest and indexation expenses	(625,585)	(816,751)
Net interest and indexation income	**914,197**	**864,323**
Fee and commission income	241,487	285,436
Fee and commission expenses	(62,693)	(78,004)
Net fee and commission income	**178,794**	**207,432**
Net gain (loss) from financial transactions	138,730	146,346
Net foreign exchange (expense) income	(3,191)	(22,368)
Other operating income	46,893	70,099
Total operating income	**1,275,423**	**1,265,832**
Allowances for credit risk	(328,238)	(276,030)
Net operating income	**947,185**	**989,802**
Personnel payroll and expenses	(257,512)	(299,149)
Administrative expenses	(226,621)	(244,011)
Depreciation and amortization	(58,779)	(56,777)
Impairment	(72)	(219)
Other operating expenses	(48,859)	(38,774)
Total operating expenses	**(591,843)**	**(638,930)**
Operating income	**355,342**	**350,872**
Equity in net income of investees	1,619	276
Profit before income tax	**356,961**	**351,148**
Income taxes	(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	10,950	19,188
	286,369	**273,566**

DESCRIPTION OF THE BANK

Overview

The Bank is one of the leading universal banking groups in Chile. The Bank is the fourth largest non-government owned bank in Chile (excluding assets from foreign subsidiaries) in terms of loans with a market share of 13.8% as of December 2020, based on data from the FMC. Excluding loans extended under the FOGAPE COVID-19 Program, the Bank is the third largest non-government owned bank in Chile in terms of loans with a market share of 14.2% as of December 2020. The Bank had total assets of Ch$34,6795,961.0 million, outstanding loans, net of allowances for loan losses of Ch$24,870,071 million, total deposits of Ch$15,645,249 million and equity of Ch$2,505,546 million, in each case as of December 31, 2020. The Bank has a prominent presence in all of the major business segments in Chile and offers a wide range of products and financial services to retail, SME and corporate customers in Chile. These products and services are provided through a broad network of branch offices across Chile and alternative distribution channels.

The Bank had approximately three million customers in Chile and a network comprising 147 branch offices, in each case, as of December 31, 2020.

In September 2018, as a result of the Merger, the Bank incorporated BBVA Chile, creating one of the largest banks in the Chilean market and increasing the relevance and presence of The Bank of Nova Scotia, its indirect parent company and controlling shareholder, in the Asia-Pacific region, particularly in the countries member of the Pacific Alliance. The Merger had the following strategic objectives: (i) combining capabilities and strengths of both banks to generate synergies in retail banking, information technology, digital channels and branch offices; (ii) reaching economies of scale while minimizing the customer attrition during the Merger's integration period; (iii) optimizing the Bank's funding mix by growing customer deposits; (iv) profiting from similarities in risk and management practices of BBVA Group and Bank.

Scotiabank Chile believes that its relationship with The Bank of Nova Scotia offers the Bank a significant competitive advantage over its peer Chilean banks. The Bank of Nova Scotia is a leading bank in Canada and a leading financial services provider in the Americas, with relevant international presence, including in the Pacific Alliance countries of Mexico, Peru, Chile and Colombia, as well as in the Caribbean and Central America regions.

The Bank's relationship with The Bank of Nova Scotia allows it to offer multinational banking solutions to customers and to profit from international business relations. The Bank also benefits operationally by accessing best practices in risk management and oversight developed in multiple geographies where Scotiabank maintains a presence. Additionally, the Bank benefits from information technology solutions and new products and services developed by The Bank of Nova Scotia.

History and Development of the Bank

The Bank was established in Chile in 1944 by a group of prominent local businesspersons. Following an initial acquisition of 25% of the Bank's shares in 1991, The Bank of Nova Scotia increased its ownership to 60% in 1999 and, as of the date of this Offering Circular, holds 76.01% of the shares of the Bank. On May 3, 2021, The Bank of Nova Scotia announced that it had reached an agreement to increase its ownership in the Bank through an acquisition of an additional 7.0% stake from the Said Family. Upon closing of the transaction, which is subject to customary closing conditions and regulatory approvals, The Bank of Nova Scotia will have control over 83.01% of the Issuer's shares.

The Bank's loan portfolio has grown significantly in the last decade as a result of The Bank of Nova Scotia's strategic goal of gaining a relevant market share in the Pacific Alliance countries. In 2010, The Bank of Nova Scotia acquired the corporate and commercial banking operations of the Royal Bank of Scotland in Chile. In 2014, The Bank of Nova Scotia acquired a 51% stake in Cencosud Administradora de Tarjetas S.A. and Cencosud Corredores de Seguros y Servicios S.A., for the exclusive joint operation of Cencosud's financial retail business in Chile. The acquisition was tied to a 15-year alliance that made Scotiabank Chile one of the largest credit card providers in the country.

BBVA Chile Acquisition

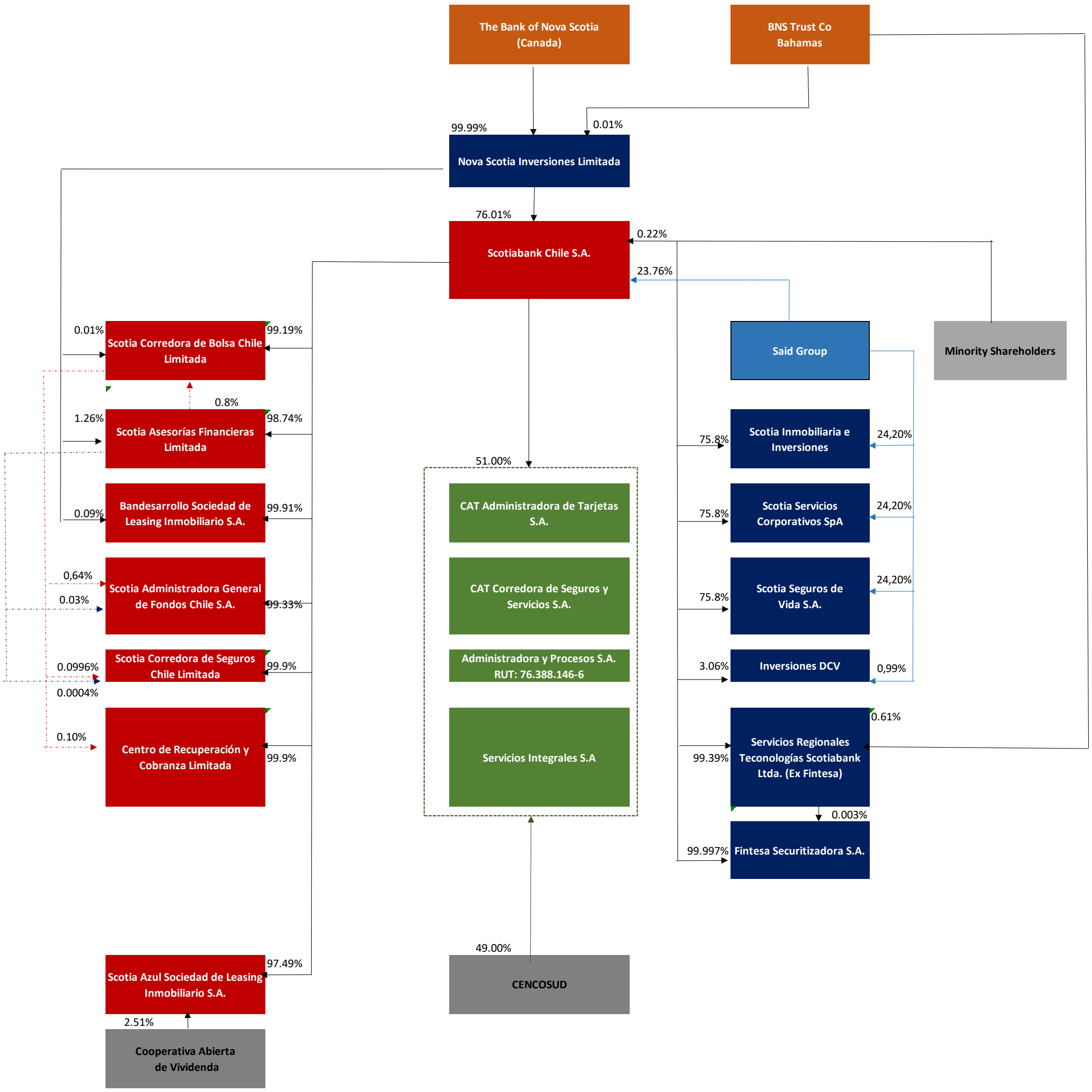
On March 9, 2018, the SBIF authorized The Bank of Nova Scotia to indirectly acquire 68.19% of Banco Bilbao Vizcaya Argentaria, Chile, through Nova Scotia Inversiones Limitada, a Chilean company that is the direct parent of Scotiabank Chile for a total purchase price of approximately U.S.$2.0 billion. The Merger became effective as of September 1, 2018. See also "Management and Shareholders—Major Shareholders" for a discussion about the shareholding structure of the Bank after the Merger.

This transaction is in line with the Bank's strategy of becoming a major player in the Chilean financial system. As a result of the Merger, the Bank increased its market share in terms of total loans from 7.2% as of December 31, 2017 to 14.1% as of December 31, 2019, making it the third largest private bank in Chile in terms of market share of loans as of December 31, 2019.

Organizational Structure

Scotiabank Chile is a banking corporation duly authorized under the laws of Chile, and the parent of a group of entities constituted in Chile, which provide a broad range of financial services. Scotiabank Chile is primarily involved in the brokerage of money and financial instruments, such as commercial paper and other credit instruments. As a consolidated financial services institution, Scotiabank Chile has subsidiaries that supplement its lines of business/operating segments, which operate under the General Banking Law and are subject to the oversight and regulatory powers of the FMC and the Central Bank.

The table below presents the principal subsidiaries that Scotiabank Chile owns, directly or indirectly, as of December 31, 2020:



The Bank's registered address is located at Avenida Costanera Sur No. 2710, Torre A, Las Condes, Santiago, Chile, postal code 7550692 and its website is www.scotiabankchile.cl.

Principal Activities

General

The Bank is a universal bank offering a wide selection of products and financial services to its customers, ranging from major corporations and financial institutions to low/medium income individuals. Products and services are provided through a broad network of branch offices across Chile and alternative distribution channels.

The Bank carries out its business activities through four main lines of business, each serving a different group of target customers: SMEs and Retail Banking, Personal Banking, Business Banking and Financial Retail.

The table below shows the Bank's consolidated results by segment for the year ended December 31, 2020, in addition to the corresponding balances of assets and liabilities by segment:

	As of December 31, 2020					
(Amounts expressed in millions of Chilean pesos)	**SMEs and Retail Banking**	**Business Banking**	**Personal Banking**	**Financial Retail**	**Other**	**Total**
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 taxes						(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

A profile of each of these segments is discussed below.

SMEs and Retail Banking

The SMEs business line targets individual customers whose income is under U.S.$1,000, individuals engaged in business activities with sales up to U.S.$100,000 and small and medium-sized entities with annual sales up to U.S.$4 million. 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 the customers of this segment with a variety of financial services such as collection, salary payment administration, insurance and foreign currency exchange.

Business Banking

The Business Banking business line targets enterprise customers with annual sales over U.S.$4 million and corporate customers with annual sales over U.S.$150 million. The main products offered under the Business Banking business line include working capital financing, foreign trade loans, leasing, factoring and structured finance (e.g., syndicated loans and project finance). Business Banking customers may also use the liability products, such as domestic and foreign currency current accounts, term deposits and mutual funds offered by the business line. Additionally, the Business Banking business line 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 variety of treasury products such as foreign currency exchange, derivative products, foreign currency or interest rate risk hedging and short-term investments.

Personal Banking

The Personal Banking business line targets individual customers whose monthly income is over U.S.$1,000. The main products offered under the Personal Banking business line include consumer loans, overdraft credit lines, credit cards and mortgage loans. For customers seeking liability products, the Personal Banking business line offers current accounts and diverse saving products, such as term deposits, agreements, mutual funds and short-term investments. Additionally, the Bank provides its Personal Banking customers with a variety of financial services, such as foreign currency exchange, equity sales, insurance products and self-service in branch offices, which allows customers to directly perform a series of banking transactions. Under Personal Banking, the Bank also offers a specialized line of products tailored for different customer segments, such as the Traditional Account (*Cuenta Tradicional*), Light Plans (*Planes light*), Medium Plans (*Planes medium*) and Full Plans (*Planes Full*), under which the Bank seeks to offer a mix of highly customized products for every customer need.

Financial Retail

The Financial Retail business line 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. and Cencosud Corredores de Seguros y Servicios S.A., for the exclusive joint operation of Cencosud's financial retail business in Chile.

Competition

The Chilean financial services market consists of a variety of largely distinct sectors. The most important sector, commercial banking, includes a number of privately-owned banks and one public sector bank, Banco del Estado de Chile (which operates within the same legal and regulatory framework as the private sector banks). The private-sector banks include local banks and a number of foreign-owned banks operating in Chile. As of the date of this Offering Circular, the Chilean banking system is comprised of 18 banks, including one public-sector bank. The five largest banks accounted for 77.5% of all outstanding loans by Chilean financial institutions as of December 31, 2020 (excluding assets held abroad by Chilean banks).

The Chilean banking system has experienced increased competition in recent years, largely due to consolidation in the industry and new legislation. The Bank also faces competition from non-bank competitors, principally insurance companies, *cooperativas* and *cajas de compensación* (private, non-profitable corporations whose aim is to administer social welfare benefits, including payroll loans, to their members) and non-finance competitors, principally department stores, auto-lenders and larger supermarket chains, with respect to some of the Bank's credit products, such as credit cards, consumer loans and insurance brokerage. In addition, the Bank faces competition from non-bank finance competitors, such as leasing, factoring and automobile finance companies, with respect to credit products, and mutual funds, pension funds and insurance companies with respect to savings products.

Employees

As of December 31, 2020, on a consolidated basis, the Bank had 7,859 employees. Of the total number of employees, approximately 52.0% were unionized as of December 31, 2020. The Bank generally applies the terms of its collective bargaining agreements to unionized and non-unionized employees. The Bank maintains good relations with its employees and the trade unions and has not experienced any recent industrial relations issues or strikes.

Legal and Administrative Proceedings

As a result of conducting its business in the ordinary course, the Bank is a party to legal and administrative proceedings, including proceedings in which it is acting as plaintiff seeking to recover unpaid debts owed by defaulting borrowers and other customers, or as respondent in other cases. Save as disclosed in this Offering Circular, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Bank.

Bank Ratings

As of the date of this Offering Circular, the Bank has been assigned foreign ratings by Standard & Poor's and Fitch as set forth in the following table.

Standard & Poor's		Fitch	
Short	**Long**	**Short**	**Long**
Not Rated	A(1)	F1+(1)	A+(1)

(1) Negative outlook as of April 2021. See also "Risk Factors—Risk Factors in Respect of the Issuer—Credit, market and liquidity risk may have an adverse effect on the Issuer's credit ratings and the Issuer's cost of funds. Any downgrade in the credit rating of Chile, the Issuer itself or the Issuer's controlling shareholders would likely increase the Issuer's cost of funding, require the Issuer to post additional collateral or take other actions under some of the Issuer's derivative contracts and adversely affect the Issuer's interest margins and results of operations" for a discussion of the change in the Bank's ratings outlook as a result of the effects of the coronavirus pandemic.

The ratings set forth above are accurate only as of the date of this Offering Circular and are subject to change at any time. A rating only reflects the views of the relevant rating agency and is not a recommendation to buy, sell or hold any securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Recent Developments

Coronavirus Outbreak

In the first months of 2020, the outbreak of coronavirus spread globally and disrupted various markets and resulted in severe uncertainty about the economies affected by the outbreak. While authorities have introduced various measures to support the local economies, the outbreak has had a significant adverse effect on both supply and demand, making it challenging to effectively address the challenges with economic policies. In Chile, which, similar to other countries in Latin America, has been, and is expected to continue to be, exposed to the coronavirus outbreak, the local economy has been adversely affected by the outbreak. For a more detailed discussion on the coronavirus pandemic and its effects on the Chilean economy and on the Bank, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Chilean Economy and Banking Sector" and "—Coronavirus Outbreak." See also "Risk Factors—Risk Factors in Respect of the Issuer—The global coronavirus outbreak, which has negatively impacted the economies exposed to it, could have a material adverse effect on the Bank's business, financial condition and results of operations and adversely affect the Bank's ability to access capital and liquidity" and "—Credit, market and liquidity risk may have an adverse effect on the Issuer's credit ratings and the Issuer's cost of funds. Any downgrade in the credit rating of Chile, the Issuer itself or the Issuer's controlling shareholders would likely increase the Issuer's cost of funding, require the Issuer to post additional collateral or take other actions under some of the Issuer's derivative contracts and adversely affect the Issuer's interest margins and results of operations."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on and should be read in conjunction with the Audited Consolidated Financial Statements, including the accompanying notes to the Audited Consolidated Financial Statements. This section contains forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. See "Presentation of Financial Information," "Caution Regarding Forward-Looking Statements" and "Risk Factors."

Overview

The Bank is one of the leading universal banking groups in Chile. The Bank is the fourth largest non-government owned bank in Chile (excluding assets from foreign subsidiaries) in terms of loans with a market share of 13.8% as of December 2020, based on data from the Financial Market Commission. As of December 31, 2020, the Bank had total assets of Ch$36,795,961 million, outstanding loans, net of allowances for loan losses of Ch$24,870,071 million, total deposits of Ch$15,645,249 million and equity of Ch$2,505,546 million. The Bank has a prominent presence in all of the major business segments in Chile and offers a wide range of products and financial services to retail, SME and corporate customers in Chile. These products and services are provided through a broad network of branch offices across Chile and alternative distribution channels.

Key Factors Affecting Results of Operations

The discussion below describes certain key factors that have affected, and may continue to affect, the Bank's business, results of operations and financial condition. In particular, the Bank can give no assurance as to the effect of the global coronavirus pandemic on its business, results of operation, financial condition or prospects. The impact of these and other factors may vary in the future.

Chilean Economy and Banking Sector

The Bank's results of operations are affected by general economic conditions in Chile where substantially all of the Bank's operations and its customers are located. Generally, macroeconomic factors, such as GDP growth, unemployment rates, inflation rates, interest rates and currency fluctuations, have an impact, in particular, on the following:

- Corporate and household customers' investment and business activities, which lead to credit decisions and drive the need for external funding and, as a result, impact growth in lending volumes.
- Changes in monetary policies, in particular with respect to interest rate levels, which have an effect on the net interest margin of the Bank.
- Loan losses and loan impairments, which generally, though with some delay, correlate with macroeconomic developments.
- Downgrades or upgrades in internal credit ratings of customers due to deterioration or improvement in their credit quality, which impact the Bank's capital levels and, indirectly, its ability to increase lending volumes. See "Risk Management—Credit Risk—Credit Risk Management."

In 2020, the Chilean economy contracted by 5.8% compared to a 1.2% growth in 2020. The decrease in GDP in 2020 primarily reflected the slow domestic demand associated with the Coronavirus outbreak and strict lockdown measures and mobility restrictions implemented by Chilean authorities especially in the second and third quarter of 2020. See also "—Coronavirus Outbreak" below and "Risk Factors—Risk Factors in Respect of the Issuer—The global coronavirus outbreak, which has negatively impacted the economies exposed to it, could have a material adverse effect on the Bank's business, financial condition and results of operations and adversely affect the Bank's ability to access capital and liquidity."

The Bank's growth, asset quality and profitability may be adversely affected by macroeconomic and political conditions in Chile. As of December 31, 2020, the unemployment rate in Chile was 10.3%, compared to 7.1% as of December 31, 2019. The Chilean peso to U.S. dollar exchange rate appreciated in 2020 by 4.5% and depreciated in 2019 by 7.0%. CPI inflation was 3.0% in 2020 and 2019.

The growth of the Chilean banking sector has historically evolved in line with overall economic development. However, in 2020, the sector performed counter-cyclically, with an increase in the volume of loans and deposits. Total loans as of December 31, 2020 in the Chilean financial system were Ch$185,091,882 million, excluding loans held by subsidiaries and branches of Chilean banks abroad, representing an increase of 3.0% compared to total loans of Ch$180,057,437 million as of December 31, 2019. Total customer deposits (defined as time deposits plus checking accounts), excluding deposits held by subsidiaries and branches of Chilean banks abroad, grew by 7.1% in 2020 and totaled Ch$144,422,253 million as of December 31, 2020 compared to Ch$134,810,442 million as of December 31, 2019. The non-performing loans (defined as loans with an installment that is at least 90 days past-due) to total loans ratio of the Chilean banking sector decreased slightly in 2020 to (1.6%) from (2.1%) in 2019.

The recent outbreak of coronavirus has adversely impacted the global economy as well as local economies, including Chile. The Chilean economy contracted by 5.8% in 2020 due to the effects of the pandemic (see also "—Coronavirus Outbreak" below). In order to support the local economy, the Central Bank first on March 16, 2020 announced a 75 basis point reduction in its monetary policy rate, resulting in a policy rate of 1.00%. On March 31, 2020, the Central Bank announced a further reduction of 50 basis points to its monetary policy rate to 0.50%. In addition, the Central Bank also announced: (i) a funding facility for banks tied to an increase in loans to affected companies, mostly SMEs, (ii) the allowance to use corporate bonds and commercial loans with a rating requirement as collateral in transactions to obtain liquidity, (iii) a buyout program for Chilean banks' bonds and (iii) the extension of the Central Bank's foreign exchange buyout program. On March 18, 2020, the Central Bank announced a transitory amendment to its financial and monetary regulations, allowing banks and other financial institutions to have their reserves not only in U.S. dollars, but also in Japanese yens and euros, and to cover deficits in such reserves in foreign currencies with Chilean pesos, and an increase of the foreign currency swap program to U.S.$400 million.

Further, on March 23, 2020, the FMC announced measures aimed to facilitate credit access to persons, SMEs and households. These measures include the following: (i) banks can allow their clients to defer up to three monthly payments of mortgage loans, (ii) banks are authorized to extend, up to six months, the terms of loans granted to SMEs, (iii) excess security could be used as collateral for SME loans, (iv) banks will receive an extension of 18 months to the maximum time they have to dispose of goods received as payment, (v) a reduction in the capital reserves required for transactions related to derivatives contracts, and (vi) the FMC's expected issuance of all Basel III regulations by December 2020 and its consideration of an implementation process lasting until 2024, a deferral of one year, in order to avoid negative effects due to current adverse operating environment caused by the coronavirus outbreak. Most recently, on March 23, 2020, the Central Bank announced changes to its financial regulations, which aim to grant the Central Bank the powers to suspend or allow a less stringent enforcement on the maturity mismatch regulations or the calculation of the LCR (Liquidity Coverage Ratio). In addition, the Central Bank could allow a suspension for a renewable term of up to 90 days to comply with the requirements of capital reserve mismatches. The exact ramifications of the coronavirus outbreak, and the effectiveness of any Central Bank or governmental support measures, are highly uncertain and, as of the date of this Offering Circular, it is difficult to predict the spread or duration of the pandemic or its full adverse effect globally and in Chile or on the Bank. See also "Risk Factors—Risk Factors in Respect of the Issuer—The global coronavirus outbreak, which has negatively impacted the economies exposed to it, could have a material adverse effect on the Bank's business, financial condition and results of operations and adversely affect the Bank's ability to access capital and liquidity."

In addition, the Central Bank published, on April 7, 2020, the general conditions that foreign central banks must comply in order to open accounts in pesos with the Central Bank. On April 8, 2020, the Central Bank announced new measures to provide liquidity to the Chilean markets and support the flow of credit to the economic system of the country. These measures include (i) an additional funding facility for banks; (ii) the allowance to use commercial loans as collateral on transactions to obtain liquidity, in particular for loans secured by the FOGAPE and FOGAIN programs of Corporation of Promotion of Production (CORFO), a state agency oriented to SMEs; and (iii) an agreement with the Chilean government for a bill that will allow financial entities such as savings and loans cooperatives (*Cooperativas de Ahorro y Crédito*), central clearing counterparties, clearing houses and large value payment systems, to open accounts with the Central Bank and access banking system liquidity facilities.

The Chilean government has also announced a number of austerity measures to reduce its expenditures. In addition, on April 8, 2020, the Chilean government introduced new measures, including a liquidity program, intended to support the country's emergency economic plan to overcome the coronavirus outbreak. The liquidity program introduces a framework under which Chilean banks can provide credit lines guaranteed by the Chilean state to Chilean companies with annual sales not exceeding UF1 million. These credit lines will not amortize for the first six months of the term of the loan and will be payable in 24 to 48 installments, with interest rates that will equal TPM (*Tasa de Política Monetaria*) plus 3%. Borrowers that receive these credit lines will also be allowed to postpone the payment of installments of preexisting credits for up to six months.

On December 14, 2020, as part of the Emergency Plan for the Protection of Family Income, and Economic and Employment Reactivation (*Plan de Emergencia por la Protección de los ingresos de las Familias y la Reactivación Económica y del Empleo*) announced in June 2020 by the government, Law No. 21,288 was published in the Official Gazette. This statute creates the COVID-19 Emergency Fund, which will be funded by the public treasury, as well as profits from the fund's investments. The COVID-19 Emergency Fund will finance up to U.S.$12 billion of the Emergency Plan for the Protection of Family Income, and Economic and Employment Reactivation, and will automatically expire on the earlier of June 30, 2022 or the depletion of the funds. Any remaining balance of the COVID-19 Emergency Fund as of June 30, 2022 will be allocated to the FEES.

On December 21, 2020, the President submitted to Congress a draft bill to amend the FOGAPE and to create a new FOGAPE program focused on investment and economic reactivation, relaxing the current conditions for the financing of small, medium and large enterprises. The purpose of the bill includes (i) allowing the proceeds of financings guaranteed by FOGAPE to be used in debt refinancing; (ii) extending the availability period of the FOGAPE COVID-19 Program until December 31, 2021; (iii) eliminating the maximum interest rate applicable to financings guaranteed by FOGAPE and authorizing the President to set a different rate pursuant to a supreme decree; (iv) authorizing the Ministry of Finance to increase the FOGAPE guarantees' limits for those economic sectors most affected by the financial crisis; (v) authorizing the Ministry of Finance acting via supreme decree to regulate the conditions and requirements for different regimes of FOGAPE guarantees that could fit to the enterprises' requirements and the current national economic context; and (vi) allowing for an extension of the repayment dates in the loans and guarantees granted under the FOGAPE COVID-19 Program, to up to 60 months after the disbursement.

On January 4, 2021, Law No. 21,299 was published in the Official Gazette, allowing financial institutions to grant "postponement loans" (*créditos de postergación*) to mortgage loans debtors with the sole purpose of refinancing up to six monthly installments of mortgage secured loans. The postponement loans will be guaranteed by the FOGAPE and will be exclusively used to pay the deferred installments of mortgage secured loans. In addition, postponement loans will not be subject to stamp taxes and their interest rate will not exceed the rate of the related original mortgage secured loans.

On March 1, 2021, an amendment to the FCIC facility line to banks entered into force, which increases the size of the FCIC up to the equivalent to U.S.$50 billion and allows banks to provide certain FOGAPE guaranteed credits as collateral to the Central Bank.

Coronavirus Outbreak

In the first months of 2020, the outbreak of coronavirus spread globally and disrupted various markets and resulted in severe uncertainty about the economies affected by the outbreak. While authorities introduced various measures to support the local economies, the outbreak has had a significant adverse effect on both supply and demand, making it challenging to effectively address the challenges with economic policies. In Chile, which, similar to other countries in Latin America, has been, and is expected to continue to be, exposed to the coronavirus outbreak, the local economy has been adversely affected by the outbreak.

The Bank could be affected by the coronavirus outbreak through its direct and indirect negative impact on the customers, counterparties, employees and other stakeholders of the Bank, both in Chile and elsewhere, as a result of, among others, public health measures, such as business closings and restrictions on travel and gatherings, and the resulting adverse effect on economic activity. Decreased economic activity can lead to, among other things, a decline in the value of investments and have an adverse effect on borrowers, which, in turn, could result in decreased credit quality and increased provisioning levels. The Bank's provisions for loans increased 18.9% in 2020 compared to 2019, driven by the effects of the coronavirus pandemic on borrowers, including as a result of the related preventive measures implemented in Chile. In a recessionary environment, interest rates are also typically lower, and should any such low interest rate environment not be temporary, this can adversely affect the Bank's net interest margin as more loans are being repriced reflecting the lower interest rate levels. A decrease in transactional work can also adversely affect investment banking activities. The adverse impact of the coronavirus outbreak could also lead to a tightening of liquidity conditions or funding uncertainty for the Bank. See also "Risk Factors—Risk Factors in Respect of the Issuer—Credit, market and liquidity risk may have an adverse effect on the Issuer's credit ratings and the Issuer's cost of funds. Any downgrade in the credit rating of Chile, the Issuer itself or the Issuer's controlling shareholders would likely increase the Issuer's cost of funding, require the Issuer to post additional collateral or take other actions under some of the Issuer's derivative contracts and adversely affect the Issuer's interest margins and results of operations" for a discussion of the change in the Bank's ratings outlook as a result of the effects of the coronavirus pandemic. On the other hand, measures implemented by central banks and other regulators globally and in Chile, including the introduction of funding facilities and debt purchase programs and the potential relaxing of the regulatory framework applicable to banks, may provide additional support to banks and alleviate concerns about their access to funding and the sustainability of their business and financial condition, including compliance with the required capital ratios (see also "—Chilean Economy and Banking Sector" above). Challenging economic conditions can also result in increased customer activity in certain business areas, such as trading and sales that typically benefit from higher volatility in capital markets.

On February 3, 2021, Chile began its mass vaccination program, starting with specific groups that meet the criteria indicated by the Ministry of Health, progressively moving forward with new schedules depending on the arrival, approval and recommendation for use of the various vaccines. The government of Chile intends to vaccinate the majority of the 15 million adult population during the first half of 2021. As of April 14, 2021, more than 7.5 million people have received the first dose of the COVID-19 vaccine and more than 4.9 million have completed their vaccination. However, the exact ramifications of the coronavirus outbreak and the interplay among these developments are highly uncertain and, as discussed above, it is difficult to predict the spread or duration of the pandemic or its full adverse effect globally and in Chile or on the Bank. See also "Risk Factors—Risk Factors in Respect of the Issuer—The global coronavirus outbreak, which has negatively impacted the economies exposed to it, could have a material adverse effect on the Bank's business, financial condition and results of operations and adversely affect the Bank's ability to access capital and liquidity."

The International Monetary Fund is expecting Chile's GDP in 2021 to increase 6.2% due to the recovery in internal and external demand as lockdown measures are lifted. The recovery will be highly dependent on the progress of the coronavirus vaccination process. The Chilean government has announced that it is aiming to have the majority of its fifteen million adult population vaccinated during the first half of 2021.

Inflation

The assets and liabilities of the Bank are denominated in Chilean pesos, UF and foreign currencies. Inflation impacts of the Bank's results of operations as some loans, investments, deposits and bonds, among other products, are contracted in UF. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the CPI for the previous month. One UF equaled Ch$29,070.33 as of December 31, 20 and Ch$28,309.94 as of December 31, 2019. High levels of inflation in Chile could adversely affect the Chilean economy and, as a result, have an adverse effect on the Bank's business, financial condition and results of operations. Negative inflation rates also negatively impact the financial results of the Bank. Inflation measured as the annual variation of the UF was 2.7% in 2020 and 2019. There can be no assurance that Chilean inflation will not change significantly from the current level.

Interest Rates

Interest rates earned and paid on the Bank's assets and liabilities reflect, to a certain degree, inflation, expectations regarding inflation, changes in short-term interest rates set by the Central Bank and movements in long-term real rates. As is typical for banks, the Bank's liabilities are generally re-priced sooner than its assets, and changes in the rate of inflation or short-term rates in the economy are reflected in the rates of interest paid by the Bank on its liabilities before such changes are reflected in the rates of interest earned by the Bank on its assets. As a result, when short-term interest rates fall, the Bank's net interest margin is typically positively impacted. Conversely, when short-term rates increase, the net interest margin of the Bank is negatively affected. At the same time, net interest margin tends to be adversely affected in the short term by a decrease in inflation rates since the Bank's UF-denominated assets normally exceed its UF-denominated liabilities. Since the Bank's interest-earning assets generally have longer terms than its interest-bearing liabilities, an increase in long-term rates has a positive effect on the Bank's net interest margin. In addition, because the peso-denominated liabilities of the Bank have relatively short re-pricing periods, they are generally more responsive to changes in inflation or short-term rates than UF-denominated liabilities. See also "—Chilean Economy and Banking System" above.

Merger

On March 9, 2018, the SBIF approved the indirect acquisition by The Bank of Nova Scotia of 68.19% of the outstanding share capital of BBVA Chile, through Nova Scotia Inversiones Limitada, a Chilean company that is the direct parent of Scotiabank Chile, for a total purchase price of approximately U.S.$2.0 billion. The Merger became effective as of September 1, 2018 and had the following strategic objectives: (i) combining capabilities and strengths of both banks to generate synergies in retail banking, information technology, digital channels and branch offices; (ii) reaching economies of scale while minimizing the customer attrition during the Merger's integration period; (iii) optimizing the funding mix by growing customer deposits; and (iv) profiting from similarities in risk and management practices of BBVA Group and the Bank.

As a result of the Merger, the Bank's total loans and advances to customers, net of allowances for loan losses increased by 88% and its total deposits and other on-demand liabilities increased by 86%, in each case as of as of September 1, 2018. The Merger also significantly increased both the Bank's total operating income, which increased by Ch$421,516 million, or 49.9%, to Ch$1,265,832 million in 2019 from Ch$844,316 million in 2018, as well as its total operating expenses, which increased by Ch182,987 million, or 40.1%, to Ch$638,930 million in 2019 from Ch$455,943 million in 2018.

Capital Requirements

The Bank operates in a highly regulated industry and has been, and continues to be, substantially affected by government regulations in Chile, including those relating to capital requirements. In recent years, the capital adequacy framework applicable to Bank has been in the process of being reformed to reflect the Basel III framework. On January 19, 2019, the Chilean government passed the New General Banking Law, which establishes new capital regulation for banks in Chile in line with Basel III standards. Under the New General Banking Law, minimum capital requirements have increased in terms of amount and the quality of capital. Compliance with capital regulations will require additional capital buffers and costs, which in turn could affect the Bank's results of operations and financial position. See also "—Liquidity, Capital Resources and Capital—Capital and Reserves" below. On March 23, 2020, in order to avoid negative effects due to current adverse operating environment caused by the coronavirus outbreak, the FMC postponed the implementation of the Basel III standards in Chile until 2024, a deferral of one year.

Adoption of New Accounting Standards

The Issuer adopted "IFRS 16 – Leases" as of January 1, 2019, requiring new standards for recognition, measurement, presentation and disclosure of leases. This led to Ch$231,760 million of assets for the right of use and lease liabilities for the same amount as of the date of adoption of "IFRS 16 – Leases."

In December 2019, the FMC updated the Compendium of Accounting Standards for Banks with two main goals: (i) to convert to the new accounting criteria set by the International Accounting Standard Board (specifically "IFRS 9 – Financial Instruments," "IFRS 15 – Revenue from Contracts with Customers" and "IFRS 16 – Leases") and (ii) to improve the quality and granularity of the information to be revealed in financial statements. The Bank will apply this rule starting in January 2022 and is currently assessing the potential impact of the changes introduced by the updated Compendium of Accounting Standards.

Various amendments were made to financial and accounting standards in 2020 for implementation in future periods without an impact in 2020. As of the date of this Offering Circular, the Bank's management is still evaluating the potential impact of these new standards. For further information about developments in financial accounting and reporting standards, see Note 2 to our Audited Consolidated Financial Statements.

Results of Operations

Results of Operations on a Consolidated Basis for the Years Ended and as of December 31, 2019 and 2020

The below discussion of results of operations of the Bank for the years ended December 31, 2019 and 2020. For a presentation and analysis of the components of the Bank's consolidated income statement, see "Selected Financial Information."

Net Interest and Indexation Income

In 2020, net interest and indexation income of the Bank increased by Ch$49,874 million, or 5.8%, to Ch$914,197 million from Ch$864,326 million in 2019. The increase was primarily attributable to the improved funding mix of the Bank driven by lower time deposits costs, increased non-interest bearing demand deposits and the positive impact of the Central Bank liquidity lines offered to Chilean banks at a 0.5% interest rate. The higher spreads on business loans extended to corporate customers during the first months of the coronavirus outbreak also had positive impact on net interest income in 2020.

Net Fee and Commission Income

The following table sets forth the components of the Bank's net fee and commission income for the years ended December 31, 2019 and 2020.

	For the Year Ended December 31,		
	2020	**Change[1]**	**2019**
(Amounts expressed in millions of Chilean pesos)		**(%)**	
Fee and commission income			
Revolving credit facilities and bank overdrafts	998	(65.0)	2,855
Guarantees and letters of credit	11,499	4.7	10,987
Credit card services	75,441	(21.2)	95,792
Account management	19,296	25.6	15,369
Collection and payments	54,736	3.7	52,789
Securities brokerage and management	2,678	(13.1)	3,082
Investments in mutual fund deposits or other	14,127	(20.7)	17,812
Insurance brokerage	35,053	(41.3)	59,718
Loan management under Law No. 20,027[2]	11,326	3.3	10,964
Other subsidiary commissions	6,810	(11.4)	7,687
Other commissions	9,523	13.6	8,381
Total fee and commission income	**241,487**	(15.4)	**285,436**
Fee and commission expenses			
Credit card transactions	(27,758)	(21.3)	(35,289)
Debit and ATM card transactions	(7,769)	(50.6)	(15,729)
Other fees and commissions from credit card transactions	(330)	(3.2)	(341)
Deposits and custody of securities	(612)	69.5	(361)
Brokerage	(3,046)	25.1	(2,434)
Other security transactions	(13,945)	7.4	(12,985)
Fees and commissions from guarantors for bank liabilities	—	—	(396)
Fees and commissions paid for collection management	(3,779)	25.7	(3,006)
Commissions for guarantees granted	(2,302)	—	—
Other commissions	(3,152)	(57.8)	(7,463)
Total fee and commission expenses	**(62,693)**	(19.6)	**(78,004)**
Net fee and commission income	**178,794**	(13.8)	**207,432**

(1) Indicates percentage change from the year ended December 31, 2019 to December 31, 2020.
(2) Loans to university students having the guarantee of the Chilean state (*crédito con aval del Estado*).

In 2020, net fee and commission income of the Bank decreased by Ch$28,638 million, or 13.8%, to Ch$178,794 million from Ch$207,432 million in 2019. The decrease was primarily attributable to lower fees from credit card transactions due to a decline in the volume of customer transactions. Additionally, insurance related fees decreased in 2020 compared to 2019 due to one-off income received in 2019 as part of the new insurance distribution agreement. Decreased demand for consumer loan related insurances in 2020 contributed to the decrease in net fee and commission income in 2020.

Net Gain (Loss) from Financial Transactions

In 2020, net gains from financial transactions of the Bank were Ch$138,730 million, a decrease of 5.2% compared to net gains from financial transactions of Ch$146,346 million 2019. The decrease was primarily attributable to reduced trading related interest and indexation income driven by lower interest rates. Volatility due to the coronavirus pandemic led to higher demand for hedging from the Bank's corporate and middle-market clients, which partially offset the overall decrease in net gains from financial transactions in 2020.

Net Foreign Exchange (Expense) Income

Net foreign currency expense of the Bank decreased by 85.7% to Ch$ 3,191 million in 2020 compared to net foreign currency exchange gain of Ch$48,607 million in 2019. The decrease was primarily due to lower exchange rate volatility and foreign exchange exposure.

Other Operating Income

In 2020, other operating income of the Bank increased by Ch$23,206 million, or 33.1%, to Ch$46,893. The increase was primarily due to the sale of physical branches carried out in 2019 following the Merger.

Allowances for Credit Risk

In 2020, allowances for credit risk of the Bank increased by Ch$52,208 million, or 18.9%, to Ch$328,238 million from Ch$ 276,030 million in 2019.This increase was mainly due to an increase in expected losses driven by the economic slowdown as the coronavirus pandemic forced many cities into lockdown. Increase in allowances for credit risk was more intense in business banking portfolio with a Ch$52,208 million increase compared to 2019.

For more information on allowances for credit risk and provisions for loans, see Note 31 to the 2020 Audited Consolidated Financial Statements and "Risk Management—Credit Risk—Credit Risk Management—Past Due Loans."

Total Operating Expenses

The following table sets forth the components of the Bank's operating expenses for the years ended December 31, 2019 and 2020.

	For the Year Ended December 31,		
	2020	**Change(1)**	**2019**
(Amounts expressed in millions of Chilean pesos)		**(%)**	
Operating expenses			
Personnel payroll and expenses	(257,512)	(13.9)	(299,149)
Administrative expenses	(226,621)	(7.1)	(244,011)
Depreciation and amortization	(58,779)	3.5	(56777)
Impairment	(72)	(67.1)	(219)
Other operating expenses	(488,589)	n.a.	(38,874)
Total operating expenses	**(591,843)**	(7.4)	**(638,930)**

(1) Indicates percentage change from the year ended December 31, 2019 to December 31, 2020.

Personnel Payroll and Expenses

In 2020, personnel payroll and expenses of the Bank decreased by Ch$41,637 million, or 13.9%, to Ch$257,512 million from Ch$299,149 in 2019. The decrease mainly reflected the lower severance indemnity payments in 2020 compared to 2019. Payroll expenses also decreased 3.4% year-over-year as headcount decreased 11.4% in 2020. The Bank had 7,859 employees as of December 31, 2020 on a consolidated basis, compared to 8,873 employees as of December 31, 2019.

Administrative Expenses

In 2020, administrative expenses of the Bank decreased by Ch$17,390 million, or 7.1%. The decrease was mainly attributed to lower professional service fees, and lower cost of outsourced services.

Depreciation and Amortization

Depreciation and amortization expense of the Bank increased 3.5% in 2020 compared to 2019. This increase was mainly due to a higher depreciation of property and equipment and right of-use assets under lease contracts in the period.

Impairment

In 2020, impairment expenses of the Bank totaled Ch$72 million, a 67.1% decrease compared to the previous year due to lower impairment of IT software

Other Operating Expenses

In 2020, other operating expenses of the Bank increased by Ch$10,085 million or 26.0%. The increase was mainly attributable to higher operational risk related costs, in part reflecting the new Law No. 21,234 passed in May 2020 that limits the legal responsibility of holders or users of payment cards and electronic transactions in the event of loss, theft or fraud.

Income Taxes

In 2020, income taxes of the Bank decreased by Ch$6,990 million, or 9.0% to Ch$70,592 million with an effective rate of 19.8% in 2020, compared to an effective tax rate of 22.0% in 2019.

Balance Sheet Information

The following table sets forth the principal items of the consolidated statements of financial position as of December 31, 2019 and 2020.

	As of December 31,		
	2020	Change[(1)]	2019
(Amounts expressed in millions of Chilean pesos)		(%)	
Assets			
Cash and deposits in banks	1,252,255	(9.6)	1,384,762
Transactions pending settlement	344,282	(6.0)	366,308
Securities held for trading	751,269	(11.2)	845,707
Investments sold under repurchase agreements and securities lending	74,483	221.8	23,146
Derivative instruments	5,293,792	15.8	4,571,759
Loans and advances to banks	354,374	336.8	81,127
Loans and advances to customers	24,870,071	0.2	24,812,269
Available-for-sale investment securities	2,121,614	162.4	808,674
Held-to maturity investment securities	—	n.a.	—
Investments in companies	18,435	10.3	16,709
Intangible assets	204,804	9.7	186,647
Property and equipment	104,933	(6.7)	112,459
Right-of-use assets under lease contracts	190,708	(19.4)	236,637
Current tax assets	17,021	(49.9)	33,953
Deferred tax assets	343,328	4.4	328,940
Other assets	854,592	1.2	844,393
Total assets	**36,795,961**	6.2	**34,653,490**
Liabilities			
Deposits and other on-demand liabilities	6,805,111	39.9	4,865,538
Transactions pending settlement	299,014	28.7	232,354
Investments sold under repurchase agreements and securities lending	456,319	(58.1)	1,089,323
Term and on-demand deposits	8,840,138	(20.5)	11,124,022
Derivative instruments	5,733,336	25.3	4,574,890
Bank borrowings	4,386,782	33.9	3,275,807
Debt securities issued	6,765,390	7.6	6,288,227
Other financial liabilities	53,215	(20.4)	66,891
Lease liabilities	168,763	(23.0)	219,062
Current tax liabilities	2,355	(19.5)	2,926
Deferred tax liabilities	522	(79.4)	2,535
Provisions	250,583	23.6	202,790
Other liabilities	528,887	(6.4)	565,102
Total liabilities	**34,290,415**	5.5	**32,509,467**
Equity:			
Attributable to owners of the Bank:			
Capital	1,246,706	25.1	996,706
Reserves	496,397	0.0	496,397
Other comprehensive income	(213,228)	36.7	(156,033)
Retained earnings:			
Retained earnings from previous periods	675,689	29.2	523,121
Profit for the period	275,419	8.3	254,378
Less: Provision for minimum dividends	(82,626)	8.3	(76,314)
	2,398,357	17.7	**2,038,255**
Non-controlling interest	107,189	1.3	105,768
Total equity	**2,505,546**	16.9	**2,144,023**
Total liabilities and equity	**36,795,961**	6.2	**34,653,490**

Total Assets

As of December 31, 2020, the total assets of the Bank were Ch$36,795,961 million, an increase of Ch$2,142,471 million, or 6.2%, compared to December 31, 2019. The increase was primarily attributable to an increase of Ch$1,312,940million in available for sale investment securities. Derivative instruments increased Ch$722,033 million or 15.8% due to higher levels of customer related activity derived from higher market volatility related to the coronavirus pandemic. Loans and advances to customers, net of allowances for credit losses increased by 0.2% in 2020 compared to 2019 and totaled Ch$24,870,071 million as of December 31, 2020. Consumer loans decreased 13.2% due to lower demand during the pandemic as the Chilean government aid, together with access to private pension accounts, resulted in low demand for consumer loans. Mortgage loans continued to grow in 2020 as rates remained relatively low compared to historical levels, compensating the decrease in consumer loans,.

Total Liabilities

As of December 31, 2020 the total liabilities of the Bank were Ch$34,290,415 million, an increase of Ch$1,780,948 million, or 5.5%, compared to December 31, 2019. The growth in total liabilities was mainly attributable to an increase of Ch$1,939,573 million, or 39.9%, in deposits and other on-demand liabilities driven by the improved funding mix, the lower opportunity cost compared to time deposits as rates were at a historical minimum in 2020, and also by the effect of the second permitted 10% withdrawal of funds held in the individual investment accounts carried out in December 2020. Term and on-demand deposits decreased by Ch$2,283,884 million in 2020. This decrease was primarily driven by a lower level of term deposits held by financial institutions, which reflected the Bank's effort to diversify its customer base. Derivative instruments liabilities increased by Ch$1,158,446 million due to higher trading volumes in 2020 driven by increased customer activity. Bank borrowings increased by Ch$1,110,975 million, or 33.9%, compared to December 31, 2019 mainly due to disbursements from the Central Bank's FCIC facilities.

Total Equity

As of December 31, 2020, the total equity of the Bank was Ch$2,505,546 million, an increase of Ch$361,523 million, or 16.9%, compared to December 31, 2019. The increase in total equity in 2020 was mainly attributable to profit for the period of Ch$ 286,369 million and a capital increase for Ch$ 250,000 million. This increase was partially offset by value adjustments of cash flow hedge derivatives, net of taxes of Ch$61,258 million and a provision for minimum dividends of Ch$82,626 million.

Liquidity, Capital Resources and Capital

Overview

The Bank views liquidity risk as the risk that the Bank will encounter difficulty in meeting contractual obligations in a timely manner. See "Risk Management—Liquidity Risk." The Bank is exposed to liquidity risk in its lending, investment, funding, off-balance sheet exposures and other activities which result in a negative cash flow mismatch. As part of its liquidity risk management, the Bank strives, among other things, to diversify its sources of funding. The Bank's liquidity depends upon its capital, reserves and financial investments, including investments in government securities. To cover any liquidity shortfalls and to augment the Bank's liquidity position, the Bank has established lines of credit with foreign and domestic banks and also have access to Central Bank borrowings.

Sources of Funding

As a financial institution, the Bank's principal obligations and future commitments to make payments under contracts derive from its sources of funding. The Bank's sources of funding consist primarily of deposits and other on-demand liabilities, transactions pending settlement, repurchase agreements and securities lending, term and on-demand deposits, derivative instruments, bank borrowings and debt issued instruments. The Bank uses these sources of funding, as well as other sources of liquidity, to fund its commercial, consumer and mortgage loans portfolio. The Bank also issues letters of credit (mortgage finance bonds), which are UF-denominated general unsecured obligations with payment terms matched to the related mortgage loans, bearing interest at a spread below the interest rate applicable to such mortgage loans.

As of December 31, 2019 and 2020, 1.5% and 1.2%, respectively, of the Bank's residential mortgage loans were funded through letters of credit (mortgage finance bonds). Letters of credit (mortgage finance bonds) are traditionally placed with institutions that seek long-term fixed-income investments, such as pension funds, mutual funds and insurance companies. As of December 31, 2019 and 2020, the Bank had Ch$138,708 million and Ch$117,160 million, respectively, of letters of credit (mortgage finance bonds) outstanding.

In addition, the Bank has also issued ordinary and subordinated bonds in the Chilean market. As of December 31, 2019, the Bank had Ch$5,418,481 million of ordinary (senior) bonds and Ch$731,038 million of subordinated bonds, respectively, compared to Ch$5,917,945 million of ordinary (senior) bonds and Ch$730,285 million of subordinated bonds outstanding as of December 31, 2020. These bonds are mostly denominated in UF and they accrue a fixed-rate of interest based on a spread over the interest rate offered on Central Bank securities of a similar duration.

As of December 31, 2020, the Bank's funding consisted of 24.0% of savings and time deposits, 18.0% of current accounts and other demand deposits, 18.4% of debt issuances (mortgage finance notes) and 11.9% of bank borrowings, with the balance made up primarily of repurchase agreements and other liabilities.

The following table sets forth the Bank's deposits as of December 31, 2019 and 2020.

	December 31, 2020	**December 31, 2019**
(Amounts expressed in millions of Chilean pesos)		
Deposits and other on-demand liabilities		
Current accounts	5,251,104	3,515,321
Other[(1)]	1,554,007	1,350,217
Subtotal	6,805,111	4,865,538
Term deposits and savings accounts		
Term deposits	8,755,961	11,047,486
Term saving accounts	84,177	76,536
Other	-	—
Subtotal	8,840,138	11,124,022
Total deposits	**15,645,249**	**15,989,560**

(1) Includes the following: notes on demand, on-demand deposits, funded payment cards, deposits in court, performance bonds payable on demand, collections payable, payments to be made related to financial instruments, export returns pending settlement, payment orders outstanding, extraordinary repayments of letters of credit, payments for loans pending settlement, locked in balances (Art. 156 of the General Banking Law), overdue term deposits, overdue bond and letter of credit coupons, other mortgage holders, loans granted (Law No. 20,027) and other non-demand liabilities.

The following table sets forth the Bank's obligations under debt instruments issued as of December 31, 2019 and 2020.

(Amounts expressed in millions of Chilean pesos)	December 31, 2020	December 31, 2019
Letters of credit	117,160	138,708
Current bonds	5,917,945	5,418,481
Subordinated bonds	730,285	731,038
Debt securities issued	**6,765,390**	**6,288,227**

The following table sets forth the Bank's repurchase agreements and securities loans as of December 31, 2019 and 2020.

(Amounts expressed in millions of Chilean pesos)	December 31, 2020	December 31, 2019
Transactions with banks: Repurchase agreements – Banco Central de Chile	—	—
Transactions with other entities:		
Repurchase agreements	456,155	1,089,231
Securities loaned	164	92
Total	**456,319**	**1,089,323**

Capital and Reserves

According to the General Banking Law, a bank must have effective equity of at least 8.0% of its risk-weighted assets, net of required loan loss allowances, and paid in capital and reserves, net of investments in subsidiaries, or basic capital, of at least 3.0% of its total assets, net of required loan loss allowances. For these purposes, the effective equity of a bank is the sum of (1) its basic capital, (2) the sum of the bonds issued by such bank with no maturity date and its preferred shares, valued at their placement price, up to a third of the bank's basic capital, (3) subordinated bonds issued by such bank, valued at their issue price for an amount of up to 50% of its basic capital, provided that the value of the subordinated bonds shall decrease by 20% for each year that elapses during the period commencing six years prior to their maturity, and (4) its voluntary allowances for loan losses, for an amount of up to 1.25% of its risk-weighted assets, net of required loan loss allowances. The sum of a bank's basic capital, the bonds issued by such bank with no maturity date and its preferred shares cannot be less than 6.0% of its risk-weighted assets, net of required allowances for loan losses. As of the date of this Offering Circular, the Bank does not have goodwill, but if it did, that value would be deducted from effective equity. When calculating risk-weighted assets, the Bank also includes off-balance sheet contingent loans. For purposes of weighing the risk of a bank's assets, the General Banking Law considers five different categories of assets, based on the type of borrower, the availability of funds, the nature of the assets and the existence of collateral securing such assets.

The following table sets forth the Bank's basic capital as of December 31, 2019 and 2020.

	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In millions of Ch$)		(As a % of Consolidated Assets)	
Basic capital(1)	2,398,357	2,038,255	6.80%	5.86%

(1) Calculated as paid in capital and reserves, net of investments in subsidiaries.

The following table sets forth the Bank's effective equity as of December 31, 2019 and 2020.

	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(In millions of Ch$)		(As a % of Risk-Weighted Assets)	
Effective equity(1)	3,226,829	2,787,146	13.24%	10.87%

(1) Calculated as the sum of (i) basic capital, (ii) the sum of the bonds issued by the Bank with no maturity date and its preferred shares, valued at their placement price, up to a third of the Bank's basic capital, (iii) subordinated bonds issued by the Bank valued at their issue price for an amount of up to 50% of its basic capital; assuming that the value of the subordinated bonds will decrease by 20.0% for each year that elapses during the period commencing six years prior to their maturity, and (iv) voluntary allowances for loan losses, for an amount of up to 1.25% of the Bank's risk-weighted assets, net of required loan loss allowances.

Financial Investments

The following table sets forth the Bank's financial assets held for trading as of December 31, 2019 and 2020.

	December 31, 2020	December 31, 2019
	(In millions of Ch$)	
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	255,173	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**

The following table sets forth the Bank's financial investments designated as available for sale as of December 31, 2019 and 2020.

	December 31, 2020	December 31, 2019
	(In millions of Ch$)	
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
Corporate bonds and commercial papers	—	—
Other instruments issued in Chile	4,415	4,647
Total	**808,674**	**808,674**

Risk-Weighted Assets

The following table sets forth the Bank's consolidated and risk-weighted assets as of December 31, 2019 and 2020.

	Consolidated Assets (Net of Allowances)		Risk-Weighted Assets	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
(Amounts expressed in millions of Chilean pesos)				
Cash and deposits in banks	1,252,255	1,384,762	—	—
Transactions pending settlement	344,282	366,308	146,085	100,545
Securities held for trading	751,269	845,707	342,065	291,475
Investments sold under repurchase agreements and securities lending	74,483	23,146	74,483	23,146
Derivative instruments	1,804,310	2,027,216	1,383,138	1,426,065
Loans and advances to banks	354,374	81,127	874	455
Loans and advances to customers	24,870,071	24,812,269	19,993,254	20,872,971
Available-for-sale investment securities	2,121,614	808,674	143,960	51,304
Held-to maturity investment securities	—-	—	—	—
Investments in companies	18,435	16,709	18,436	16,709
Intangible assets	204,804	186,647	204,804	186,647
Property and equipment	104,933	112,459	104,933	112,459
Right-of-use assets under lease contracts	190,708	236,637	190,708	236,637
Current tax assets	17,021	33,953	1,702	3,395
Deferred tax assets	343,328	328,940	34,333	32,894
Other assets	490,015	844,393	325,644	677,858
Off-Balance assets				
Contingent loans	2,348,146	2,698,755	1,408,552	1,619,207
Total risk-weighted assets			**24,372,971**	**25,651,767**

MANAGEMENT AND SHAREHOLDERS

Board of Directors

The overall management and supervision of the Bank is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. The Board of Directors, in accordance with the Bank's by-laws, consists of 11 directors and two alternate directors who are elected at the Bank's ordinary shareholders' meetings.

On September 24, 2020, the Board of Directors designated Mr. Salvador Said Somavía as Chairman of the Bank. Concurrently, Mr. Arturo Tagle Quiroz was appointed Director of Scotiabank Chile.

The table below sets out the members of the Board of Directors as of the date of this Offering Circular.

	Board Member Since	Position	Committee Memberships
Salvador Said Somavía	2018	Chairman	Audit and Risk Committee
Manuel Jose Vial	2011	Vice Chairman	Audit and Risk Committee
Arturo Tagle Quiroz	2020	Director	Audit and Risk Committee
Ernesto Mario Viola	2018	Director	–
Sergio Concha Munilla	2011	Director	Audit Committee
Gonzalo Said Handal	2018	Director	Audit and Risk Committee
Fernanda Vicente Mendoza	2017	Director	Audit and Risk Committee
Emilio Deik	2019	Director	Audit and Risk Committee
Karen Ergas Segal	2019	Director	Audit and Risk Committee
Ignacio Deschamps González	2018	Director	–
Jaime Said Handal	2018	Director	–
Guillermo Mackenna Rueda	2018	Alternate Director	–
Juan Antonio Guzmán Molinari	2019	Alternate Director	–

The business address of the members of the Board of Directors is Avenida Costanera Sur No. 2710, Torre A, Las Condes, Santiago, Chile, postal code 7550692, which is the executive office of the Bank.

The following is a brief description of the business experience of each of the members of the Board of Directors.

Salvador Said Somavía. Mr. Said Somavía has served as the Chairman of the Board of Directors of Scotiabank Chile since September 2020. He has served as a member of the Board of Directors of Scotiabank Chile since 2018. He holds a degree in business administration from the Gabriela Mistral University. Mr. Said Somavía is the executive director of the Said Group and is a member of the board of Parque Arauco S.A. Previously, he was the chairman of the board for Cruz Blanca Salud S.A., Isapre Cruz Blanca S.A., Endeavor Chile and Club Deportivo Palestino SADP, Vice President of Coca-Cola Andina S.A. and member of the board of BBVA Chile, Banco Hipotecario de Fomento Nacional and Envases del Pacífico S.A.

Manuel Jose Vial. Mr. Vial is the Vice Chairman of the Board of Directors of Scotiabank Chile. He is an independent director and holds a law degree from the Pontifical Catholic University of Chile. Mr. Vial was Chairman of the Board of Directors for Scotiabank Chile from April 2016 to August 2017. He is currently a partner of Vial – Serrano Group and was a partner of Vial y Palma Abogados. Mr. Vial is also an advisor for The International Chamber of Commerce Chile.

Arturo Tagle Quiroz. Mr. Tagle currently serves as a member of the Board of Directors of Scotiabank Chile. He holds a degree in business administration from the Pontifical Catholic University of Chile and a master's in business administration from The University of Chicago. He was the chief executive officer of Banco de Chile for over six years and also served as president of the Board of Directors of Banco del Estado de Chile.

Ernesto Mario Viola. Mr. Viola serves as a member of the Board of Directors of Scotiabank Chile. He holds a degree in public accounting from the University of Buenos Aires. Mr. Viola has completed the Executive Development Program at INALDE Business School and the Executive Management Program at Duke University. He is currently the Vice President of Finance for Colpatria Multibanca. Previously, he has held senior positions at and been a member of the board in, among other companies, GE Money, Banco Colpatria, Scotiabank Perú, Crediscotia Financiera, AFP Profuturo, Scotia Sociedad Titulizadora S.A. Servicios Cobranzas e Inversiones S.A.C., Scotia Perú Holdings, Scotia Securities (Colombia) and Banco Colpatria Cayman Inc. y CIFIN S.A.

Sergio Concha Munilla. Mr. Concha serves as a member of the Board of Directors of Scotiabank Chile. He holds a degree in business administration from the University of Chile. Mr. Concha has over 30 years of professional experience in the banking industry. Previously, he was the Chief Executive Officer for Banco de Comercio in El Salvador and Executive President for Scotiabank El Salvador and President of the board of several subsidiaries of Scotiabank in El Salvador, Costa Rica, Guatemala and Panama. He was also the Chief Executive Officer and president of the board for Banco del Desarrollo.

Gonzalo Said Handal. Mr. Said Handal currently serves as a member of the Board of Directors of Scotiabank Chile. He holds a degree in business administration from Gabriela Mistral University. Mr. Said Handal is currently member of the board for Embotelladora Andina S.A., Energía Llaima SpA, and the holding company of the Said-Handal group. Mr. Said Handal is the president of Fundación Generación Empresarial, a non-profit organization aiming to develop and foster corporate ethics. He is also an advisor for Sociedad de Fomento Fabril (SOFOFA).

Fernanda Vicente Mendoza. Ms. Vicente serves as a member of the Board of Directors of Scotiabank Chile. She is an independent director. Ms. Vicente holds a degree in journalism from Diego Portales University and a master's degree in innovation from the Pontifical Catholic University of Chile. She also has postgraduate studies in communicational marketing and marketing for information technology products and services. She is the president of Mujeres del Pacífico, a non-profit organization that promotes entrepreneurship among women from the Pacific Alliance countries. She is a director for the Corporate Innovation Center for Finis Terrae University.

Emilio Deik Morrison. Mr. Deik serves as a member of the Board of Directors of Scotiabank Chile. He is an independent director. Mr. Deik holds a degree in industrial engineering from the Pontifical Catholic University of Chile and has over 25 years of professional experience, mainly in the information technology area. He is a founding partner for Azurian, an IT software consulting firm with presence in Chile, Peru and Mexico and Celcompra, a company that develops voice over intellectual property software. Mr. Deik is also a director for several companies of El Mercurio Group, including XYGO and Trabajando.com. He is the director of the Digital Transformation postgraduate program for the University of Los Andes, Chile.

Karen Ergas Segal. Ms. Ergas serves as a member of the Board of Directors of Scotiabank Chile. She is an independent director. Ms. Ergas holds a degree in business administration from the University of Chile, where she majored in economics. She is currently a Director for Paz Corp and Redbanc S.A. Ms. Ergas has over 25 years of experience in the banking industry and has held several executive positions in Banco Estado, leading the International Division and as Chief Executive Officer for Banco Estado New York Branch.

Ignacio Deschamps González. Mr. Deschamps serves as a member of the Board of Directors of Scotiabank Chile. He is a graduate of Instituto Politécnico Nacional in Mexico City and has a master of engineering administration from The George Washington University. Mr. Deschamps currently serves as Group Head, International Banking and Digital Transformation of Scotiabank Group. Prior to joining Scotiabank Group, he was a member of the Global Executive Committee of BBVA, where he was Chairman and CEO of Mexico's largest bank, Head of South America, and Global Head of Retail Banking.

Jaime Said Handal. Mr. Said Handal serves as a member of the Board of Directors of Scotiabank Chile. He holds a degree in business administration from Adolfo Ibáñez University and has also attended The Southern Methodist University. Mr. Said Handal is currently the chairman for Inversiones SH Seis Ltda., holding company for the Said-Handal family. He is the president for Mifactory Latin America S.A., member of the board for Viña El Principal S.A. and Director for the Monte Verde archaeological site in southern Chile. Mr. Said Handal has served as a director in numerous companies, including Embotelladora Andina S.A. and BBVA Chile.

Guillermo Mackenna Rueda. Mr. Mackenna serves as an alternate member of the Board of Directors of Scotiabank Chile. He is an independent director and holds a law degree from the Gabriela Mistral University and a master of laws from Northwestern University. Mr. Mackenna is currently a partner at the Grupo Vial-Serrano law firm. He has also worked as an international associate for Milbank, Tweed, Hadley & McCloy, LLP and has held executive positions in Farmacias Ahumada S.A. and been the president of the board for Blanco y Negro S.A.

Juan Antonio Guzmán Molinari. Mr. Guzmán serves as an alternate member of the Board of Directors of Scotiabank Chile. He is an independent director and holds a Ph.D. from the Polytechnic of North London and a degree in industrial engineering from the Pontifical Catholic University of Chile. Previously, Mr. Guzmán served as the Minister of Education for the Republic of Chile and President of the Comisión Nacional de Investigación Científica y Tecnológica (CONICYT). He has been the Chief Executive Officer for Gener S.A. and been director and president of the board for numerous companies.

Senior Management

The executive officers of the Bank, subject to control and supervision of the Board of Directors, collectively have direct charge of the business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors.

The table below sets out the members of the Bank's Executive Board as of the date of this Offering Circular.

	Executive Board Member Since	Position
Francisco Sardón de Taboada*	2013	Executive Vice President, CEO & Country Head
Victor Carpio	2020	Vice President and Chief Risk Officer
Gabriel Morgan	2020	Vice President AML & Internal Controls
Rafael Bilbao Deramond	2014	Vice President Legal
Juan Matamoros	2018	Senior Vice President Retail Banking
Ricardo Fry Vanni	2014	Vice President, Chief Auditor
Jaqueline Balbontín Artus	2015	Vice President Human Resources
María Victoria Doberti Dragnic	2016	Chief Financial Officer
Stephen Guthrie	2017	Senior Vice President Corporate & Commercial Banking
Daniel Puerta	2020	Vice President Digital Banking
Danilo González	2017	Vice President Technology
Eduardo Meynet Biancardi	2018	Vice President Operations and Shared Services

* On April 20, 2021 the Board of Directors announced that Mr. Diego Masola will be appointed Executive Vice President, CEO & Country Head of Scotiabank Chile replacing Mr. Francisco Sardón de Taboada beginning June 1, 2021.

The following is a brief description of the business experience of each of the members of the Bank's Executive Board.

Francisco Sardón de Taboada. Mr. Sardón serves as Executive Vice President, CEO & Country Head of Scotiabank Chile. He holds a law degree from Universidad Católica Santa María and a degree in business administration from Universidad Adolfo Ibáñez. He is also a graduate of the Advanced Management Program at Harvard Business School. Before his current role, Mr. Sardón was Senior Vice President Retail Banking for Scotiabank Chile and member of the Board of Transbank S.A., Redbanc S.A. and Nexus S.A. Previously, he was Senior Vice President Wholesale Banking at Scotiabank Perú and President of the boards of La Fiduciaria, Scotia Administradora de Fondos Mutuos Perú and Scotia Titulizadora Perú. Mr. Sardón also was a member of the board of Profuturo Administradora de Pensiones, the Canadian-Peruvian Chamber of Commerce and Instituto Peruano de Acción Empresarial (IPAE). Prior to this, he was Senior Vice President, CEO & Country Head of Standard Chartered Bank Peru, board member of the Peruvian Banking Association, member of its CEO's Committee and Chief Financial Officer of Banco Financiero.

Victor Carpio. Mr. Carpio serves as Vice President and Chief Risk Officer of Scotiabank Chile. He holds an economics degree from Universidad Del Pacífico and an MBA from Queen's University. Mr. Carpio is responsible for the governance, oversight and strategy of the risk management of Scotiabank Chile's businesses, which includes credit, market and operational risks, as well as the prevention of money laundering and terrorist financing. Mr. Carpio joined Scotiabank Perú in 2008 and in 2010 he moved to Toronto, where he held several positions of increasing responsibility in Group Risk Management. In 2017, he moved to Puerto Rico as Corporate & Commercial Head and, in 2018, moved to Chile as Vice President Commercial Risk of Scotiabank Chile.

Gabriel Morgan. Mr. Morgan serves as Vice President Anti-Money Laundering and Internal Controls of Scotiabank Chile. He holds a degree in business administration from the University of Chile. Mr. Morgan has over 25 years of banking experience having held various senior positions in risk, operations and internal audit areas within the Scotiabank Chile Group.

Rafael Bilbao Deramond. Mr. Bilbao serves as Legal Vice President of Scotiabank Chile. He holds a law degree from the Pontifical Catholic University of Chile. Mr. Bilbao also has a postgraduate degree in economics and finance from the University of Chile, and a degree in enterprise financing and treasury products and derivatives from Finis Terrae University. He also possesses a master of laws in economics and finance and an MBA from Gabriela Mistral University and Universitat de Lleida-Spain. From 2007 to 2010, Mr. Bilbao served as Legal Counsel at Scotiabank Chile. Prior to joining the Bank, he founded the Law Firm Recart Bilbao Villalobos Abogados. Previously, Mr. Bilbao served at Bofill Mir & Álvarez Jana Abogados as Senior Associate in the areas of mergers and acquisitions, corporate, project finance, real estate law, commercial law and general legal advice to such firm and he worked at ABN AMRO Bank (Chile).

Juan Matamoros. Mr. Matamoros serves as Senior Vice President Retail of Scotiabank Chile. He holds a business degree from the Universidad Tecnológica Centro Americana as well as an MBA degree from the University of Hartford. Since the acquisition of BBVA Chile, Mr. Matamoros has been responsible for managing and establishing the growth strategy for the retail and small businesses banking operation in Chile. Prior to this role, he was Vice President of Retail Distribution and Chief Financial Officer for Scotiabank Chile. In 2001, Mr. Matamoros joined Scotiabank Group in Toronto as a Senior Analyst in the International Banking Finance department. In 2004, he joined Global Risk Management's Corporate Credit team. In 2006, he was appointed Finance Director, leading a team with financial planning and analysis (FP&A) responsibilities for growing the bank's Mexico, Peru and Chile operations. In 2009, Mr. Matamoros joined the International Banking Mergers & Acquisitions. Prior to joining Scotiabank, Mr. Matamoros worked as management consultant and Chief Financial Officer of a supermarket chain in Central America.

Ricardo Fry Vanni. Mr. Fry serves as Vice President and Chief Auditor Scotiabank Chile. He has a degree in industrial engineering from the University of Chile and over 30 years of experience with Scotiabank Chile. Previously, Mr. Fry held different senior positions in banking, operations and risk management, including regional responsibilities for other Latin American countries, including Mexico, Peru, Colombia, Costa Rica, Panama, El Salvador and Uruguay.

Jaqueline Balbontín Artus. Ms. Balbontín serves as Vice President Human Resources of Scotiabank Chile. She has a degree in industrial engineering from University of Santiago. Ms. Balbontín has worked for the Scotiabank Group for over 25 years in different roles, including senior positions in commercial banking, human resources and finance. Previously, she was the Director of Customer Experience and Planning within Retail Banking for Scotiabank Chile.

María Victoria Doberti. Ms. Doberti serves as the Chief Financial Officer of Scotiabank Chile. She has a degree in business administration from University of Santiago. Ms. Doberti was appointed Chief Financial Officer in March 2016. She joined Scotiabank Chile in 2009 as Senior Manager of Strategic Planning and was appointed FP&A Director in Chile in 2012. Between August 2014 and March 2016, she held the position of Director, FP&A for LATAM Countries in International Banking in Toronto. Prior to her joining the Bank, Ms. Victoria held various senior positions in BBVA Forum and Bank Boston in Chile.

Stephen Guthrie. Mr. Guthrie serves as Senior Vice President and Head Wholesale Banking of Scotiabank Chile. He holds a bachelor of commerce degree from Queen's University and a Chartered Financial Analyst (CFA) designation. Mr. Guthrie has over 25 years of experience in corporate and commercial banking, investment banking and global capital markets, the last 18 of which were in a number of senior positions with Scotiabank in several countries. Prior to his current assignment, Mr. Guthrie had responsibility for corporate and commercial banking in Central America, with oversight over the Scotiabank Group's operations in Guatemala, Costa Rica, El Salvador and Panama. Prior to joining

Scotiabank, he worked with another major Canadian financial institution, in various positions in corporate and investment banking.

Daniel Puerta. Mr. Puerta serves as Vice President of Digital Banking of Scotiabank Chile. He holds a computer engineering degree from the University EAFIT of Colombia and postgraduate studies in information management from the University of Medellin. Mr. Puerta has over 20 years of experience in IT management in multinational companies across different industries. He recently held various senior positions in Latam Airlines Group, including the role of Head of Digital Transformation.

Danilo González. Mr. González serves as Vice President Technology and Systems of Scotiabank Chile. He holds a civil computer engineering degree from Federico Santa María Technical University and a master's degree in industrial engineering with a mention in management from the University of Chile. He is also a graduate of the Executive Development Program at University of Los Andes and of the Advanced Management Program at the Harvard Business School. Mr. González has 30 years of experience in the finance industry. Prior to joining Scotiabank Chile, he held several senior positions at Banco de Crédito e Inversiones, including Chief Information Officer, Chief Technology Officer and Chief Development Officer. Mr. González is also a member of the board of directors of CAT Administradora de Tarjetas S.A., a subsidiary of Scotiabank Chile.

Eduardo Meynet Biancardi. Mr. Meynet serves as Vice President Operations of Scotiabank Chile. He holds a business administration degree from Pontifical Catholic University of Chile and an MBA from the Kellogg School of Management at Northwestern University in the United States. Mr. Meynet became Vice President of Operations for Scotiabank Chile in May 2018 and is responsible for operations, processes, collections and real estate. Prior to joining Scotiabank Chile, he served as Corporate Director of Operations at Itaú-Corpbanca Chile in 2017 and worked for twelve years at BBVA Group, holding different management positions.

On April 20, 2021 the Board of Directors announced that Mr. Diego Masola will be appointed Executive Vice President, CEO & Country Head of Scotiabank Chile replacing Mr. Francisco Sardón de Taboada beginning June 1, 2021. Mr. Masola has held multiple senior positions within Scotiabank Group for the last 20 year including Chief Executive Officer for Scotiabank Uruguay and Scotiabank operations in Central America.

Major Shareholders

The Bank of Nova Scotia, the Bank's controlling shareholder, controls the Bank through its holdings in Nova Scotia Inversiones Limitada, which, in turn, is a controlled subsidiary of Bank of Nova Scotia. As of the date of this Offering Circular, Nova Scotia Inversiones Limitada has control over 76.01% of the Bank's shares and the Said Family, a minority shareholder group has 23.76% of the Issuer's shares through entities that it controls. On May 3, 2021, The Bank of Nova Scotia announced that it had reached an agreement to increase its ownership in the Bank through an acquisition of an additional 7.0% stake from the Said Family. Upon closing of the transaction, which is subject to customary closing conditions and regulatory approvals, The Bank of Nova Scotia will have control over 83.01% of the Issuer's shares. The Said Family, through these entities, has entered into a shareholders' agreement with Nova Scotia Inversiones Limitada. See also "Description of the Bank—Organizational Structure."

RISK MANAGEMENT

Risk Management Structure

The main objectives of the Bank's risk management is to guarantee that the results of the activities that imply assuming a risk are consistent with the Bank's strategies and risk appetite and that adequate balance exists between the risk and benefit in order to maximize the value for the shareholders. The Bank has a risk control structure which is well established and includes the Board of Directors, which is supported by an experienced senior management team. Decision-making is centralized in several committees related to risk management.

The Bank's risk management is supported by the three lines of defense model. The first line of defense assumes risks and manages it, whereas the second line of defense provides independent supervision and an objective challenge for the first line of defense, as well as supervision and risk control. The Internal Audit (the third line of defense) provides independent assurance at the institutional level on the design and operation of the Bank's internal control, risk management and control processes through the first and second lines of defense.

In this risk control structure, employees in each area within the organization are responsible for managing risks.

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 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 and the performance of the portfolio compared to the goals established and the key risk policies approved, limits on, among others, credit risk and market risk and the risk appetite framework.

The Bank's risk management committees include:

- Risk Committee

  The Risk Committee helps the Board of Directors of Scotiabank Chile with the supervision of risk management including institutional risk, credit risk, market risk and operational risk to which Scotiabank Chile is exposed to in an effort to improve the ease of its monitoring and oversight. It also provides the Board of Directors with updated information on the Bank's risk management.

- Asset and Liability 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.

- Non-Financial Risk Management Committee

  The Non-Financial Risk Management Committee provides high-level oversight of the Bank's non-financial risks (operational risk, information security risk, business continuity risk, outsourced services risk, new products and initiatives risk, compliance, regulatory reports and reputational risks), delivering a strategic approach and coordinating the development of local internal control programs.

- Model Committee

  The Model Committee is an instance formed to define and approve the preparation, application and follow-up on the models used in risk management for the Personal Banking, Consumer Finance – SME and Business Banking segments, in the different stages of the credit cycle, as well as overseeing the quality of provision estimation methodologies.

- Committee for Preventing Money Laundering and the Financing of Terrorism of Scotiabank Chile and its Subsidiaries.

  This Committee promotes and improves compliance by the Bank 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.

- Audit Committee

  The Audit Committee is responsible for various aspects related to efficiency, maintenance, application and functioning of the Bank's internal control systems; closely monitoring of compliance with the standards and procedures governing their application; having a clear understanding of the risks which may impact the business activities for the Bank; strengthening and supporting the comptrollership function, as well as management independence; and channeling and coordinating the tasks of the internal audit department and external auditors, while also serving as the channel between them and the Board of Directors.

Risk Division

This Division supports the Bank's objectives and must maintain an efficient and ongoing 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.

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.

Credit Risk Management

The Bank manages credit risk through different tools that include, among others, procedures, models, controls and behavior monitoring. 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 Ch$1,000 million.
- Customers whose commercial debts are equal to or higher than Ch$500 million. 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 FMC in Chapter B-1 of the Compendium of Accounting Standards, each individual assessment considers the following classifications:

- Normal Portfolio: Includes those customers whose payment capacity allows them to comply with their financial obligations and covers categories from A1 to A6.
- Substandard Portfolio: Includes those debtors with financial problems or default issues exceeding 30 days and covers categories from B1 to B4.
- Default Portfolio: Includes all debtors with insufficient payment under foreseeable situations. Categories include a range from C1 to C6.

Standardization of Individual Allowances

During September 2018, as a result of the Merger, the Bank incorporated the portfolio of BBVA Chile, following a "standardization of individual risk classifications" process that classified common customers under the more conservative risk category applied by the two institutions. This resulted in a higher debit to profit or loss for 2018 amounting to Ch$12,331 million due to a loan loss provision. Additionally, in December 2018 the Bank recognized higher individual allowances under "Adjustments to the BBVA Chile's portfolio guarantees" amounting to Ch$3,911 million.

Expected Credit Loss Model for Collective Allowances

The Bank has a separate independent structure responsible for credit risk modeling, which manages credit risk models and maintains independence of functions in accordance with best practices and local regulations.

In addition, the Bank's Model Committee, which approves the development and follow-up of models both from a performance and allowance adequacy perspective, helps maintain proper control of collective allowances.

The Bank maintains a model management policy providing guidelines that help ensure models are developed using the Bank's defined standards, regardless of the team performing the work. These guidelines cover different aspects of the process including group model methodology, follow-up and control, data 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.

Past Due Loans

The following table sets forth information on the Bank's past due loans, total provisions for loans and loan write-offs as of December 31, 2019 and 2020.

	A s of and for the year ended December 31,	
	2020	**2019**
(Amounts expressed in millions of Chilean pesos)		
Total loans	25,376,523	25,347,159
Past due loans	373,898	480,625
Total provisions for loans	506,452	534,890
Allowances for credit risk	328,238	276,030
Write-offs	347,637	297,988
Commercial loans	51,929	46,671
Mortgage loans	6,867	5,976
Consumer loans	288,841	245,341

The decrease in past due loans in 2020 was primarily attributable to the effect of the two 10% pension funds withdrawals allowed in 2020 due to the coronavirus pandemic and due to lower consumer and business loan activity. Past due loans represented 1.47% percent of the Bank's total loans as of December 31, 2020, compared to 1.90% as of December 31, 2019. The ratio of total provisions for loans to total loans decreased to 2.00% as of December 31, 2020 from 2.11% as of December 31, 2019.

Operational 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's business and support activities and could result in financial losses, regulatory sanctions or damage to the Bank's reputation. For example, regulatory changes or legal reforms, such as reforms related to regulatory capital and liquidity requirements or general changes in government and regulatory policies or regimes which may significantly influence customer decisions, may have an impact on the Bank's risk profile.

Operational Risk Management

Operational risk management is an ongoing and cross-cutting process for the organization and is performed by employees at all levels within the Bank.

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.

The Bank adopted a three line of defense model consistent with the Bank's risk management framework, which establishes the related responsibilities for managing operational risk.

The first line of defense (generally composed of the lines of business and corporate functions) assumes and is responsible for the risks.

The second line of defense (generally composed of control functions, such as risk management, compliance and finance) provides independent supervision and objective challenges to the first line of defense, as well as risk oversight and control.

The third line of defense (the internal audit department) provides independent assurance at the institutional level on the design and operation of the Bank's internal control, risk management and control processes through the first and second lines of defense.

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, as the second lines of defense.

Risk and Control Self-Assessment Program

The Bank has a process roadmap including all business and support functions existing within each entity, which is subject to an annual criticality assessment using qualitative and quantitative variables.

Processes for how specific risk and control assessments will be conducted are defined annually in accordance with the priorities reviewed and approved by the Non-Financial Risk Management Committee. The Committee may also suggest and approve changes to the risk and control assessment of one or more processes depending on relevant events that affected processes, systems, people or external events during such period, such as changes in standards, materialization of incidents and operating losses, among others. As a supplementary action to this program and in order to ensure complete coverage, a general risk and control assessment including an overview of all critical and non-critical processes is conducted on an annual basis to each entity.

The risk and control self-assessment ("RCSA") program is an integral part of the Bank's operational risk management framework. This program establishes a systematic approach to coordinate the Bank's risk identification and efforts related to risk management and improve the understanding, control and oversight of operational risks.

The RCSA program is intended to identify, document and assess relevant operational risks in a process, entity or a significant business unit. The RCSA process provides a systematic approach to identify internal related risks and controls, as well as deficiencies affecting the achievement of the defined business objectives. For example, this process is used to supervise management's actions to remove deficiencies identified and to monitor the efficiency of measures by using key risk indicators for the main risks applicable.

Key Risk Indicators Program

The key risk indicators ("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.

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

Operational Risk Measurement

The operational risk measurement may be qualitative and quantitative. The Bank has 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 responds to relevant operational risk loss data, based on the amounts established as risk appetite, in conformity with the types of Basel loss events. Losses are reported to the Bank's Enterprise Risk Management and used as components for such risk monitoring and control. The 1B Operational Risk and Regulatory Programs Management, which is part of the lines of business and corporate functions that serve as the first line of defense, then reports the operational loss data on a monthly basis considering certain limits established to The Bank of Nova Scotia's International Operations & Shared Services for entry to its centralized operational loss database.

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; and damage to physical assets.

For the fiscal year ended December 31, 2020, the Bank recognized Ch$12,501 million associated with operational risk expenses and Ch$6,594 million for the fiscal year ended December 31, 2019.

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 on its assets, liabilities and equity as a result of market factors such as interest rates, exchange rates and prices, among others. Market risk includes:

- 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.

- Currency 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.

- Options risk

  Options risk is the 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's assets are mainly comprised of mortgage loans (mainly denominated at a fixed rate), commercial loans (including those issued for 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 deposits, thus granting long-term loans that allow it to take advantage of the yield curve within an agreed financial risk management context.

The main balance sheet risks are (i) interest rate risk produced by long-term assets funded with short-term liabilities and (ii) inflation risk, as the Bank grants loans in UF and funds those loans using Chilean pesos. In order to mitigate 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 for 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, deposits portfolio and other applicable cases.

Trading/Customer Activities

The Bank has a trading area responsible for the active trading of highly liquid instruments, whether Central Bank, bank 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) and 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 bank, the market risk department uses the historical simulation method with a level of trust of 99% and 300 days of observations.

In addition, the market risk department regularly uses contrast tests in order to establish the predictive quality of its VaR model (a test of the frequency of excesses).

As of December 31, 2020 and 2019, total trading portfolio VaR (including rate and currency) amounted to Ch$4,085 million and Ch$2,341 million, respectively.

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 total assets and liabilities, except for trading portfolios.

The change in the equity value is determined assuming a parallel fall or rise of 100 basis points in the interest rate structure. The calculation is made separately for domestic currency (UF and Ch$) and foreign currency (U.S.$ and other currencies). The total risk will be the sum of the impact considering the most adverse scenario for the group of currencies that the Bank uses in its operations.

	As of December 31, 2020			**As of December 31, 2019**		
	VPN	**VPN + 1%**	**VPN – 1%**	**VPN**	**VPN + 1%**	**VPN – 1%**
Ch$	653,310	(107,314)	112,061	(563,518)	(82,948)	89,872
UF	1,958,052	(48,084)	42,358	2,239,185	(129,712)	144,755
U.S.$	52,098	8,697	(3,716)	133,434	(493)	487
FC[(1)]	17,628	(56)	6	5,129	(27)	27
Use	146,757			213,180		

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

Stress Tests

The risk management department develops and reports regularly to the ALCO and the Board of Directors stress tests, which include parallel and non-parallel movements of the yield curve, volatility shocks and historical scenarios.

Exposures

Exchange Rate Risk

The Bank is exposed to the volatility in exchange rates affecting the currencies it uses to report or index its financial positions and cash flows. Every year, the Bank and, separately, the ALCO review the limits for net exposure levels for currency and the total positions during the day and at the closing of the day, which are monitored daily by market risk management.

The Bank actively operates in positions expressed in U.S. dollars and 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$**	**Net MCh$**
U.S.$	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	200,13	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	—	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	147,872147,872	146,827	1,045
EUR	1,369,543	1,368,692	851
Other currencies	32,453	31,842	611

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 if 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, which compliance should be reported to the FMC 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.→

Days	As of December 31, 2020			
	Term Mismatch			
	Ch$	UF	U.S.$	FC[(1)]
00002-00030	(1,656,177)	(147,777)	587,132	2,965
00031-00060	(279,063)	64,494	(115,965)	3,682
00061-00090	(101,883)	61,469	48,931	(201)
00091-00120	6,779	483,794	56,055	836
00121-00150	301,003	(149,384)	170,622	1,428
00151-00180	410,783	117,113	148,218	7,847
00181-00210	(151,372)	60,427	(123,979)	262
00211-00240	3,447	165,687	(166,407)	695
00241-00270	168,345	156,001	(116,136)	25
00271-00300	198,857	53,277	(22,731)	—
00301-00330	114,914	84,456	106,256	9
00331-00360	309,553	(33,784)	(222,997)	84
00361-00720	295,141	128,258	(203.313)	—
00721-01080	675,479	67,117	(18,118)	—
01081-01440	(1,388,554)	73,029	(16,951)	—
01441-01800	583,892	59,895	(15,192)	—
01801-02160	362,914	(454,152)	(17,290)	—
02161-02520	190,076	92,133	(18,400)	—
02521-02880	(184,677)	257,934	(15,164)	—
02881-03240	123,426	280,916	(1,035)	—
03241-03600	646,394	300,918	(17)	—
03601-05400	334,161	157,767	75	—
05401-07200	241	99,194	—	—
07201-09000	163	(66,881)	—	—
09001-10800	222	1,255	—	—
10800→	67	21	—	—
NRS	(1,027,399)	6,521	180	—

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

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.

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

	Amount	
	December 31, 2020 MCh$	**December 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%

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; and
- Funding commercial and treasury activities competitively.

There are two sources of liquidity risk: (i) endogenous, that is, risks derived from controllable corporate decisions and (ii) exogenous, that is, risks resulting from movements in uncontrollable financial markets.

Based on an ongoing oversight, the Bank reviews all aspects of liquidity management in light of potential risks to which it is exposed to 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 Board of Directors.

Liquidity risk management is the process used to identify, measure, limit and control liquidity risk, based on a group of policies, which sets the criteria, defines the metrics, organizes the activities and imposes the procedures that the Bank should follow for appropriate management.

The Board of Directors approves this Liquidity Management Policy and oversees its compliance through the Bank's Audit Division. It is also responsible for defining the liquidity risk appetite and for periodically reviewing the Bank's liquidity strategy.

As the main individual responsible for managing the Bank's liquidity risk, the Chief Executive Officer needs to lead the business within the current legal framework and follow the established policies, limits and procedures. The Chief Executive Officer acts as the chairman of the ALCO, 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 daily liquidity management, in particular Asset and Liability Management (ALM), which includes implementing efficient investment and funding strategies in relation to the Bank's relevant competitors. For such purposes, it needs to adjust the maturity profiles of the liabilities taking into consideration income, capital and liquidity of current and foreseen scenarios, minimizing the risk arising from an excessive mismatch or a high concentration of liabilities.

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 proper segregation of functions, accountability and the dual control defined in the organizational structure of the Bank, which minimize conflicts of interest in the management of liquidity.

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's funding, through the analysis of liquidity gaps, hedging of liquid assets, amount of extra funding, survival horizon, and status of internal and normative limits.

Counterparty Risk

As a result of activity with customers, the Bank has counterparty exposures due to the risk that its debtors will not comply with payments due 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 customers 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.

Capital Management

The Bank has a capital management department responsible for the follow-up and permanent control of capital availability. This unit, which reports to the Manager of the Finance Division, 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:

- Subordinated bonds are added up to 50% of that basic capital;
- Additional provisions are added up to 1.25% of risk weighted assets; and
- 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, five 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 Central Bank, have a 0% risk, which means that, according to current regulations, no capital is necessary to support these assets. Property, plant 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.

Measures Related to the Coronavirus Pandemic

On March 30, 2020, the FMC issued Circular No. 2248 which introduces an amendment to Chapter 12-1 “Equity for Legal and Regulatory Purposes” of the 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 will 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.

The minimum basic capital and effective equity as of December 31, 2019 and 2020 were as follows:

	As of December 31, 2020		As of December 31, 2019	
	Consolidated Assets MCh$	**Risk Weighted Assets MCh$**	**Consolidated Assets MCh$**	**Risk Weighted Assets MCh$**
Balance sheet assets (net of allowances)				
Cash and deposits in banks	1,252,255	—	1,384,762	—
Transactions pending settlement	344,282	146,085	366,308	100,545
Securities held for trading	751,269	342,065	845,707	291,475
Investments sold under repurchase agreements and securities lending	74,483	74,483	23,146	23,146
Derivative instruments	1,804,310	1,383,138	2,207,216	1,426,065
Loans and advances to banks	354,374	874	81,127	455
Loans and advances to customers	24,870,071	19,993,254	24,812,269	20,872,971
Available-for-sale investment securities	2,121,614	143,960	808,674	51,304
Held-to maturity investment securities	—	—	—	—
Investments in companies	18,435	18,436	16,709	16,709
Intangible assets	204,804	204,804	186,647	186,647
Property and equipment	104,933	104,933	112,459	112,459
Right-of-use assets under lease contracts	190,708	190,708	236,637	236,637
Current tax assets	17,021	1,702	33,953	3,395
Deferred tax assets	343,328	34,333	328,940	32,894
Other assets	490,015	325,644	844,393	677,858
Off-Balance assets				
Contingent loans	2,348,146	1,408,552	2,698,755	1,619,207
Total risk-weighted assets		**24,372,971**		**25,651,767**

DESCRIPTION OF CHILEAN BANKING REGULATORY SYSTEM

General

In Chile, only banks may maintain checking accounts for their customers, conduct foreign trade operations, and, together with non-banking financial institutions, accept time deposits. The principal authorities that regulate financial institutions in Chile are the FMC, which absorbed the SBIF on June 1, 2019, and the Central Bank. Chilean banks are primarily subject to the General Banking Law, and secondarily subject, to the extent not inconsistent with this statute, the provisions of the Chilean Companies Law governing public corporations, except for certain provisions, which are expressly excluded.

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

Regulatory Authorities

The Central Bank

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

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

The FMC

Since June 1, 2019, Chilean banks have been supervised and controlled by the FMC, an independent Chilean governmental agency, created in 2017 by the Law No. 21,000, which became a Law in January 2018.

On June 1, 2019, pursuant to Law No. 21,130, which modernizes banking legislation in Chile, the FMC became the legal successor of the SBIF, the former banking industry regulatory agency. Thereafter, the position of the "Superintendent" was eliminated and replaced by a council comprised of four commissioners and one president.

The FMC is now the sole supervisor for the Chilean financial system overseeing insurance companies, companies with publicly traded securities, credit unions, credit card and prepaid card issuers, and banks. The FMC is responsible for the proper functioning, development and stability of the financial market, facilitating the participation of market agents and defending public faith in the financial markets.

To do so, it must maintain a general and systemic vision of the market, considering the interests of investors and policyholders. Likewise, it shall be responsible for ensuring that the persons or entities audited, from their initiation until the end of their liquidation, comply with the laws, regulations, statutes and other provisions that govern them.

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

- A commissioner appointed by the President of Chile, of recognized professional or academic prestige in matters related to the financial system, who is the Chairman of the FMC.

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

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

The date of entry into operation of the Commission for the Financial Market was December 14, 2017. The FMC became the legal successor of the Superintendency of Securities and Insurance, which was eliminated on January 15, 2018.

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

The FMC is in charge of authorizing the creation of new banks and has broad powers to interpret and enforce legal and regulatory requirements applicable to banks and financial companies. Furthermore, in cases of noncompliance with such legal and regulatory requirements, the FMC has the ability to impose sanctions. In extreme cases, it can appoint, with the prior approval of the Board of Directors of the Central Bank, a provisional administrator to manage a bank. It must also approve any amendment to a bank's by-laws or any increase in its capital.

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

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

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

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

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

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

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

On April 13, 2021, Law No. 21,314 was enacted, which regulates market agents and increases transparency requirements for public companies, among other matters. Regarding public companies, this law introduced the following amendments to the Corporations Law No. 18,046 and the Securities Law No. 18,045: (i) an assumption of culpability on directors of public companies that approved related party transactions in violation of applicable laws; (ii) the FMC will determine by a general rule to be issued, the minimum content of the policies that public companies will maintain in order to regulate related party transactions; (iii) the FMC will have the power to require information from subsidiaries of public companies; (iv) public companies will have to provide policies, processes and controls to ensure the correct release of material facts to the public and avoid leaks before such information is made public; (v) partners of audit companies will be subject to imprisonment sanctions when they provide malicious opinions or deliver false information, as it will occur with employees of audit companies that hide or destroy information to obtain false opinions; (vi) directors, managers and executives will be subject to imprisonment sanctions if they provide false information to management or to the auditors; (vii) information provided to the public with the purpose of recommending investment in certain securities will have to comply with requirements to be issued by the FMC through a general rule; and (viii) directors, managers and executives of public companies and their related parties will not be able to participate in transactions related to securities of the company where they perform.

In addition, Law No. 21,314 increases the amount of the fines that can be applied by the FMC to an amount from UF 15,000 (approximately U.S.$630,000) to a maximum of UF 100,000 (approximately U.S.$4,200,000), increases prison sentences to a maximum of five to 10 years for insider trading and other securities crimes, and also creates the figure of the "anonymous whistleblower" (*denunciante anónimo*) that seeks to protect and reward those who report financial crimes with a percentage of the fines imposed by the FMC in connection with the reporting, which will be between 10% and 30% of the fine with a limit of UF 25,000 (approximately U.S.$1,050,000). It also regulates the role of a "financial advisor" in connection with advice to pension fund customers, so as to subject them to the oversight and sanctioning powers of the FMC.

Limitations on Types of Activities

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

Since June 1, 2002, Chilean banks are allowed to offer a new checking account product that pays interest. The SBIF also stated that these accounts may be subject to minimum balance limits and different interest rates depending on average balances held in the account and that banks may also charge fees for the use of this new product. For banks with a solvency score of less than A, the Central Bank has also imposed additional caps to the interest rate that can be paid.

On June 5, 2007, pursuant to Law 20,190, new regulations became effective authorizing banks to enter into transactions involving a wider range of derivatives, such as futures, options, swaps, forwards and other derivative instruments or contracts subject to specific limitations established by the Central Bank of Chile. Previously, banks were able to enter into transactions involving derivatives, but subject to more restrictive guidelines.

Deposit Insurance

The Chilean government guarantees certain time and demand deposits and savings accounts held by natural persons with a maximum value of UF400 per person (Ch$11,323,976 or U.S.$16,349.10 as of December 31, 2020) per calendar year in the entire financial system.

Reserve and Capital Requirements

Reserve Requirements

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

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

The Central Bank has statutory authority to require banks to maintain reserves of up to an average of 40.0% for demand deposits and up to 20.0% for time deposits (irrespective, in each case, of the currency in which they are denominated) to implement monetary policy. In addition, to the extent that the aggregate amount of the following types of liabilities exceeds 2.5 times the amount of a bank's regulatory capital, a bank must maintain a 100.0% "technical reserve" against them: demand deposits, deposits in checking accounts, or obligations payable on sight incurred in the ordinary course of business, and in general all deposits unconditionally payable immediately but excluding interbank demand deposits.

Minimum Capital

Under the General Banking Law, a bank is required to have a minimum of UF800,000 (approximately Ch$23,256 million or U.S.$32.7 million as of December 31, 2020) of paid-in capital and reserves, calculated in accordance with Chilean Bank GAAP, regulatory capital of at least 8.0% of its risk weighted assets, net of required allowances, and paid in capital and reserves of at least 3.0% of its total assets, net of required allowances, as calculated in accordance with Chilean Bank GAAP. Under the New General Banking Law, total regulatory capital remains at 8% of risk-weighted assets which includes credit, market and operational risk, while Minimum Tier 1 capital increases from 4.5% to 6% of risk-weighted assets.

Regulatory capital is defined as the aggregate of:

- a bank's paid-in capital and reserves, excluding capital attributable to subsidiaries and foreign branches or *capital básico*;
- its subordinated bonds, valued at their placement price (but decreasing by 20.0% for each year during the period commencing six years prior to maturity), for an amount up to 50.0% of its core capital; and
- its voluntary allowances for loan losses for an amount of up to 1.25% of risk weighted-assets.

Capital Adequacy Requirements

According to the General Banking Law, each bank should have regulatory capital of at least 8.0% of its risk-weighted assets, net of required allowances. The calculation of risk weighted assets is based on a five-category risk classification system for bank assets that is based on the Basel Committee recommendations. Under the New General Banking Law, following the guidelines of Basel III, minimum capital requirements have increased in terms of amount and quality. Total Regulatory Capital remains at 8% of risk-weighted assets which includes credit, market and operational risk. Minimum Tier 1 capital increases from 4.5% to 6% of risk-weighted assets, of which up to 1.5% may be Additional Tier 1 ("AT1") either in the form of preferred shares or perpetual bonds, both of which may be convertible to common equity. The FMC established the conditions and requirements for the issuance of perpetual bonds and preferred equity in Chapter 21-2 of the RAN. Tier 2 capital is now set at 2% of risk-weighted assets. Additional capital demands are incorporated through a Conservation Buffer of 2.5% of risk-weighted assets, setting a Total Equity Requirement of 10.5% of risk-weighted assets. Furthermore, the Central Bank may set an additional Counter Cyclical Buffer of up to 2.5% of risk-weighted assets with the agreement of the FMC. Both buffers must be comprised of core capital. The FMC, with agreement from the Central Bank, may also impose additional capital requirements for SIBs of between 1-3.5% of risk-weighted assets. In November 2020, the FMC established the criteria to assess which banks will be considered SIBs through the issuance of Chapter 21-11 of the RAN. On March 31, 2021, the FMC issued the first resolution qualifying the systemic importance of Chilean banks during. The Bank was classified as an SIB.

Lending Limits

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

- A bank may not extend to any entity or individual (or any one group of related entities), except for another financial institution, directly or indirectly, unsecured credit in an amount that exceeds 10.0% of the bank's regulatory capital, or in an amount that exceeds 30.0% of its regulatory capital if the excess over 10.0% is secured by certain assets with a value equal to or higher than such excess. These limits were raised from 5.0% and 25.0%, respectively, in 2007 by the Reformas al Mercado de Capitales II (also known as MK2). In the case of financing infrastructure projects built by government concession, the 10.0% ceiling for unsecured credits is raised to 15.0% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession;

- A bank may not extend loans to another financial institution subject to the General Banking Law in an aggregate amount exceeding 30.0% of its regulatory capital;

- A bank may not directly or indirectly grant a loan whose purpose is to allow an individual or entity to acquire shares of the lender bank;

- A bank may not lend, directly or indirectly, to a director or any other person who has the power to act on behalf of the bank; and

- A bank may not grant loans to related parties (including holders of more than 1.0% of its shares) on more favorable terms than those generally offered to non-related parties. Loans granted to related parties are subject to the limitations described in the first bullet point above. In addition, the aggregate amount of loans to related parties may not exceed a bank's regulatory capital.

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

Allowance for Loan Losses

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

Capital Markets

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

Legal Provisions Regarding Banking Institutions with Economic Difficulties

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

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

Dissolution and Liquidation of Banks

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

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

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

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

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

Loans and Investments in Foreign Securities

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

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

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

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

In addition, banks may invest in foreign securities whose ratings are equal or exceeds those mentioned in the table below for an additional amount equal to 70% of their regulatory capital. This limit constitutes an additional margin and is not subject to the 100% mandatory reserve. Additionally, a Chilean bank may invest in foreign securities whose rating is equal to or exceeds those mentioned in the table below in: (i) demand deposits with foreign banks, including overnight deposits in a single entity; and (ii) securities issued or guaranteed by sovereign states or their central banks or securities issued or guaranteed by foreign entities within the Chilean State, though investment will be subject to the limits by issuer up to 30.0% and 50.0%, respectively, of the regulatory capital of the Chilean bank that makes the investment. If these foreign securities do not have a rating, the individual limit will be 10.0% of regulatory capital.

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

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

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

DESCRIPTION OF THE NOTES

General

The Issuer may issue and have outstanding from time to time up to U.S.$3,000,000,000 principal amount in the aggregate of medium-term notes (the "Notes") under this Program. The minimum specified denomination of the Notes will be as specified in the applicable Pricing Supplement. The Notes will have the terms described below, including, as described below, the terms specified in the Pricing Supplement of the applicable Series of Notes, except that references below to interest payments and interest-related information do not apply to certain Notes issued at an issue price less than its stated redemption price at maturity ("OID Notes").

The Notes are to be issued under a Fiscal and Paying Agency Agreement dated as of April 28, 2020 among the Issuer, Bank of America, National Association, London Branch, as fiscal agent (in such capacity, the "Fiscal and Paying Agent"), non-U.S. paying agent and non-U.S. transfer agent, Bank of America, National Association, as U.S. paying agent, U.S. registrar and U.S. transfer agent, Bank of America Europe DAC, as non-U.S. registrar, and the other paying agents and transfer agents named therein, as further amended and supplemented from time to time (the "Fiscal Agency Agreement"), in registered or bearer form as specified in the applicable Pricing Supplement. The following description of certain provisions of the Fiscal Agency Agreement is subject to, and qualified in its entirety by reference to, all the provisions of the Fiscal Agency Agreement, including the definitions therein of certain terms.

The Issuer may, from time to time, re-open one or more series of Notes (each, a "Series") and issue Additional Notes (as defined below in "Additional Notes") with the same terms (including maturity and interest payment terms but excluding original issue date and public offering price) as Notes issued on an earlier date; provided that a Series of Notes may not comprise both Notes in bearer form and Notes in registered form. After such Additional Notes are issued they will be fungible with the previously issued Notes to the extent specified in the applicable Pricing Supplement, provided further that if the Additional Notes are not fungible with the earlier Notes for United States federal income tax purposes, the Additional Notes will have a separate security identifier number. Each such Series may contain one or more tranches of Notes (each, a "Tranche") having identical terms, including the original issue date and the public offering price; provided that a Tranche of Notes may not comprise both Notes in bearer form and Notes in registered form.

The Pricing Supplement relating to a Tranche of Notes issued by the Issuer will describe the following terms: (i) the currency or composite currency in which the Notes of such Tranche will be denominated (each such currency or composite currency, a "Specified Currency") and, if other than the Specified Currency, the currency or composite currency in which payments on the Notes of such Series will be made (and, if the Specified Currency or currency or composite currency of payment is other than U.S. dollars, certain other terms relating to such Notes (a "Foreign Currency Note") and such Specified Currency or such currency or composite currency of payment); (ii) whether such Notes are Fixed Rate Notes or Floating Rate Notes (including whether such Notes are Regular Floating Rate Notes, Floating Rate/Fixed Rate Notes or Inverse Floating Rate Notes, each as defined below); (iii) the price at which such Notes will be issued (the "Issue Price"); (iv) the date on which such Notes will be issued (the "Original Issue Date"); (v) the date on which such Notes will mature; (vi) whether such Notes are Senior Notes or Subordinated Notes (each as defined below) and, if Subordinated Notes, the terms of the subordination; (vii) if such Notes are Fixed Rate Notes, the rate per annum at which such Notes will bear interest, if any; (viii) if such Notes are Floating Rate Notes, the base rate (the "Base Rate"), the initial interest rate (the "Initial Interest Rate"), the minimum interest rate (the "Minimum Interest Rate") (provided that if no Minimum Interest Rate is specified or if indicated that the Minimum Interest Rate is "not applicable," the Minimum Interest Rate shall be zero), the maximum interest rate (the "Maximum

Interest Rate"), the Interest Payment Dates, the period to maturity of the instrument, obligation or index with respect to which the calculation agent will calculate the interest rate basis or bases (the "Index Maturity"), the Spread and/or Spread Multiplier (all as defined below), if any; (ix) whether such Notes may be redeemed at the option of the Issuer, or repaid at the option of the holder, prior to its stated maturity as described under "—Optional Redemption" and "—Repayment at the Noteholders' Option; Repurchase" below and, if so, the provisions relating to such redemption or repayment; (x) any relevant tax consequences associated with the terms of the Notes which have not been described under "Certain Tax Legislation Affecting the Notes"; and (xi) if such Notes are Additional Notes (as defined below), a description of the original issue date and aggregate principal amount of the prior Tranche of Notes having terms (other than the original issue date and public offering price) identical to such Additional Notes. In addition, each Pricing Supplement with respect to a Tranche of Notes will identify the Dealer(s) participating in the distribution of such Notes. See "Plan of Distribution." Each Pricing Supplement relating to Notes will be in, or substantially in, the relevant forms included under "Form of Pricing Supplement."

If any Notes are to be issued as Foreign Currency Notes, the applicable Pricing Supplement will specify the currency or currencies, which may be composite currencies, in which the purchase price of such Notes are to be paid by the purchaser, and the currency or currencies, which may be composite currencies, in which the principal at maturity or earlier redemption, premium, if any, and interest, if any, with respect to such Notes may be paid, if applicable. See "Special Provisions Relating to Foreign Currency Notes."

Subject to such additional restrictions as are described under "Special Provisions Relating to Foreign Currency Notes," Notes of each Tranche will mature on a day specified in the applicable Pricing Supplement, as selected by the initial purchaser and agreed to by the Issuer. In the event that such maturity date of any Notes or any date fixed for redemption or repayment of any Notes (collectively, the "Maturity Date") is not a Business Day (as defined below), principal and interest payable at maturity or upon such redemption or repayment will be paid on the next succeeding Business Day with the same effect as if such Business Day were the Maturity Date. No interest shall accrue for the period from and after the Maturity Date to such next succeeding Business Day. Except as may be specified in the applicable Pricing Supplement, all Notes will mature at par.

In the case of Fixed Rate Notes, the applicable Pricing Supplement will specify the yield as of the Original Issue Date. The yield is calculated at the Original Issue Date on the basis of the Issue Price. It is not an indication of future yield.

"Business Day" means, unless otherwise specified in the applicable Pricing Supplement, any day other than a Saturday or Sunday or any other day on which banking institutions are generally authorized or obligated by law or regulation to close in the principal financial center of the country of the currency in which the Notes are denominated and any additional financial center specified in the applicable Pricing Supplement (as the case may be); provided, however, that with respect to Notes denominated in euro, such day is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

Forms of Notes

Registered Notes

If specified in the applicable Pricing Supplement, Notes of each Tranche will be in fully registered form ("Registered Notes"). The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will be represented by a global note in registered form (a “Regulation S Global Note”). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions to QIBs. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a “Rule 144A Global Note” and, together with a Regulation S Global Note, the “Registered Global Notes”).

Registered Global Notes will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”); provided that if all Notes of a Series or Tranche are offered outside of the United States in reliance on Regulation S, the Regulation S Registered Global Notes representing such Notes may, alternatively, be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement (and in either case the “Register”). Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will be made to the person shown on the Register as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or any Registrar (as defined below) will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will be made to the persons shown on the Register on the relevant Record Date (as defined below) immediately preceding the due date for payment in the manner provided in that paragraph.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons, receipts or talons attached only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act, (ii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen days (other than by reason of holiday, statutory or otherwise) or have announced an intention to permanently cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer is in default of its obligations under the Notes represented by the relevant Registered Global Note.

In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the relevant Registrar.

Bearer Notes

If specified in the applicable Pricing Supplement, Notes of each Tranche will be in bearer form ("Bearer Notes") and will initially be represented by one or more temporary global Notes or permanent global Notes, without interest coupons attached and, in the case of definitive Notes, will be serially numbered and will:

(i) if any such global Note is intended to be issued in new global note ("NGN") form, as stated in the applicable Pricing Supplement, be delivered to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, S.A. ("Clearstream, Luxembourg") (each an "ICSD" and together the "ICSDs"):

(a) *records of the ICSDs*. The principal amount and/or number of each Note represented by the global Note shall be the amount from time to time entered in the records of both ICSDs, provided, however, that the aggregate principal amount of Notes represented by a global Note shall be as set forth on the face of such note. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the principal amount and/or number of each Note represented by the global Note and, for these purposes, a statement (which statement shall be made available to the bearer upon request) issued by an ICSD stating the principal amount and/or number of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time;

(b) on any redemption or payment of an installment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by such global Note the Issuer shall procure that details of any redemption, payment, or purchase and cancellation (as the case may be) in respect of the global Note shall be entered on a *pro rata* basis in the records of the ICSDs and, upon any such entry being made, the principal amount and/or number of the Notes recorded in the records of the ICSDs and represented by the global Note shall be reduced by the aggregate principal amount and/or number of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such installment so paid; and

(ii) if any such global Note is to be issued in classic global note form ("CGN"), be delivered to a common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg or any other recognized or agreed clearing system.

Bearer Notes in definitive form will be issued with coupons attached. Except as set out below, title to Bearer Notes and any coupons will pass by delivery. The Issuer, the Fiscal Agent and any Paying Agent (as defined below) may deem and treat the bearer of any Bearer Note or coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding sentence. For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Fiscal Agent and any Paying Agent as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, the right to which shall be vested, as against the Issuer, the Fiscal Agent and any Paying Agent solely in the bearer of the relevant global Note in accordance with and subject to its terms (and the expressions "Noteholder" and "Holder of Notes" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

References herein to "Bearer Notes" shall, except where otherwise indicated, include interests in a temporary or permanent global Note as well as definitive Notes and any coupons attached thereto.

The applicable Pricing Supplement will specify whether (i) United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended), (the "TEFRA C Rules"), (ii) United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended) (the "TEFRA D Rules") or (iii) if the Notes do not have a maturity of more than 365 days (including unilateral rights to rollover or extend), neither the TEFRA C Rules nor the TEFRA D Rules, are applicable to the Notes. If so specified in the applicable Pricing Supplement, in the case of a Bearer Note to which the TEFRA D Rules have not been specified to apply, the Bearer Notes may be represented upon issue by one or more permanent global Notes.

Each Bearer Note having a maturity of more than 365 days (including unilateral rights to rollover or extend) and interest coupons pertaining to such Note, if any, will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

In general, Bearer Notes that are subject to the TEFRA C Rules or the TEFRA D Rules may not be offered, sold or delivered within the United States or to United States persons. In particular, if the applicable Pricing Supplement specify that the TEFRA D Rules apply, the Bearer Notes may not be delivered, offered, sold or resold, directly or indirectly, in connection with their original issuance or during the Restricted Period (as defined below), in the United States (as defined below) or to or for the account of any United States person (as defined below), other than to certain persons as provided under United States Treasury regulations. An offer or sale will be considered to be made to a person within the United States if the offeror or seller has an address within the United States for the offeree or purchaser with respect to the offer or sale. In addition, any underwriters, agents and dealers will represent that they have procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling Bearer Notes are aware of the restrictions on the offering, sale, resale or delivery of Bearer Notes.

As used herein in this section, "United States" means the United States (including the States and the District of Columbia), its territories and its possessions. "United States person" means (i) a citizen or individual resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States, any state thereof or the District of Columbia or (iii) an estate or a trust the income of which is subject to U.S. federal income taxation regardless of its source. "Restricted Period" with respect to each Tranche of Notes means the period which begins on the earlier of the settlement date (or the date on which the Issuer receives the proceeds of the sale of Bearer Notes of such Tranche), or the first date on which the Bearer Notes of such Tranche are offered to persons other than the Dealers, and which ends 40 days after the settlement date (or the date on which the Issuer receives the proceeds of the sale of such Bearer Notes); provided that with respect to a Bearer Note held as part of an unsold allotment or subscription, any offer or sale of such Bearer Note by the Issuer or any Dealer shall be deemed to be during the Restricted Period. An "Ownership Certificate" is a certificate (in a form to be provided), signed or sent by the beneficial owner of the relevant Bearer Note or by a financial institution or clearing organization through which the beneficial owner holds the Bearer Note providing certification that the beneficial owner is not a United States person or person who has purchased for resale to any United States person as required by United States Treasury regulations.

Unless otherwise specified in the applicable Pricing Supplement, each Bearer Note will be represented initially by a temporary global Note, without interest coupons which will (a) if the temporary global Note is intended to be issued in NGN form, as stated in the applicable Pricing Supplement, be delivered on or prior to the Original Issue Date of the Tranche of Notes to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) if the temporary global Note is to be issued in CGN form, be delivered on or prior to the Original Issue Date of the Tranche of Notes to a Common Depositary for Euroclear and Clearstream, Luxembourg, or any other recognized or agreed clearing system in the case of a temporary global Note issued in CGN form. Upon deposit of each such temporary global Note, Euroclear or Clearstream, Luxembourg, as the case may be, will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid. The interests of the beneficial owner or owners in a temporary global Note will be exchangeable after the expiration of the Restricted Period (the "Exchange Date") for an interest in a permanent global Note which will (a) if the permanent global Note is intended to be issued in NGN form, as stated in the applicable Pricing Supplement, be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg or (b) if the permanent global Note is not intended to be issued in NGN form, be delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg, for credit to the account designated by or on behalf of the beneficial owner thereof, or for definitive Bearer Notes or definitive Registered Notes, as provided in the applicable Pricing Supplement; provided, however, that such exchange will be made only upon receipt of Ownership Certificates in the case of Bearer Notes to which the TEFRA D Rules have been specified to apply.

If so specified in the applicable Pricing Supplement, in the case of a Bearer Note to which the TEFRA D Rules have not been specified to apply, the Bearer Notes may be represented upon issue by one or more permanent global Notes.

Exchange and Transfer of Notes

A temporary global Note will be exchangeable in whole but not in part for definitive Bearer Notes (i) if Euroclear and/or Clearstream, Luxembourg or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the relevant temporary global Note or, (ii) if required by law; but only, in each case, in the case of Bearer Notes to which the TEFRA D Rules have been specified to apply, on or after the Exchange Date and upon delivery of Ownership Certificates. No definitive Bearer Note will be delivered in or to the United States or to a United States person, except as specifically provided by applicable United States Treasury regulations. In the event that the relevant temporary global Note is not, in the case of (i) or (ii) above, duly exchanged for definitive Bearer Notes then the terms of such temporary global Note provide for relevant account holders with Euroclear and Clearstream, Luxembourg and any other agreed clearing system, as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding definitive Bearer Notes of the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Noteholder and operate as full and final discharge to the Issuer in this respect.

A permanent global Note will be exchangeable in whole but not in part for definitive Bearer Notes (i) if Euroclear and/or Clearstream, Luxembourg or any other agreed clearing system, as applicable, has informed the Issuer that it has or they have, as the case may be, ceased or will cease to act as the clearing system(s) in respect of the relevant permanent global Note or, (ii) if an Event of Default occurs, unless such event is remedied within seven days of its occurrence. In order to make such request the holder must, not less than 45 days before the date on which delivery of definitive Bearer Notes is required, deposit the relevant permanent global Note with the relevant Paying Agent (as defined below) at its specified office outside the United States for the purposes of the Notes with the form of exchange notice endorsed thereon duly completed. No definitive Bearer Note will be delivered in or to the United States or to a United States person, except as specifically provided by applicable United States Treasury regulations. In the event that the relevant permanent global Note is not, in the case of (i) or (ii) above, duly exchanged for definitive Bearer Notes then the terms of such permanent global Note provide for relevant account holders with Euroclear and Clearstream, Luxembourg and any other agreed clearing system as applicable, to be able to enforce against the Issuer all rights which they would have had if they had been holding definitive Bearer Notes of the relevant value at the time of such event. Payments by the Issuer to the relevant account holders will be considered as payments to the relevant Noteholder and operate as full and final discharge to the Issuer in this respect.

If specified in the applicable Pricing Supplement, and subject to the terms of the Fiscal Agency Agreement, definitive Bearer Notes (along with all unmatured coupons, and all matured coupons, if any, in default) will be exchangeable at the option of the holder into Registered Notes of any authorized denominations of like tenor and in an equal aggregate principal amount, in accordance with the provisions of the Fiscal Agency Agreement at the office of the relevant Registrar or at the office of any Transfer Agent outside the United States designated by the Issuer for such purpose. See "—Registrar and Transfer Agents" below. Definitive Bearer Notes surrendered in exchange for Registered Notes after the close of business at any such office (i) on or after any record date for the payment of interest (a "Regular Record Date") on a Registered Note on an Interest Payment Date (as defined below) and before the close of business at such office on the date prior to the relevant Interest Payment Date, or (ii) on or after any record date to be established for the payment of defaulted interest on a Registered Note ("Special Record Date") and before the opening of business at such office on the related proposed date for payment of defaulted interest, shall be surrendered without the coupon relating to such date for payment of interest. Definitive Bearer Notes will be exchangeable for definitive Bearer Notes in other authorized denominations, in an equal aggregate principal amount, in accordance with the provisions of the Fiscal Agency Agreement and at the offices of any Paying Agent outside the United States appointed by the Issuer for such purpose. See "—Registrar and Transfer Agents" below.

Registered Notes will be exchangeable for Registered Notes in other authorized denominations, in an equal aggregate principal amount upon surrender of any such Notes to be exchanged at the offices of the relevant Registrar or any transfer agent designated by the Issuer for such purpose. Registered Notes will not be exchangeable for Bearer Notes. Registered Notes may be presented for registration of transfer at the offices of the relevant Registrar or any transfer agent designated by the Issuer and for such purpose. See "—Registrar and Transfer Agents" below. No service charge will be made for any registration of transfer or exchange of Notes but the Issuer may require payment of a sum sufficient to cover any transfer taxes payable in connection therewith. Except as described above, Bearer Notes and any coupons appertaining thereto will be transferable by delivery. See "—Forms of Notes—Bearer Notes" above.

The Issuer shall not be required (i) to register the transfer of or exchange Notes to be redeemed for a period of 15 calendar days preceding the first publication of the relevant notice of redemption, or if Registered Notes are outstanding and there is no publication, the mailing of the relevant notice of redemption, (ii) to register the transfer of or exchange any Registered Note selected for redemption or surrendered for optional repayment, in whole or in part, except the unredeemed or unpaid portion of any such Registered Note being redeemed or repaid, as the case may be, in part, (iii) to exchange any Bearer Note selected for redemption or surrendered for optional repayment, except that such Bearer Note may be exchanged for a Registered Note of like tenor; provided that such Registered Note shall be simultaneously surrendered for redemption or repayment, as the case may be, or (iv) to register transfer of or exchange any Notes surrendered for optional repayment, in whole or in part.

Status

Each Note will be unsecured and will be either a senior or a subordinated debt obligation ("Senior Notes" and "Subordinated Notes," respectively). Senior Notes will rank equally in right of payment with all other unsecured and unsubordinated obligations of the Issuer thereof and will be subordinated to obligations to the extent mandated by law in case of the Issuer's liquidation, including with respect to claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses. Subordinated Notes will rank junior in right of payment to all senior indebtedness as specified in the applicable Pricing Supplement, which will set forth the applicable terms of such subordination. The Issuer will not make any payment of principal, premium, if any, or interest in respect of the Subordinated Notes unless all amounts then due on its senior indebtedness have been paid in full.

Payments and Paying Agents

Payment of principal and of premium, if any, and interest on Registered Notes at maturity or upon redemption or repayment will be made in immediately available funds in the Specified Currency (unless otherwise specified in the applicable Pricing Supplement) against presentation of such Note at the office of the relevant Paying Agent. Payment of interest on Registered Notes will be made to the person in whose name such Note is registered at the close of business on the Regular Record Date next preceding the Interest Payment Date either by check mailed to the address of the person entitled thereto as such address shall appear in the security register or by wire transfer to an account selected by the person entitled thereto if appropriate wire instructions have been received by the relevant Paying Agent not less than 10 calendar days prior to the applicable payment date; provided, however, that (i) if the Issuer fails to pay such interest on such Interest Payment Date, such defaulted interest will be paid to the person in whose name such Note is registered at the close of business on the Special Record Date and (ii) interest payable at maturity, redemption or repayment will be payable to the person to whom principal shall be payable. The first payment of interest on any Registered Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date to the registered owner on such next Regular Record Date. Interest rates and interest rate formulae are subject to change by the Issuer from time to time but no such change will affect any Note theretofore issued. Unless otherwise specified in the applicable Pricing Supplement, the Interest Payment Dates and the Regular Record Dates for Fixed Rate Notes shall be as described below under "—Fixed Rate Notes." The Interest Payment Dates for Floating Rate Notes shall be as indicated in the applicable Pricing Supplement and in such Note, and, unless otherwise specified in the applicable Pricing Supplement, each Regular Record Date for a Registered Floating Rate Note will be the calendar day (whether or not a Business Day) next preceding each Interest Payment Date.

Payments of principal, interest and any other amount in respect of the Registered Notes will, in the absence of provision to the contrary, be made to the person shown on the Register on the record date specified in the applicable Pricing Supplement (the "Record Date") as the registered holder of the Registered Notes. None of the Issuer, any Paying and Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. In the case of a Registered Global Note, "Record Date" is defined as the close of business on the date which is the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means a day on which each clearing system for which the Registered Global Note is being held is open for business.

Principal and premium, if any, and interest, if any, payable on a Bearer Note represented by a temporary global Note or any portion thereof in respect of an Interest Payment Date will be paid in the Specified Currency (unless otherwise specified in the applicable Pricing Supplement) by the relevant

Paying Agent to each of Euroclear and Clearstream, Luxembourg, as the case may be, with respect to that portion of such temporary global Note held for its account (upon presentation to the Non-U.S. Paying Agent of the temporary global Note, if the temporary global Note is not issued in NGN form) and, in the case of a Note to which the TEFRA D Rules have been specified to apply, upon delivery of an Ownership Certificate signed by Euroclear or Clearstream, Luxembourg, as the case may be, dated no earlier than such Interest Payment Date, which certificate must be based on Ownership Certificates provided to Euroclear or Clearstream, Luxembourg, as the case may be, by its member organizations. Each of Euroclear and Clearstream, Luxembourg, as the case may be, will in such circumstances credit any principal and interest received by it in respect of such temporary global Note or any portion thereof to the accounts of the beneficial owners thereof.

Principal and premium, if any, and interest, if any, payable on a Bearer Note represented by a permanent global Note in respect of an Interest Payment Date will be paid in the Specified Currency (unless otherwise specified in the applicable Pricing Supplement) by the relevant Paying Agent to each of Euroclear and Clearstream, Luxembourg, as the case may be, with respect to that portion of such permanent global Note held for its account (upon presentation to the Non-U.S. Paying Agent of the permanent global Note if the permanent global Note is not issued in NGN form). Each of Euroclear and Clearstream, Luxembourg will in such circumstances credit any principal and interest received by it in respect of such permanent global Note to the respective accounts of the beneficial owners of such permanent global Note at maturity, redemption or repayment or on such Interest Payment Date, as the case may be. If a Registered Note is issued in exchange for a permanent global Note after the close of business at the office or agency where such exchange occurs (a) on or after any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (b) on or after any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of defaulted interest, any interest or defaulted interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Note, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to Euroclear and Clearstream, Luxembourg, and Euroclear and Clearstream, Luxembourg will in such circumstances credit any such interest to the account of the beneficial owner of such permanent global Note on such Regular Record Date or Special Record Date, as the case may be. Payment of principal and of premium, if any, and any interest due at maturity, redemption or repayment (in the event, with respect to payment of interest, that any such maturity date or redemption or repayment date is other than an Interest Payment Date) in respect of any permanent global Note will be made to Euroclear and Clearstream, Luxembourg in immediately available funds.

Payments of principal and of premium, if any, and interest on definitive Bearer Notes will be made in immediately available funds in the Specified Currency (unless otherwise specified in the applicable Pricing Supplement), subject to any applicable laws and regulations, only against presentation and surrender of such Note and any coupons at the offices of a Paying Agent outside the United States or, at the option of the holder by wire transfer of immediately available funds to an account maintained by the payee with a bank located outside the United States if appropriate wire instructions have been received by a Paying Agent not less than 10 calendar days prior to an applicable payment date. No payment with respect to any Bearer Note will be made at any office or agency of the Issuer in the United States or by wire transfer to an account maintained with a bank located in the United States, except as may be permitted under United States federal tax laws and regulations then in effect. Notwithstanding the foregoing, payments of principal and of premium, if any, and interest on Bearer Notes denominated and payable in U.S. dollars will be made at the office of the paying agent of the Issuer, in the Borough of Manhattan, the City of New York, if and only if (i) payment of the full amount thereof in U.S. dollars at all offices or agencies outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (ii) such paying agent in the Borough of Manhattan, the City of New York, under applicable law and regulations, would be able to make such payment.

Pursuant to the Fiscal Agency Agreement, the Issuer has initially designated Bank of America, National Association, London Branch as its non-U.S. Paying agent (in such capacity, and including any successor non-U.S. paying agent appointed thereunder, the "Non-U.S. Paying Agent") and Bank of America, National Association as its U.S. paying agent for Notes sold within the United States (in such capacity and including any successor U.S. paying agent appointed thereunder, the "U.S. Paying Agent," and together with the Non-U.S. Paying Agent and any other paying agents appointed by the Issuer, the "Paying Agents"). So long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market, there will at all times be a Paying Agent with a specified office in each location, if any, required by the rules and regulations of the relevant stock exchange(s), competent authority(ies) and/or market(s) on or by which such Notes are listed and/or admitted to trading. So long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market and the rules of such exchange, competent authority and/or market so require, the Issuer will notify the holders of its Notes in the manner specified under "—Notices" below in the event that the Issuer appoints a Paying Agent with respect to such Notes other than the Paying Agents designated as such in this Offering Circular or in the applicable Pricing Supplement.

Any monies paid by the Issuer to any Paying Agent for the payment of principal of, premium, if any and interest (and Additional Amounts, if any) with respect to the Notes and remaining unclaimed at the end of one month after the date on which such monies first became payable shall be repaid to the Issuer and the holders of the Notes shall thereafter look only to the Issuer for payment. The Notes shall become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor.

"Entitlement" is defined to include any distribution of cash or securities, being the payment due date, as determined by the terms and conditions, for cash or the settlement date for securities.

"Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of moneys payable has not been duly received by the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the Notes as described under "—Notices" below.

Registrar and Transfer Agents

Pursuant to the Fiscal Agency Agreement, the Issuer has initially designated Bank of America, National Association as U.S. registrar in respect of the Rule 144A Global Notes and also the Regulation S Global Notes which are deposited with a custodian for, and registered in the name of a nominee of, DTC (in such capacity and including any successor U.S. registrar appointed thereunder, the "U.S. Registrar"). The Issuer has initially designated Bank of America Europe DAC, as non-U.S. registrar in respect of any Regulation S Global Notes which are deposited with a common depositary for, and registered in the name of a common nominee of Euroclear, Clearstream or any other clearing system outside the United States (in such capacity and including any successor non-U.S. registrar appointed thereunder, the "Non-U.S. Registrar"). The Issuer has initially designated Bank of America, National Association, London Branch as non-U.S. transfer agent in respect of the Notes (in such capacity and including any successor non-U.S. transfer agent appointed thereunder, the "Non-U.S. Transfer Agent"). Additionally, the Issuer has initially designated Bank of America, National Association as U.S. transfer agent in respect of the Notes (in such capacity and including any successor U.S. transfer agent in respect of the Notes, the "U.S. Transfer Agent" and, together with the Non-U.S. Transfer Agent and any other transfer agent appointed by the Issuer, the "Transfer Agents"). For so long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market, the Issuer will maintain a Transfer Agent with a specified office in each location to the extent required by the rules and regulations of the relevant stock exchange, competent authority and/or market. Any initial designation by the Issuer of the Registrar or a

Transfer Agent may be rescinded at any time. The Issuer may at any time designate additional Transfer Agents with respect to the Notes. So long as any Notes are listed and/or admitted to trading on or by any stock exchange, competent authority and/or market and the rules of such exchange, competent authority and/or market so require, the Issuer will notify the holders of its Notes in the manner specified under "—Notices" below in the event that the Issuer appoints a Registrar or Transfer Agent with respect to such Notes other than the Registrar and Transfer Agents designated as such in this Offering Circular or in the applicable Pricing Supplement.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, for so long as such Notes are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Optional Redemption

Each applicable Pricing Supplement will indicate either that the relevant Tranche of Notes of a Series cannot be redeemed prior to maturity (other than as provided under "—Redemption Prior to Maturity Solely for Taxation Reasons" below) or that the Notes will be redeemable at the option of the Issuer, and such Pricing Supplement shall specify the price at which such Notes are to be redeemed, including, but not limited to, any USD Make Whole Amount or Non-USD Make Whole Amount, in each case as defined below (the "Optional Redemption Price") and the relevant date upon which such Notes will be so redeemed (each such date, an "Issuer Optional Redemption Date"); provided, however, that Notes denominated in currencies other than U.S. dollars may be subject to different restrictions on redemption as set forth under "Special Provisions Relating to Foreign Currency Notes—Minimum Denominations, Restrictions on Maturities, Repayment and Redemption" herein. Notice of any redemption to holders of Bearer Notes shall be published as described under "—Notices" below once in each of three successive calendar weeks, the first publication to be not less than 10 nor more than 60 calendar days prior to the Issuer Optional Redemption Date. Notice of any redemption to holders of Registered Notes shall be provided as described under "—Notices" below at least 10 and not more than 60 calendar days prior to the Issuer Optional Redemption Date.

Optional Redemption by Issuer in Foreign Currency

Unless provided otherwise in the applicable Pricing Supplement, the "Non-USD Make Whole Amount" per Note shall be an amount equal to the sum of: (i) the principal amount of the relevant Note to be redeemed; (ii) the Applicable Premium; and (iii) accrued interest thereon to the Issuer Optional Redemption Date and any Additional Amounts payable with respect thereto. "Applicable Premium" means the excess, if any, of (i) the present value, discounted with the Benchmark Yield plus a spread to be indicated in the applicable Pricing Supplement, on such redemption date of (A) the principal amount per Note, plus (B) all remaining scheduled interest payments per Note to (but excluding interest accrued through the Issuer Optional Redemption Date), over (ii) the principal amount per Note. The "Benchmark Yield" shall be the yield to maturity at the Redemption Calculation Date of a benchmark security with a constant maturity (as compiled and published in a publicly available source of market data selected by the Issuer) most nearly equal to the period from the Issuer Optional Redemption Date to the Maturity Date; provided, however, that if the period from the Issuer Optional Redemption Date to the Maturity Date is not equal to the constant maturity of such benchmark security for which a weekly average yield is given, the Benchmark Yield shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of such benchmark security for which such yields are given, except that if the period from the Issuer Optional Redemption Date to the Maturity Date is less than one year, the weekly average yield on such actually traded benchmark security adjusted to a constant maturity of one year shall be used. "Redemption Calculation Date" means the sixth Business Day prior to the date on which the Notes are redeemed pursuant to this section.

Optional Redemption by Issuer in U.S. Dollars

Unless provided otherwise in the applicable Pricing Supplement, the "USD Make Whole Amount" per Note shall be an amount equal to the greater of (i) 100% of the principal amount of the Notes and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus an amount of basis points to be specified in the applicable Pricing Supplement, plus, in each case, accrued interest thereon to the date of redemption and any Additional Amounts payable with respect thereto.

On and after the redemption date, interest on the Notes or any portion of the Notes called for redemption will cease to accrue (unless the Issuer defaults in the payment of the redemption price and accrued interest). On or before the redemption date, the Issuer will deposit with the relevant Paying Agent funds sufficient to pay the redemption price and accrued interest, through the redemption date, on the Notes subject to redemption. If the redemption date falls after a record date but on or prior to the corresponding interest payment date, the Issuer will pay accrued interest to the holder of record on the corresponding record date, which may or may not be the person who will receive payment of the redemption price (which will exclude such accrued interest). If less than all the Notes are to be redeemed, the Notes to be redeemed that are held through a clearing system will be selected in accordance with the procedures of such clearing system and Notes not held through a clearing system by lot or on a *pro rata* basis.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average, as calculated by the Issuer, of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Issuer obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Issuer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury

Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Reference Treasury Dealer" means each of the Dealers specified in the applicable Pricing Supplement, or their respective affiliates or successors which are primary U.S. government securities Dealers, and no less than two other leading primary U.S. government securities Dealers in the City of New York reasonably designated by the Issuer; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. government securities dealer in the City of New York (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

Repayment at the Noteholders' Option; Repurchase

If applicable, the Pricing Supplement applicable to the Notes of a Tranche will indicate that such Notes will be repayable at the option of the holder on a date or dates specified prior to their stated maturity date (such option, "Optional Repayment" and each such date, a "Noteholder Optional Redemption Date") and, unless otherwise specified in the applicable Pricing Supplement, at a price equal to 100% of the principal amount outstanding thereof, together with accrued interest to, but not including, the relevant Noteholder Optional Redemption Date; provided, however, that Notes denominated in currencies other than U.S. dollars may be subject to different restrictions on repayment as set forth under "Special Provisions Relating to Foreign Currency Notes—Minimum Denominations, Restrictions on Maturities, Repayment and Redemption" herein. If no Noteholder Optional Redemption Date is included with respect to a Note, such Note will not be repayable at the option of the holder prior to its maturity.

In order for such a Note to be repaid, and unless provided otherwise in the applicable Pricing Supplement, the relevant Paying Agent must receive at least 30 but not more than 60 calendar days prior to the Noteholder Optional Redemption Date, (i) the Note with the form entitled "Option to Elect Repayment" on the reverse of the Note duly completed or (ii) a telegram, facsimile transmission or letter from a commercial bank or trust company in Western Europe or the United States which must set forth the name of the holder of the Note (in the case of a Registered Note only), the principal amount of the Note, the principal amount of the Note to be repaid, the certificate number or a description of the tenor and terms of the Note, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Note to be repaid, together with the duly completed form entitled "Option to Elect Repayment" on the reverse of the Note, will be received by the Paying Agent not later than the fifth Business Day after the date of such telegram, facsimile transmission or letter; provided, however, that such telegram, facsimile transmission or letter from a commercial bank or trust company in Western Europe or the United States shall only be effective in such case if such Note and form duly completed are received by the relevant Paying Agent by such fifth Business Day. In the case of Global Notes, holders who wish to tender their Notes will be required to comply with the operating procedures for the relevant clearing system where such Notes are deposited. Exercise of the repayment option by the holder of a Note will be irrevocable. The repayment option may be exercised by the holder of a Note for less than the entire principal amount of the Note but, in that event, the principal amount of the Note remaining outstanding after repayment must be an authorized denomination. Partial redemption with respect to Notes in NGN form will be reflected in the records of Euroclear and Clearstream, Luxembourg as either pool factor (whereby a percentage reduction is applied to the nominal amount) or reduction in nominal amount, at their discretion.

The Issuer may at any time purchase Notes at any price in the open market or otherwise. Notes purchased by the Issuer will be surrendered to the Fiscal Agent for cancellation.

Redemption Prior to Maturity Solely for Taxation Reasons

The Issuer may at its election, subject to applicable Chilean law, redeem any Series of the Notes in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the holders of the Notes of such Series, at their principal amount outstanding, plus Additional Amounts (as defined in "—Payment of Additional Amounts"), if any, together with accrued but unpaid interest to the date fixed for redemption, if:

(i) the Issuer certifies to the Fiscal and Paying Agent and any other relevant Paying Agent immediately prior to the giving of such notice that the Issuer has or will become obligated to pay Additional Amounts with respect to such Series of Notes (in excess of the 4.0% withholding tax payable on payments of interest to Foreign Holders (as defined below) on such Series of Notes) as a result of any change in or amendment to the laws or regulations of a Relevant Taxing Jurisdiction (as defined below), or any change in the application or official interpretation of such laws or regulations, which change or amendment occurs after the date of issuance of such Series of Notes (or, in the case of any withholding taxes imposed by a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of issuance of such Series of Notes, after the date such jurisdiction becomes a Relevant Taxing Jurisdiction); and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to the Issuer;

provided, *however*, that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of any such Series of Notes were then due. For the avoidance of doubt, a change in the jurisdiction of the Paying Agents shall be considered a reasonable measure.

Before giving notice of redemption, the Issuer shall deliver to the Fiscal and Paying Agent and any other relevant Paying Agent an officers' certificate stating that the Issuer is entitled to effect such redemption in accordance with the terms set forth in the Fiscal Agency Agreement and setting forth in reasonable detail a statement of the facts relating thereto. The statement will be accompanied by a written opinion of counsel to the effect, among other things, that:

(i) the Issuer has become obligated to pay the Additional Amounts as a result of a change or amendment described above;

(ii) the Issuer cannot avoid payment of the Additional Amounts by taking reasonable measures available to the Issuer; and

(iii) all governmental approvals necessary for the Issuer to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

Interest and Interest Rates

General

Each Note will bear interest at either:

(a) a fixed rate; or

(b) a floating rate determined by reference to an interest rate basis, which may be adjusted by a Spread and/or Spread Multiplier (as defined below). Any Floating Rate Note may also have either or both of the following:

(i) a maximum interest rate limitation, or ceiling, on the rate at which interest may accrue during any interest period; and

(ii) a minimum interest rate limitation, or floor, on the rate at which interest may accrue during any interest period, provided that if no minimum interest rate is specified or if the Pricing Supplement indicate that the minimum interest rate is "not applicable," then the minimum interest rate shall be zero.

The applicable Pricing Supplement will designate:

(a) a fixed rate per annum, in which case such Notes will be "Fixed Rate Notes"; or

one or more of the following interest rate bases as applicable to such Notes, in which case such Notes will be "Floating Rate Notes":

(i) the CD Rate, in which case such Notes will be "CD Rate Notes";

(ii) the Commercial Paper Rate, in which case such Notes will be "Commercial Paper Rate Notes";

(iii) the Eleventh District Cost of Funds Rate, in which case such Notes will be "Eleventh District Cost of Funds Rate Notes";

(iv) the Federal Funds Rate, in which case such Notes will be "Federal Funds Rate Notes";

(v) LIBOR, in which case such Notes will be "LIBOR Notes";

(vi) EURIBOR, in which case such Notes will be "EURIBOR Notes";

(vii) the Treasury Rate, in which case such Notes will be "Treasury Rate Notes"; or

(viii) the Prime Rate, in which case such Notes will be "Prime Rate Notes."

Each Note will bear interest from its date of issue or from the most recent date to which interest on such Note has been paid or duly provided for, at the annual rate, or at a rate determined pursuant to an interest rate formula, stated herein. Interest will accrue on a Note until the principal thereof is paid or made available for payment.

Interest will be payable on each Interest Payment Date and at maturity or on redemption or repayment, if any, except for:

(a) certain OID Notes; and

(b) Notes originally issued between a Regular Record Date and an Interest Payment Date.

The first payment of interest on any Registered Note originally issued between a Regular Record Date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding Regular Record Date. Such interest will be payable by the Issuer to the registered owner on such next Regular Record Date.

Interest will be payable on a Registered Note on each Interest Payment Date to the person in whose name such Note is registered at the close of business on the Regular Record Date next preceding the Interest Payment Date; provided, however, that:

(a) if the Issuer fails to pay such interest on such Interest Payment Date, such defaulted interest will be paid to the person in whose name such Registered Note is registered at the close of business on the record date to be established for the payment of defaulted interest; and

(b) interest payable at maturity, redemption or repayment will be payable to the person to whom principal shall be payable.

Unless otherwise specified in the applicable Pricing Supplement:

(a) for Fixed Rate Notes, the Interest Payment Dates and any Regular Record Dates shall be as described below under "—Fixed Rate Notes"; and

(b) for Floating Rate Notes:

  (i) the Interest Payment Dates shall be as indicated in the applicable Pricing Supplement and in such Note; and

  (ii) any Regular Record Date will be the Business Day next preceding each Interest Payment Date.

"LIBOR" means the London Inter-bank Offered Rate for deposits in a specified currency.

"Spread" means the number of basis points expressed as a percentage (one basis point equals one-hundredth of a percentage point) that the calculation agent will add or subtract from the related Interest Rate Basis or Bases applicable to a Floating Rate Note.

"Spread Multiplier" means the percentage of the related Interest Rate Basis or Bases applicable to a Floating Rate Note by which the calculation agent will multiply such Interest Rate Basis or Bases to determine the applicable interest rate on such Floating Rate Note.

Fixed Rate Notes

General. Each Fixed Rate Note will bear interest at the annual rate specified in the Note and in the applicable Pricing Supplement (the "Fixed Rate of Interest"). Interest on the Fixed Rate Notes will be paid on the dates specified in the applicable Pricing Supplement (each, a "Fixed Interest Payment Date"). The Regular Record Dates for Fixed Rate Notes in registered form will be on the dates specified in the applicable Pricing Supplement. In the event that any Fixed Interest Payment Date or Maturity Date for any Fixed Rate Note is not a Business Day, interest on such Fixed Rate Note will be paid on the next succeeding Business Day without additional interest. If interest is required to be calculated for a period other than a Fixed Interest Period (as defined below), such interest shall be calculated by applying the Fixed Rate of Interest to each specified denomination of the Notes of such Series, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards, or otherwise in accordance with applicable market convention.

Day Count Fraction. "Fixed Day Count Fraction" means:

(1) in the case of Notes denominated in a currency other than U.S. dollars, "Actual/Actual (ICMA)," meaning:

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Fixed Interest Payment Date (or, if none, the interest commencement date (the "Interest Commencement Date") (as specified in the applicable Pricing Supplement)) to (but excluding) the relevant payment date (the "Calculation Period") is equal to or shorter than the Determination Period (as defined below) during which the Calculation Period ends, the number of days in such Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of determination dates (each, a "Determination Date") (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(b) in the case of Notes where the Calculation Period is longer than the Determination Period during which the Calculation Period ends, the sum of:

(i) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and

(ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) in the case of Notes denominated in U.S. dollars "30/360," meaning the number of days in the period from and including the most recent Fixed Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Pricing Supplement)) to but excluding the relevant payment date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

Where:

"Determination Period" means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date (as specified in the applicable Pricing Supplement) or the final Fixed Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

"Fixed Interest Period" means the period from (and including) a Fixed Interest Payment Date (or, if none, the Interest Commencement Date (as specified in the applicable Pricing Supplement)) to (but excluding) the next (or first) Fixed Interest Payment Date.

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

Floating Rate Notes

General. Floating Rate Notes generally will be issued as described below. Each applicable Pricing Supplement will specify the following terms with respect to which such Floating Rate Note is being delivered:

(a) whether such Floating Rate Note is a Regular Floating Rate Note, a Floating Rate/Fixed Rate Note or an Inverse Floating Rate Note, each as defined below;

(b) the Interest Rate Basis or Bases, Initial Interest Rate, Interest Reset Dates, Interest Reset Period, Regular Record Dates (if any) and Interest Payment Dates;

(c) the Index Maturity;

(d) the Spread and/or Spread Multiplier, if any;

(e) the maximum interest rate and minimum interest rate, if any (provided that if no minimum interest rate is specified or if the Pricing Supplement indicate that the minimum interest rate is "not applicable," then the minimum interest rate shall be zero); and

(f) the Designated LIBOR Currency, if one or more of the specified Interest Rate Bases is LIBOR.

The Issuer may change the Spread, Spread Multiplier, Index Maturity and other variable terms of the Floating Rate Notes from time to time. However, no such change will affect any Floating Rate Note previously issued or as to which an offer has been accepted by the Issuer.

The interest rate in effect on each day shall be:

(a) if such day is an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding such Interest Reset Date; or

(b) if such day is not an Interest Reset Date, the interest rate determined on the Interest Determination Date immediately preceding the next preceding Interest Reset Date.

Regular Floating Rate Note; Floating Rate/Fixed Rate Note; Inverse Floating Rate Note

The Interest Rate Basis applicable to each Regular Floating Rate Note, Floating Rate/Fixed Rate Note and Inverse Floating Rate Note may be subject to a Spread or Spread Multiplier, provided that the interest rate on an Inverse Floating Rate Note will not be less than zero.

Regular Floating Rate Note. A Regular Floating Rate Note will bear interest at the rate determined by reference to the applicable Interest Rate Basis. The rate at which interest shall be payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

(a) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate; and

the interest rate in effect for the 10 calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Pricing Supplement.

Floating Rate/Fixed Rate Note. A Floating Rate/Fixed Rate Note will initially bear interest at the rate determined by reference to the applicable Interest Rate Basis. The rate at which interest shall be payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

(a) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate;

(b) the interest rate in effect for the 10 calendar days immediately prior to the fixed rate commencement date shall be that in effect on the tenth calendar day preceding the fixed rate commencement date, unless otherwise specified in the applicable Pricing Supplement; and

(c) the interest rate in effect commencing on, and including, the fixed rate commencement date to the Maturity Date shall be the Fixed Interest Rate, if such rate is specified in the applicable Pricing Supplement, or if no such Fixed Interest Rate is so specified and the Floating Rate/Fixed Rate Note is still outstanding on such day, the interest rate in effect thereon on the day immediately preceding the fixed rate commencement date.

Inverse Floating Rate Note. An Inverse Floating Rate Note will bear interest equal to the Fixed Interest Rate specified in the related Pricing Supplement minus the rate determined by reference to the Interest Rate Basis. The rate at which interest is payable shall be reset as of each Interest Reset Date commencing on the Initial Interest Reset Date. However:

(a) the interest rate in effect for the period from the Original Issue Date to the Initial Interest Reset Date will be the Initial Interest Rate; and

(b) the interest rate in effect for the ten calendar days immediately prior to a Maturity Date shall be that in effect on the tenth calendar day preceding such Maturity Date, unless otherwise specified in the applicable Pricing Supplement.

Interest Rate Bases

Each Floating Rate Note will have one or more of the following interest rate bases, as specified in the Pricing Supplement:

(a) the CD Rate;

(b) the Commercial Paper Rate;

(c) the Eleventh District Cost of Funds Rate;

(d) the Federal Funds Rate;

(e) LIBOR;

(f) EURIBOR;

(g) the Treasury Rate;

(h) the Prime Rate; or

(i) the lowest of two or more Interest Rate Bases.

Date of Interest Rate Change

The interest rate on each Floating Rate Note may be reset daily, weekly, monthly, quarterly, semi-annually or annually, as specified in the applicable Pricing Supplement (this period is the "Interest Reset Period" and the first day of each Interest Reset Period is the "Interest Reset Date").

If an Interest Reset Date for any Floating Rate Note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that if that Business Day is in the next calendar month, the Interest Reset Date will be the immediately preceding Business Day.

How Interest Is Calculated

General. The Issuer will appoint a calculation agent to calculate interest rates on the Floating Rate Notes. Unless otherwise specified in the applicable Pricing Supplement, Bank of America, National Association, will be the calculation agent for each Series of Floating Rate Notes. Floating Rate Notes will accrue interest from and including the original issue date or the last date to which the Issuer has paid or provided for interest, to but excluding the applicable Interest Payment Date, as described below, or the Maturity Date, as the case may be. However, in the case of Registered Notes that are Floating Rate Notes on which the interest rate is reset daily or weekly, each interest payment will include interest accrued from and including the date of issue or from but excluding the last Regular Record Date on which, unless otherwise specified in the applicable Pricing Supplement, interest has been paid, through and including the Regular Record Date next preceding the applicable Interest Payment Date, and provided further that the interest payments on Floating Rate Notes made on the Maturity Date will include interest accrued to but excluding such Maturity Date.

Day Count Fraction. The amount of interest (the "Interest Amount") payable on any Series of Floating Rate Notes shall be calculated with respect to each specified denomination of such Floating Rate Notes of such Series for the relevant Interest Reset Period. Each Interest Amount shall be calculated by applying the relevant Interest Rate Basis, Spread and/or Spread Multiplier to each specified denomination and multiplying such sum by the applicable Floating Day Count Fraction.

"Floating Day Count Fraction" means, in respect of the calculation of the Interest Amount for any Interest Reset Period:

if "Actual/Actual" or "Actual/Actual (ISDA)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 365 (or, if any portion of that Interest Reset Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Reset Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Reset Period falling in a non-leap year divided by 365);

(a) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 365;

(b) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Reset Period divided by 360;

(c) if "30/360," "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Reset Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(a) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Reset Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless such number would be 31, in which case D2 will be 30; and

(a) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Reset Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Reset Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Reset Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Reset Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Reset Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Reset Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

Unless otherwise specified in the applicable Pricing Supplement, the Day Count Fraction in respect of the calculation of the Interest Amount on any Floating Rate Note will (a) in the case of a Note denominated in U.S. dollars, be Actual/360 or (b) in the case of a Note denominated in any other Specified Currency, be Actual/Actual. Notes for which the interest rate may be calculated with reference to two or more Interest Rate Bases will be calculated in each period by selecting one such Interest Rate Basis for such period. For these calculations, the interest rate in effect on any Interest Reset Date will be the new reset rate.

The calculation agent will round all percentages resulting from any calculation of the rate of interest on a Floating Rate Note, to the nearest 1/100,000 of 1% (0.0000001), with five one-millionths of a percentage point rounded upward (e.g. 9.876545% (or 0.09876545) would be rounded to 9.87655% (or 0.0987655)) and the calculation agent will round all currency amounts used in or resulting from any calculation to the nearest one-hundredth of a unit (with 0.005 of a unit being rounded upward).

The calculation agent will promptly, and no later than the fourth Business Day, notify the Fiscal Agent and the Issuer of each determination of the interest rate. The calculation agent will also notify the relevant stock exchange, competent authority and/or market (in the case of Notes that are listed or admitted to trading on or by a stock exchange, competent authority and/or market) and the relevant Paying Agents of the interest rate, the interest amount, the interest period and the Interest Payment Date related to each Interest Reset Date as soon as such information is available, and no later than the first Business Day of the interest period. The relevant Paying Agents will make such information available to the holders of Notes. The Fiscal Agent will, upon the request of the holder of any Floating Rate Note, provide the interest rate then in effect and, if determined, the interest rate which will become effective as a result of a determination made with respect to the most recent Interest Determination Date relating to such Note.

So long as any Notes are listed on or by any exchange, competent authority and/or market and the rules of such exchange(s), competent authority(ies) and/or market(s) so require, the Issuer shall maintain a calculation agent for the Notes, and the Issuer will notify the holders of its Notes in the manner specified under "Notices" below in the event that the Issuer appoints a calculation agent with respect to such Notes other than the calculation agent designated as such in the applicable Pricing Supplement.

When Interest Is Paid

The Issuer will pay interest on Floating Rate Notes on the dates specified in the applicable Pricing Supplement. Each such date upon which the Issuer is required to pay interest is an "Interest Payment Date." The Issuer will also pay interest on the relevant Floating Rate Notes at the Maturity Date.

If an Interest Payment Date (other than the Maturity Date) for a Floating Rate Note falls on a day that is not a Business Day, the Issuer will postpone payment of interest to the following Business Day at which time the Issuer will pay additional interest that has accrued up to but excluding such following Business Day, except that if that Business Day would fall in the next calendar month, the Interest Payment Date will be the immediately preceding Business Day.

If the Maturity Date for a Floating Rate Note falls on a day that is not a Business Day, the Issuer will make the payment on the next Business Day, without additional interest.

Date of Interest Rate Determination

The interest rate for each Interest Reset Period commencing on the Interest Reset Date will be the rate determined on the relevant Interest Determination Date for such Interest Reset Date for the relevant type of Floating Rate Note, as set forth in the applicable Pricing Supplement.

Types of Floating Rate Notes

CD Rate Notes

Each CD Rate Note will bear interest at a specified rate that will be reset periodically based on the CD Rate and any Spread and/or Spread Multiplier.

"CD Rate" means, with respect to any Interest Determination Date, the rate on that Interest Determination Date for negotiable certificates of deposit having the specified Index Maturity as published in H.15(519) under the heading "CDs (secondary market)."

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not published in H.15(519) prior to 3:00 p.m., New York City time, on the Interest Determination Date, then the CD Rate will be the rate for negotiable certificates of deposit having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "CDs (secondary market)."

(b) If the rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the CD Rate will be the average of the secondary market offered rates, as of 10:00 a.m., New York City time, of three leading non-bank dealers of negotiable U.S. dollar certificates of deposit in The City of New York selected by the calculation agent for negotiable certificates of deposit of major money market banks with a remaining maturity closest to the specified Index Maturity in a denomination of U.S.$5,000,000.

(c) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

"H.15(519)" means the publication entitled "Statistical Release H.15(519), Selected Interest Rates," or any successor publication published by the Board of Governors of the United States Federal Reserve System.

"H.15 Daily Update" means the daily update of H.15(519), available through the world-wide web site of the Board of Governors of the United States Federal Reserve System at http://www.federalreserve.gov/releases/H15, or any successor service.

Commercial Paper Rate Notes

Each Commercial Paper Rate Note will bear interest at a specified rate that will be reset periodically based on the Commercial Paper Rate and any Spread and/or Spread Multiplier.

"Commercial Paper Rate" means, with respect to any Interest Determination Date, the Money Market Yield of the rate on that Interest Determination Date for commercial paper having the specified Index Maturity as published in H.15(519) under the heading "Commercial Paper Nonfinancial."

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not published in H.15(519) prior to 3:00 p.m., New York City time, on the Interest Determination Date, then the Commercial Paper Rate will be the Money Market Yield of the rate for commercial paper having the specified Index Maturity as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Commercial Paper Nonfinancial."

(b) If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the Commercial Paper Rate will be the Money Market Yield of the average for the offered rates, as of 11:00 a.m., New York City time, on that Interest Determination Date, of three leading dealers of commercial paper in The City of New York selected by the calculation agent for commercial paper having the specified Index Maturity placed for an industrial issuer whose bond rating is "AA," or the equivalent, by a nationally recognized rating agency.

(c) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

"Money Market Yield" means a yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the period for which interest is being calculated.

Eleventh District Cost of Funds Rate Notes

Each Eleventh District Cost of Funds Rate Note will bear interest at a specified rate that will be reset periodically based on the Eleventh District Cost of Funds Rate and any Spread and/or Spread Multiplier.

"Eleventh District Cost of Funds Rate" means, with respect to any Interest Determination Date, the rate equal to the monthly weighted average cost of funds for the calendar month preceding such Interest Determination Date as set forth under the caption "11th District" on Reuters Screen COFI/ARMS (or such other page as is specified in the applicable Pricing Supplement) as of 11:00 a.m. San Francisco time, on such Interest Determination Date.

The following procedures will apply if the rate cannot be set as described above:

(a) If such rate does not appear on Reuters Screen COFI/ARMS, the Eleventh District Cost of Funds Rate shall be the monthly weighted average cost of funds paid by member institutions of the Eleventh Federal Home Loan Bank District that was most recently announced by the Federal Home Loan Bank of San Francisco as such cost of funds for the calendar month preceding the date of such announcement.

(b) If the Federal Home Loan Bank of San Francisco fails to announce such rate for the calendar month next preceding such Interest Determination Date, then the Eleventh District Cost of Funds Rate will be the same as the rate used in the prior interest period.

Federal Funds Rate Notes

Each Federal Funds Rate Note will bear interest at a specified rate that will be reset periodically based on the Federal Funds Rate and any Spread and/or Spread Multiplier.

"Federal Funds Rate" means, with respect to any Interest Determination Date unless otherwise specified in any applicable Pricing Supplement, the rate on specified dates for federal funds published in H.15(519) prior to 11:00 a.m., New York City time, under the heading "Federal Funds Effective," as such rate is displayed on Reuters Screen FEDFUNDS1 Page (or any such other page as specified in the applicable Pricing Supplement).

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate does not appear on Reuters Screen FEDFUNDS1 Page (or any other pages as may replace such pages on such service) or is not published in H.15(519) prior to 11:00 a.m., New York City time, on the Interest Determination Date, then the Federal Funds Rate will be the rate on such Interest Determination Date published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "Federal Funds (Effective)."

(b) If the rate does not appear on Reuters Screen FEDFUNDS1 Page (or any other pages as may replace such pages on such service) or is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, the Federal Funds Rate will be the average of the rates, as of 11:00 a.m., New York City time, on that Interest Determination Date, for the last transaction in overnight federal funds arranged by three leading brokers of federal funds transactions in The City of New York selected by the calculation agent.

(c) If fewer than three brokers are providing quotes, the rate will be the same as the rate used in the prior interest period.

LIBOR Notes

Each LIBOR Note will bear interest at a specified rate that will be reset periodically based on LIBOR and any Spread and/or Spread Multiplier.

The calculation agent will determine LIBOR on each Interest Determination Date as follows:

(a) With respect to any Interest Determination Date, LIBOR will be generally determined as either:

(i) If at least two offered rates appear on the Designated LIBOR Page, the average of the offered rates for deposits in the Designated LIBOR Currency having the specified Index Maturity beginning on the relevant Interest Reset Date, that appear on the Designated LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date; or

(ii) If fewer than two offered rates appear on the Designated LIBOR Page, the rate for deposits in the London interbank market in the Designated LIBOR Currency having the specified Index Maturity beginning on the relevant Interest Reset Date, that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date.

(iii) If no rate appears on the Designated LIBOR Page, LIBOR for that Interest Determination Date will be determined based on the rates on that Interest Determination Date at approximately 11:00 a.m., London time, at which deposits on that date in the Designated LIBOR Currency for the period of the specified Index Maturity beginning on the relevant Interest Reset Date are offered to prime banks in the London interbank market by four major banks (one of which may be an affiliate of the calculation agent) in that market selected by the calculation agent and in a Representative Amount. The calculation agent will request the principal London office of each of these banks to quote its rate. If the calculation agent receives at least two quotations, LIBOR will be the average of those quotations.

If the calculation agent receives fewer than two quotations, LIBOR will be the average of the rates quoted at approximately 11:00 a.m., New York City time, on the Interest Determination Date by three major banks (one of which may be an affiliate of the calculation agent) in the principal financial center selected by the calculation agent. The rates will be for loans in the Designated LIBOR Currency to leading European banks having the specified Index Maturity beginning on the relevant Interest Reset Date and in a Representative Amount.

If fewer than three banks provide quotes, the rate will be the same as the rate used in the prior interest period.

Notwithstanding the foregoing, if the Issuer, in its sole discretion, or the calculation agent, in its sole discretion, determine on or prior to an Interest Determination Date that LIBOR has been permanently discontinued and the Issuer or the calculation agent have notified the other of such determination, the calculation agent will use, as a substitute for LIBOR (the “Alternative Rate”) for that Interest Determination Date and each Interest Determination Date thereafter, the reference rate selected as an alternative to LIBOR by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) in the jurisdiction of the currency in which the LIBOR Notes are denominated and that is consistent with accepted market practice regarding the selection and use of a substitute for LIBOR. As part of such substitution, the calculation agent will, after consultation with the Issuer, make such adjustments ("Adjustments") to the Alternative Rate or the spread thereon, as well as the business day convention, Interest Determination Dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such Alternative Rate for the LIBOR Notes. If the calculation agent determines, following consultation with the Issuer, that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage, the Issuer may appoint, in its sole discretion, a new calculation agent, which may be the Issuer's affiliate, to determine the Alternative Rate and make any Adjustments thereto, and the determinations of such calculation agent will be binding on the Issuer, the trustee and the holders of the LIBOR Notes. If, however, the calculation agent or new calculation agent determines that LIBOR has been discontinued, but for any reason an Alternative Rate has not been determined, LIBOR will be equal to such rate as the rate in effect for the LIBOR Notes on such Interest Determination Date.

"Designated LIBOR Currency" means the currency (including composite currencies and euro) specified in the Pricing Supplement as to which LIBOR shall be calculated. If no such currency is specified in the Pricing Supplement, the Designated LIBOR Currency shall be U.S. dollars.

"Designated LIBOR Page" means Capital Markets Report Screen LIBOR01 of Reuters, or any other page as may replace such page on such service.

EURIBOR Notes

Each EURIBOR Note will bear interest at a specified rate that will be reset periodically based on EURIBOR and any Spread and/or Spread Multiplier.

"EURIBOR" means the European Interbank Offered Rate and, with respect to each Interest Determination Date, the rate for deposits in euro having the Index Maturity beginning on the relevant Interest Reset Date that appears on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on that Interest Determination Date.

The following procedures will apply if the rate cannot be set as described above:

(a) If such rate does not appear on the Designated EURIBOR Page as of 11:00 a.m., Brussels time, on the related Interest Determination Date, then the calculation agent will request the principal offices of four major banks (one of which may be an affiliate of the calculation agent) in the euro-zone selected by the calculation agent to provide such bank's offered quotation to prime banks in the euro-zone interbank market for deposits in euro having the Index Maturity beginning on the relevant Interest Reset Date as of 11:00 a.m., Brussels time, on such Interest Determination Date and in a Representative Amount. If at least two quotations are provided, EURIBOR for that date will be the average (if necessary rounded upwards) of the quotations.

(b) If fewer than two quotations are provided, EURIBOR will be the average (if necessary rounded upwards) of the rates quoted by major banks (which may include an affiliate of the calculation agent) in the euro-zone, selected by the calculation agent, at approximately 11:00 a.m., Brussels time, on the Interest Determination Date for loans in euro to leading European banks for a period of time corresponding to the Index Maturity beginning on the relevant Interest Reset Date and in a Representative Amount.

(c) If no rates are quoted by major banks, the rate will be the same as the rate used for the prior interest period.

"Designated EURIBOR Page" means Capital Markets Report Screen EURIBOR01 of Reuters, or any other page as may replace such page on such service.

Treasury Rate Notes

Each Treasury Rate Note will bear interest at a specified rate that will be revised periodically based on the Treasury Rate and any Spread and/or Spread Multiplier.

"Treasury Rate" means, with respect to any Interest Determination Date, the rate for the most recent auction of direct obligations of the United States ("Treasury bills") having the specified Index Maturity as it appears under the caption "INVEST RATE" on either Reuters Screen USAUCTION10 Page or Reuters Screen USAUCTION11 Page (or any other pages as may replace such pages on such service).

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not so published by 3:00 p.m., New York City time, on the Interest Determination Date, the rate will be the auction average rate for such Treasury bills (expressed as a bond equivalent, on the basis of a year of 365 or 366 days as applicable, and applied on a daily basis) for such auction as otherwise announced by the U.S. Department of the Treasury.

(b) If the results of the auction of Treasury bills are not so published by 3:00 p.m., New York City time, on the Interest Determination Date, or if no such auction is held, the Treasury Rate will be the rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) on such Interest Determination Date of such Treasury bills having the specified Index Maturity as published in H.15(519) under the caption "U.S. Government Securities/Treasury Bills/Auction high."

(c) If such rate is not so published in H.15(519) by 3:00 p.m., New York City time, on the related Interest Determination Date, the rate on such Interest Determination Date of such Treasury bills will be as published in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate, under the caption "U.S. Government Securities/Treasury Bills/Auction high."

(d) If such rate is not yet published in H.15(519), H.15 Daily Update or another recognized electronic source, then the Treasury Rate will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the average of the secondary market bid rates as of approximately 3:30 p.m., New York City time, on the Interest Determination Date, of three leading primary U.S. government securities dealers in The City of New York selected by the calculation agent for the issue of Treasury bills with a remaining maturity closest to the specified Index Maturity.

(e) If fewer than three dealers are providing quotes, the rate will be the same as the rate used in the prior interest period.

Prime Rate Notes

Each Prime Rate Note will bear interest at a specified rate that will be reset periodically based on the Prime Rate and any Spread and/or Spread Multiplier.

"Prime Rate" means, with respect to any Interest Determination Date, unless otherwise specified in any applicable Pricing Supplement, the rate set forth on that Interest Determination Date in H.15(519) under the heading "Bank Prime Loan."

The following procedures will apply if the rate cannot be set as described above:

(a) If the rate is not published in H.15(519) by 3:00 p.m., New York City time, on the Interest Determination Date, then the Prime Rate will be the rate as published on such Interest Determination Date in H.15 Daily Update, or such other recognized electronic source used for the purpose of displaying such rate under the caption "Bank Prime Loan."

(b) If the rate is not published in H.15(519), H.15 Daily Update or another recognized electronic source by 3:00 p.m., New York City time, on the Interest Determination Date, then the Prime Rate will be the average (rounded upwards, if necessary, to the next higher one-hundred thousandth of a percentage point) of the rates publicly announced by each bank on the Reuters Screen USPRIME1 Page as its prime rate or base lending rate for that Interest Determination Date.

(c) If fewer than four, but more than one, rates appear on the Reuters Screen USPRIME1 Page, the Prime Rate will be the average of the prime rates (quoted on the basis of the actual number of days in the year divided by a 360-day year) as of the close of business on the Interest Determination Date by four major money center banks in The City of New York selected by the calculation agent.

(d) If fewer than two rates appear, the Prime Rate will be determined based on the rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any State thereof, having total equity capital of at least U.S.$500 million and being subject to supervision or examination by a Federal or State authority, as selected by the calculation agent.

(e) If no banks are providing quotes, the rate will be the same as the rate used for the prior interest period.

Effect of Benchmark Transition Event

(a) *Benchmark Replacement*. If the Issuer or its designee determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then current Benchmark for all purposes relating to the Notes in respect of such determination on such date and all determinations on all subsequent dates.

(b) *Benchmark Replacement Conforming Changes*. In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time.

(c) *Decisions and Determinations*. Any determination, decision or election that may be made by the Issuer or its designee pursuant to this section titled "Effect of Benchmark Transition Event," including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error, may be made in the Issuer's or its designee's sole discretion, and, notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from any other party.

"Benchmark" means, initially, LIBOR; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement.

"Benchmark Replacement" means the Interpolated Benchmark; provided that if the Issuer or its designee cannot determine the Interpolated Benchmark as of the Benchmark Replacement Date, then "Benchmark Replacement" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(1) the sum of: (a) Term SOFR and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark for the applicable Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

(4) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment;

(5) the sum of: (a) the alternate rate of interest that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar denominated floating rate notes at such time and (b) the Benchmark Replacement Adjustment.

"Benchmark Replacement Adjustment" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(1) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment;

(3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar denominated floating rate notes at such time.

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Interest Period," timing and frequency of determining rates and making payments of interest, changes to the definition of "Corresponding Tenor" solely when such tenor is longer than the Interest Period and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary).

"Benchmark Replacement Date" means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Compounded SOFR" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which will be compounded in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Issuer or its designee in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

(2) if, and to the extent that, the Issuer or its designee determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and

conventions for this rate that have been selected by the Issuer or its designee giving due consideration to any industry-accepted market practice for U.S. dollar denominated floating rate notes at such time.

“Corresponding Tenor” with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the then-current Benchmark.

“Federal Reserve Bank of New York’s Website” means the website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source.

“Interpolated Benchmark” with respect to the Benchmark means the rate determined for the Corresponding Tenor by interpolating on a linear basis between: (1) the Benchmark for the longest period (for which the Benchmark is available) that is shorter than the Corresponding Tenor and (2) the Benchmark for the shortest period (for which the Benchmark is available) that is longer than the Corresponding Tenor.

“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

“ISDA Fallback Adjustment” means the spread adjustment, (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark for the applicable tenor.

“ISDA Fallback Rate” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

“Reference Time” with respect to any determination of the Benchmark means (1) if the Benchmark is LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such determination, and (2) if the Benchmark is not LIBOR, the time determined by the Issuer or its designee in accordance with the Benchmark Replacement Conforming Changes.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York’s Website.

“Term SOFR” means the forward-looking term rate for the applicable Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

Additional Notes

The Issuer may issue Notes from time to time having terms identical to a prior Tranche of Notes but for the original issue date and the public offering price ("Additional Notes"). Any such Additional Notes that are Regulation S Global Notes will be issued in the form of a temporary global Note which will be exchangeable for a beneficial interest in a permanent global Note on or after the Exchange Date specified in the applicable Pricing Supplement relating to such Additional Notes. Additional Notes may be issued prior to or after the Exchange Date relating to such prior Tranche of Notes of the same Series. In the event Additional Notes are issued prior to the Exchange Date for the prior Tranche, the Exchange Date relating to such prior Tranche shall be moved to a date not earlier than 40 calendar days after the original issue date of the related Additional Notes; provided, however, in no event shall the Exchange Date for a Tranche of Notes be extended to a date more than 160 calendar days after the date such Tranche was issued. Once any Additional Notes have been issued, whether Regulation S Global Notes or Rule 144A Global Notes, such Additional Notes together with each prior and subsequent Tranche of Notes of the same Series, shall constitute one and the same Series of Notes for all purposes; provided, however, that in the case of Regulation S Global Notes, or Notes to which the TEFRA D Rules apply, such consolidation of Additional Notes issued after the Exchange Date will occur only following the exchange of interests in the temporary global Note for interests in the permanent global Note upon receipt of certificates described below; and provided further that if the Additional Notes are not fungible with the earlier Notes for United States federal income tax purposes, the Additional Notes will have a separate CUSIP number. The Pricing Supplement relating to any Additional Notes will set forth matters related to the issuance, exchange and transfer of Additional Notes, including identifying the prior Tranche of Notes, their original issue date and aggregate principal amount. Any Additional Notes that are Bearer Notes will be subject to the same restrictions as are set forth under "—Forms of Notes—Bearer Notes" above.

Covenants

The Issuer has agreed to restrictions on its activities for the benefit of holders of each Series of Notes. The following restrictions will apply separately to each Series of Notes:

Consolidation, Merger, Sale or Conveyance

The Issuer may not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any person, unless:

(i) the corporation formed by such consolidation or into which the Issuer is merged or the person which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a corporation organized and existing under the laws of the Republic of Chile and shall expressly assume, by a supplemental agreement, executed and delivered to the Fiscal and Paying Agent, in form satisfactory to the Fiscal and Paying Agent, the due and punctual payment of the principal of (and premium, if any) and interest on all the outstanding Notes and the performance of every covenant of the Fiscal Agency Agreement on the part of the Issuer to be performed or observed;

(ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both would become an Event of Default, shall have happened and be continuing; and

(iii) the Issuer shall have delivered to the Fiscal Agent an officers' certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and such supplemental Fiscal Agency Agreement comply with the foregoing provisions relating to such transaction and all conditions precedent in the Fiscal Agency Agreement relating to such a transaction have been complied with.

In case of any such consolidation, merger, conveyance or transfer such successor corporation will succeed to and be substituted for the Issuer as obligor on each Series of Notes with the same effect as if it had issued such Series of Notes. Upon the assumption of its obligations by any such successor corporation in such circumstances subject to certain exceptions, the Issuer will be discharged from all obligations under the Notes and the Fiscal Agency Agreement.

Rule 144A Information

For so long as any of the Notes of a Series remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, and to the extent the Issuer is not subject to the reporting requirements of Sections 13 or 15(d) of the Exchange Act or exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Issuer shall furnish, upon the request of any holder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (i) to such holder or (ii) to a prospective purchaser of such Note (or beneficial interests therein) who is a QIB designated by such holder, in each case in order to permit compliance by such holder with Rule 144A in connection with the resale of such Notes (or beneficial interest therein) in reliance upon Rule 144A. All such information shall be in the English language.

Events of Default

An "Event of Default," with respect to each Series of Notes is defined in the Fiscal Agency Agreement as:

(i) The Issuer's default in the payment of any principal of any of the Notes of such Series (including Additional Amounts), when due and payable, whether at maturity or otherwise; or

(ii) The Issuer's default in the payment of any interest or any Additional Amounts when due and payable on any of the Notes of such Series and the continuance of such default for a period of 30 days; or

(iii) The Issuer's default in the performance or observance of any other term, covenant, warranty, or obligation in respect of the Notes of such Series or the Fiscal Agency Agreement, not otherwise expressly defined as an Event of Default in (i) or (ii) above, and the continuance of such default for more than 60 days after written notice of such default has been given to the Issuer by the Fiscal and Paying Agent on behalf of the Noteholders, or the holders of at least 25% in aggregate principal amount of the Notes of such Series outstanding specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default"; or

(iv) if any of the Issuer's Indebtedness (as defined below) or that of its subsidiaries becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or any of its subsidiaries fails to make any payment in respect of any Indebtedness on the due date for such payment or within any originally applicable grace period or any security given by the Issuer or any of its subsidiaries for any Indebtedness becomes enforceable and steps are taken to enforce the same or if the Issuer or any of its subsidiaries default in making any payment when due (or within any originally applicable grace period in respect thereof) under any guarantee and/or indemnity given by the Issuer or such subsidiary (as the case may be) in relation to any Indebtedness of any other person, provided that no such event as aforesaid shall constitute an Event of Default unless such Indebtedness either alone or when aggregated with other

Indebtedness in respect of which one or more of the events mentioned in this paragraph (iv) has occurred shall amount to at least U.S.$40,000,000 (or its equivalent in any other currency on the basis of the middle spot rate for any relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(v) the entry of an order for relief against the Issuer under any Bankruptcy Law by a court or regulatory entity having jurisdiction in the premises or a decree or order by a court or regulatory entity having jurisdiction in the premises adjudging the Issuer a bankrupt or insolvent under any other applicable law, or the entry of a decree or order approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuer under any Bankruptcy Law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official under any Bankruptcy Law, including a "síndico") of the Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(vi) the consent by the Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law, or the consent by it to the filing of any such petition or to the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official under any Bankruptcy Law, including a "síndico") of the Issuer or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer in furtherance of any such action.

The term "Bankruptcy Law" as used in this Section means (i) articles 120 et seq. of the Chilean Banking Law (D.F.L. 3 of 1997, as amended), (ii) the Chilean "Ley de Quiebras" (Law No. 20,720, as amended) or (iii) any other applicable law that amends, supplements or supersedes the Chilean Banking Law and/or the Ley de Quiebras, and any applicable bankruptcy, insolvency, reorganization or other similar law of any applicable jurisdiction.

For purposes of the above, "Indebtedness" means (a) any liability of such person (1) for borrowed money or under any reimbursement obligation relating to a letter of credit, financial bond or similar instrument or agreement, (2) evidenced by a bond, note, debenture or similar instrument or agreement (including a purchase money obligation) given in connection with the acquisition of any business, properties or assets of any kind (other than a trade payable or a current liability arising in the ordinary course of business or a performance bond or similar obligation) or (3) for the payment of money relating to any obligations under any capital lease of real or personal property; (b) any liability of others described in the preceding clause (a) that the person has guaranteed or that is otherwise its legal liability; and (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above. For the purpose of determining any particular amount of Indebtedness under this definition, guarantees of (or obligations with respect to letters of credit or financial bonds supporting) Indebtedness otherwise included in the determination of such amount shall also not be included.

The Fiscal Agency Agreement provides that if an Event of Default with respect to any Series of Notes described in paragraph (i), (ii), (iii) and (iv) above occurs and is continuing with respect to the Notes of any Series, then and in each and every such case, unless the principal of all the Notes of such Series shall have already become due and payable, the holders of not less than 25% in aggregate principal amount of the Notes of such Series then outstanding hereunder (each such Series acting as a separate class), by notice in writing to the Issuer and to the Fiscal Agent, may declare the principal amount of all the Notes of such Series then outstanding and all accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Fiscal Agency Agreement or in the Notes of such Series contained to the contrary notwithstanding. If an Event of Default described in paragraph (v) or (vi) of the above occurs and is continuing with respect to any Series of Notes, then the principal amount of the Notes of such Series then outstanding and all accrued interest thereon shall, without any notice to the Issuer or any other act on the part of the Fiscal Agent or any holder of the Notes, become and be immediately due and payable, anything in the Chilean Banking Law, the Fiscal Agency Agreement or in the Notes contained to the contrary notwithstanding.

At any time after such a declaration of acceleration has been made with respect to the Notes of such Series, the holders of a majority in aggregate principal amount of the outstanding Notes of such Series, by written notice to the Issuer and the Fiscal Agent, may rescind and annul such declaration and its consequences if: (1) the Issuer has paid or deposited with the Fiscal and Paying Agent a sum sufficient to pay: (i) all overdue installments of interest on the outstanding Notes of such Series, (ii) the principal of (and premium, if any, on) any outstanding Notes of such Series which have become due otherwise than by such declaration of acceleration, and interest thereon at the rate or rates prescribed therefor by the terms of the Notes of such Series, to the extent that payment of such interest is lawful, (iii) interest upon overdue installments of interest at the rate or rates prescribed therefor by the terms of the Notes of such Series, to the extent that payment of such interest is lawful, and all sums paid or advanced by the Fiscal and Paying Agent hereunder and the reasonable compensation, expenses, disbursements and advances of the Fiscal and Paying Agent, its agents and counsel and all other amounts due the Fiscal and Paying Agent under Section 11(a) of the Fiscal Agency Agreement; and (2) all Events of Default with respect to such Series of Notes, other than the nonpayment of the principal of the Notes of such Series which have become due solely by such acceleration, have been cured or waived. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Payment of Additional Amounts

The Issuer is required to make all payments in respect of each Series of Notes free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, fines, penalties, assessments or other governmental charges (or interest on those taxes, duties, fines, penalties, assessments or other governmental charges) (collectively, "Taxes") imposed, levied, collected, withheld or assessed by, within or on behalf of the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax), or any other jurisdiction from or through which the Issuer makes any payment under a Series of Notes (or any political subdivision or governmental authority thereof or therein having power to tax) (each, a "Relevant Taxing Jurisdiction") unless such withholding or deduction is required by law. In that event the Issuer will pay to the Holders of such Series of Notes, or the relevant Paying Agent, as the case may be, such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amounts received by the Holders of such Series of Notes or the relevant Paying Agent after such withholding or deduction shall not be less than the amounts of principal, interest and premium, if any, which would have been received in respect of such Series of Notes in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of any Note:

(i) in the case of payments for which presentation of such Note is required, presented for payment more than 30 days after the later of:

(a) the date on which such payment first became due, and

(b) if the full amount payable has not been received in the place of payment by the relevant Paying Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders by the relevant Paying Agent, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting such Note for payment on the last day of such period of 30 days;

(ii) held by or on behalf of a Holder who is liable for Taxes or other governmental charges imposed in respect of such Note by reason of such Holder having some present or former direct or indirect connection with the taxing jurisdiction imposing such tax, other than the mere holding of such Note or the receipt of payments or the enforcement of rights in respect thereto;

(iii) with respect to Taxes imposed on a payment to a Holder that would not have been imposed but for the failure of the Holder to comply with certification, information or other reporting requirements concerning the nationality, residence or identity of the Holder, if compliance is required by statute or by regulation of a Relevant Taxing Jurisdiction as a precondition to relief or exemption from such Taxes;

(iv) with respect to Taxes imposed under: (a) Sections 1471 to 1474 of the Code (including regulations and official guidance thereunder), (b) any successor version thereof that is substantially comparable and not materially more onerous to comply with, (c) any agreement entered into pursuant to Section 1471(b) of the Code or (d) any law, regulation, rule or practice implementing an intergovernmental agreement entered into in connection with the implementation of such Sections of the Code;

(v) in the case of payments for which presentation of such Note is required, with respect to Taxes that would not have been imposed but for the presentation of such Note in the Relevant Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(vi) with respect to any payment on a Note to a Holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of a Relevant Taxing Jurisdiction (or any political subdivision thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interestholder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder; or

(vii) any combination of (i) through (vi).

As used in this section, a “Holder” shall mean, (a) with respect to any Registered Note, the person in whose name at the time such Registered Note is registered on the Register or (b) with respect to any Bearer Note, the bearer thereof.

References to principal, interest, premium or other amounts payable in respect of any Series of Notes also refer to any Additional Amounts that may be payable. Refunds, if any, of taxes with respect to which the Issuer pays Additional Amounts are for the Issuer’s account.

Notwithstanding the foregoing, the limitations on the obligations of the Issuer to pay Additional Amounts set forth in clause (iii) will not apply if the provision of any certification, identification, information, documentation or other reporting requirement described in such clause (iii) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a note (taking into account any relevant differences between U.S. law, rules, regulations or administrative practice and the law, rules, regulations or administrative practice of the Relevant Taxing Jurisdiction) than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as Internal Revenue Service Forms W-8BEN and W-9).

Except as described in the Fiscal Agency Agreement, the Issuer will pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution, delivery or registration of each Series of Notes or any other document or instrument relating thereto.

Modification of Fiscal Agency Agreement and Notes

The Fiscal Agency Agreement may be amended by the Issuer and the Fiscal Agent, without the consent of the holder of any Note of a Series for the purposes, among others, of curing any ambiguity, or of correcting or supplementing any defective or inconsistent provisions contained therein or to effect any assumption of the Issuer's obligations thereunder and under the Notes of a Series under the circumstances described under "—Consolidation, Merger, Sale or Conveyance" above or in any other manner which the Issuer and the Fiscal Agent may deem necessary or desirable and which, in the sole determination of the Issuer, will not adversely affect the interests of the holders of Notes of a Series outstanding on the date of such amendment. Nothing in the Fiscal Agency Agreement prevents the Issuer and the Fiscal Agent from amending the Fiscal Agency Agreement in such a manner as to only have a prospective effect on Notes issued on or after the date of such amendment.

Modifications and amendments to the Fiscal Agency Agreement and, to the terms and conditions of the Notes of a Series may also be made, and future compliance therewith or past Events of Default by the Issuer may be waived, by holders of a majority in aggregate principal amount of the Notes of such Series (or, in each case, such lesser amount as shall have acted at a meeting of holders of such Notes, as described below), provided, however, that no such modification or amendment to the Fiscal Agency Agreement, or to the terms and conditions of the Notes of a Series may, without the consent of the holders of each Note of such Series affected thereby, among other things, (a) change the stated maturity of the principal of any Note of such Series or extend the time for payment of interest thereon; (b) reduce the principal amount of any Note of such Series or reduce the amount of interest payable thereon or the amount payable thereon in the event of redemption or acceleration (or in the case of OID Notes, change the amount that would be due and payable upon an acceleration thereof); (c) change the currency of payment of principal of or any other amounts payable on any Note of such Series; (d) impair the right to institute suit for the enforcement of any such payment on or with respect to any Note of such Series; (e) reduce the above-stated percentage of the principal amount of Notes of such Series, the consent of whose holders is necessary to modify or amend the Fiscal Agency Agreement, the terms and conditions of the Notes or reduce the percentage of Notes of such Series required for the taking of action or the quorum required at any such meeting of holders of Notes of such Series; or (f) modify the foregoing requirements to reduce the percentage of outstanding Notes of such Series necessary to waive any future compliance or past default. The persons entitled to vote a majority in principal amount of the Notes of a Series outstanding shall constitute a quorum at a meeting of Noteholders of such Series except as hereinafter provided. In the absence of such a quorum, a meeting of Noteholders called by the Issuer shall be adjourned for a period of not less than 10 days, and in the absence of a quorum at any such adjourned meeting, the meeting shall be further adjourned for another period of not less than 10 days, at which further adjourned meeting persons entitled to vote 25% in principal amount of Notes of a Series at the time outstanding shall constitute a quorum. Except for modifications or amendments in (a) to (f) above which require the consent of the holders of each Note of such series affected thereby, any modifications, amendments or waivers to the Fiscal Agency Agreement, the terms and conditions of the Notes of a

Series at a meeting of Noteholders require a favorable vote of holders of the lesser of (i) a majority in principal amount of the outstanding Notes of such Series or (ii) 75% of the principal amount of Notes of such Series represented and voting at the meeting. Any such modifications, amendments or waivers will be conclusive and binding on all holders of Notes of such Series, whether or not they have given such consent or were present at such meeting and whether or not notation of such modifications, amendments or waivers is made upon the Notes, and on all future holders of Notes of such Series. Any instruments given by or on behalf of any holder of a Note of a Series in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent holders of such Note.

Replacement of Notes and Coupons

Any Notes or coupons that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen will be replaced by the Issuer at the expense of the holder upon delivery of the Notes or coupons or satisfactory evidence of the destruction, loss or theft thereof to the Issuer and the Fiscal Agent. In each case, an indemnity satisfactory to the Issuer and the Fiscal Agent may be required at the expense of the holder of such Note or coupon before a replacement Note or coupon will be issued. For so long as the Notes are listed or admitted to trading on or by any other stock exchange, competent authority and/or market and the rules of such stock exchange(s), competent authority(ies) and/or market(s) so require, a noteholder shall be able to obtain a replacement Note or coupon at the offices of the paying agent located in each location required by the rules and regulations of such stock exchange(s), competent authority(ies) and/or market(s).

Applicable Law

The Fiscal Agency Agreement and the Notes will be governed by, and construed in accordance with, the laws of the State of New York; provided that the ranking and subordination of the Notes will be governed by, and construed in accordance with, Chilean law.

Notices

Notices by the Issuer

The Issuer shall ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed or by which they have been admitted to listing or any other relevant listing authority. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the date of the first such publication).

Notices to holders of Registered Notes will also be given by mailing such notices to each holder by first class mail, postage prepaid, at the respective address of each holder as that address appears upon the books of the relevant Registrar.

So long as no definitive Bearer Notes are in issue in respect of a particular Series, there may, so long as the global Note(s) for such Series is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, and/or another clearance system, as the case may be, and the Notes for such Series are not listed and/or admitted to trading on a stock exchange, competent authority and/or market, or if so listed or admitted to trading, for so long as the relevant stock exchange, competent authority and/or market so permits, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or such other clearance system for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or such other clearance system.

Notices by Noteholders

Notices to be given by a Noteholder shall be in writing and given by lodging the same, together with the related Note or Notes, with the Fiscal Agent. While any Notes are represented by a global Note, such notice may be given by a Noteholder to the Fiscal Agent via Euroclear, Clearstream, Luxembourg, and/or such other clearance system, as the case may be, in such manner as the Fiscal Agent and Euroclear, Clearstream, Luxembourg and/or such other clearance system may approve for this purpose.

Consent to Service

The Issuer has designated The Bank of Nova Scotia, New York Agency, presently located at 250 Vesey Street, New York, NY 10281, as authorized agent for service of process in any legal action or proceeding arising out of or relating to the Fiscal Agency Agreement or the Notes brought in any federal or state court in the Borough of Manhattan, the City of New York, State of New York.

Consent to Jurisdiction

(a) The Issuer irrevocably consents to the nonexclusive jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, New York, United States of America, and any appellate court from any thereof, and waives any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought by the Fiscal and Paying Agent or a holder in connection with the Fiscal Agency Agreement or the Notes. The Issuer irrevocably waives, to the fullest extent permitted by law, any objection to any suit, action or proceeding that may be brought in connection with the Fiscal Agency Agreement or the Notes in such courts on the grounds of venue or on the ground that any such suit, action or proceeding has been brought in an inconvenient forum. The Issuer agrees that final judgment in any such suit, action or proceeding brought in such court shall be conclusive and binding upon the Issuer and may be enforced in any court to the jurisdiction of which the Issuer is subject by a suit upon such judgment; provided that service of process is effected upon the Issuer in the manner provided by the Fiscal Agency Agreement. Notwithstanding the foregoing, any suit, action or proceeding brought in connection with the Fiscal Agency Agreement or the Notes against the Issuer may be instituted in any competent court in the Chile.

(b) The Issuer agrees that service of all writs, process and summonses in any suit, action or proceeding brought in connection with the Fiscal Agency Agreement or the Notes against the Issuer in any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, The City of New York, may be made upon The Bank of Nova Scotia, New York Agency, presently located at 250 Vesey Street, New York, NY 10281.

(c) Nothing in this Section shall affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any action or proceeding against any other party or its property in the courts of other jurisdictions.

Judgment Currency

The Issuer agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, on the Notes of any Series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which, in accordance with normal banking procedures, the Fiscal and Paying Agent could purchase the Required Currency with the Judgment Currency and (b) its obligations under the Fiscal Agency Agreement to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with subsection (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under the Fiscal Agency Agreement.

FORM OF PRICING SUPPLEMENT

Pricing Supplement No. [ ]
Dated [ ]

SCOTIABANK CHILE (the "Issuer")
ISSUE OF MEDIUM-TERM NOTES
[ ]% [Fixed Rate][Floating Rate] Notes Due [ ]
Series No.: [ ]

PART A CONTRACTUAL TERMS

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Details of any negative target market to be included if applicable*]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Details of any negative target market to be included if applicable]. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[BENCHMARKS REGULATION – Amounts payable under the Notes will be calculated by reference to [*specify benchmark* (as this term is defined in the Benchmarks Regulation)] which is provided by [*legal name of the benchmark administrator*]. As at the date of this Pricing Supplement, [*legal name of the benchmark administrator*] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of Regulation (EU) 2016/1011 (the "Benchmarks Regulation").

[As far as the Issuer is aware, [*specify benchmark* (as this term is defined in the Benchmarks Regulation)] [does not fall within the scope of the Benchmarks Regulation/the transitional provisions in Article 51 of the Benchmarks Regulation apply] such that [*legal name of the benchmark administrator*] is not currently required to obtain authorization or registration (or, if located outside the EU, recognition, endorsement or equivalence).]]

PROHIBITION OF SALES TO EEA – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC ("Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

[PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For the purposes of this provision: (a) the expression retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.]

[Singapore Securities and Futures Act Product Classification – The Notes are ["prescribed capital markets products"]/["capital markets products other than prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the offering circular dated May 21, 2021[, together with the supplement(s) thereto dated [*insert dates*]] ([collectively,] the "Offering Circular"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Pricing Supplement and the Offering Circular. [The Offering Circular has been, and this Pricing Supplement will be, published on the website of the SGX-ST (www.sgx.com).]

1. General Information:

(i)	Series Number:	[ ]
(ii)	Tranche Number:	[ ] (*if fungible with an existing Series, provide details of that Series, including the date on which the Notes become fungible*)
(iii)	Trade Date:	[ ]
(iv)	Settlement Date (Original Issue Date):	[ ]

(v)	Maturity Date:	[ ]
(vi)	Specified Currency:	[ ]
(vii)	Principal Amount (in Specified Currency):	[ ]
(viii)	Dealer's Discount or Commission:	[ ]
(ix)	Issue Price:	[ ]
(x)	Ranking:	[Senior][Subordinated]

2. Payment of Additional Amounts: [Applicable/Not applicable]

3. Authorization/Approval

(i)	Date Board approval for issuance of Notes obtained:	[ ] [Not applicable]

4. Fixed Rate Notes Only Interest Rate: [Applicable/Not applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i)	Fixed Interest Rate:	[ ]
(ii)	Interest Payment Period:	[Annual] [Semi-Annual] [Quarterly] [Monthly]
(iii)	Fixed Interest Payment Dates:	Each [ ], commencing [ ]
(iv)	Day Count Fraction:	[30/360] *[in the case of Notes denominated in U.S. dollars]* [Actual/Actual (ICMA)] *[in the case of Notes denominated in a currency other than U.S. dollars]*
(v)	Regular Record Dates (if any):	[The 15th calendar day prior to each Interest Payment Date] [The business day prior to each Interest Payment Date]
(vi)	Determination Dates:	[Each [ ]] [Not applicable] [relevant only to Registered Notes]
(vii)	Interest Commencement Date:	[ ] [Not applicable]

5. Floating Rate Notes Only Interest Rate: [Applicable/Not applicable] *(If not applicable, delete the remaining subparagraphs of this* *paragraph)*

(i)	Interest Calculation:	[Regular Floating Rate] [Floating Rate/Fixed Rate] [Inverse Floating Rate]
(ii)	Interest Rate Basis:	[CD Rate] [Commercial Paper Rate] [Eleventh District Cost of Funds Rate] [Federal Funds Rate] [LIBOR] [EURIBOR] [Treasury Rate] [Prime Rate]
(iii)	Spread (Plus or Minus):	[plus/minus [ ]%]
(iv)	Spread Multiplier:	[ ]
(v)	Index Maturity:	[ ] Months
(vi)	Designated LIBOR Currency:	[ ]
(vii)	Maximum Interest Rate:	[ ]
(viii)	Minimum Interest Rate:	[ ]
(ix)	Interest Payment Period:	[Daily/Monthly/Quarterly/Semi-annually]
(x)	Interest Payment Date:	Each [*list interest payment dates*]
(xi)	Initial Interest Rate Per Annum:	To be determined [ ] Business Days prior to the Original Issue Date based upon [interest rate basis plus/minus the spread amount]
(xii)	Interest Reset Periods and Dates:	[Daily/monthly/quarterly/semi-annually] on each Interest Payment Date
(xiii)	Interest Determination Date:	[ ] Business Days prior to each Interest Reset Date
(xiv)	Regular Record Dates (if any):	[The 15th calendar day prior to each Interest Payment Date] [The business day prior to each Interest Payment Date] [relevant only to Registered Notes] [Not applicable]
(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)]
(xvi)	Calculation Agent:	[Fiscal Agent] [Other][*if Other, insert name*]

6. Repayment and Redemption:

(i)	Issuer Optional Redemption	[Applicable/Not Applicable][if applicable,

	Date:	provide date]
(ii)	Noteholder Optional Redemption Date:	[Applicable/Not Applicable][if applicable, provide date]
(iii)	Redemption Price:	[ ]
(iv)	Make Whole Redemption:	[Applicable/Not applicable] [if applicable, specify agent calculating the Make Whole Amount] [if applicable, specify spread]
(v)	Calculation Agent:	[Applicable/Not Applicable] [Fiscal Agent] [Other]

7. Form of Notes:

(i)	Temporary global Note to permanent global Note	[Applicable/Not applicable][Bearer/Registered]
(ii)	Permanent global Note	[Applicable/Not applicable][Bearer/Registered]
(iii)	Bearer Note	[Applicable/Not applicable]
(iv)	Registered Notes	[Applicable/Not applicable]
(v)	New Global Note	[Applicable/Not applicable]
(i)	Exchange of temporary global Notes into definitive Bearer Notes:	[Not applicable][Specify Exchange Date]
(i)	Exchange of permanent global Notes into definitive Bearer Notes:	[Not applicable][Specify Exchange Date]
(i)	Exchange of definitive Bearer Notes into Registered Notes:	[Not applicable][Specify Exchange Date]
(ii)	Exchange of Registered Notes into Registered Notes in other authorized denominations:	[Not applicable][Specify Exchange Date]

8. U.S. Selling Restrictions:	[Rule 144A restrictions on transfers] and [Regulation S Compliance Category 2]; [TEFRA C/TEFRA D/TEFRA not applicable]
9. [Prohibition of Sales to EEA Retail Investors:]	[Applicable/Not Applicable]
10. [Prohibition of Sales to United Kingdom Retail Investors:]	[Applicable/Not Applicable]

11. Distribution:	[Rule 144A/Regulation S][Regulation S only]
12. Denominations:	The Notes will be available in denominations of [ ] and integral multiples of [ ] in excess thereof.
13. Managers:	
(i) The Notes are being purchased[, on a several and not joint basis,] by the following financial institutions (each a "Manager" and collectively, the "Managers") in the respective amounts set forth next to the name of each Manager pursuant to a Terms Agreement between Issuer and the Managers dated [ ], executed under the Dealer Agreement. To the extent that any of the Managers are not named as Dealers in the Dealer Agreement, Scotiabank Chile has appointed them as Dealers thereunder for this transaction pursuant to the relevant Terms Agreement.	[ ]: [ ](*list all Managers (legal names)*) (*list amount*) Total: [ ]
(ii) Stabilizing manager(s)	[ ][Not applicable]

Part B Other Information

1. [Admissions to Listing and Trading:

[(i) Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to the Official List and trading on the Singapore Exchange Securities Trading Limited with effect from [ ] [the Issue Date].]

[(ii) Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [ ] with effect from [ ] [the Issue Date].]

[Estimated total expenses related to the admission to trading: [ ]]

2. Ratings:

The Notes to be issued [have been][are expected to be] rated:

(i) Moody's:	[ ][Not applicable]

(ii)	Standard & Poor's:	[ ][Not applicable]
(iii)	Fitch:	[ ][Not applicable]
(iv)	[Other]:	[ ][*Insert the full legal name of credit rating agency*]

3. [Interests of Natural and Legal Persons Involved in the Issue:

[ ]/[So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The Dealers and their affiliates have engaged, and/or may in the future engage, in investment banking and/or commercial banking transactions with, and/or may perform other services for, the Issuer and its affiliates in the ordinary course of business.]]

4. Use of Proceeds, Estimated Net Proceeds and Total Expenses:

(i)	Use of proceeds:	[General corporate purposes][ ]
(ii)	Estimated net proceeds to the Issuer (in Specified Currency):	[ ]
(iii)	[Estimated total expenses:	[ ]]

5. Fixed Rate Notes only Yield:

(i)	Indication of yield as of the Original Issue Date:	[ ][Not applicable]

6. Operational Information:

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	[CUSIP:	[ ]]
(iv)	Book-entry Clearing Systems:	[Euroclear Bank S.A./N.V.][Clearstream Banking, S.A.][The Depository Trust Company]
(v)	Names and addresses of additional Paying Agent(s) (if any):	[Not applicable] [ ]

7. [Intended to be held in a manner which would allow Eurosystem eligibility:	[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [and registered

in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognized as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

Purpose of Pricing Supplement

This Pricing Supplement comprises the final terms required for issue and admission to trading on the [*specify relevant stock exchange/market*] of the Notes described herein pursuant to the U.S.$3,000,000,000 Medium-Term Note Program of Scotiabank Chile.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of:

Scotiabank Chile

By: ______________________________
Duly authorized
Name:
Title:

CERTAIN TAX LEGISLATION AFFECTING THE NOTES

Chilean Taxation

The following is a general overview of the principal consequences under Chilean tax law with respect to an investment in the Notes made by a Foreign Holder (as defined below). It is based on the tax laws of Chile as in effect on the date of this Offering Circular, as well as regulations, rulings and decisions of Chile available on or before such date and now in effect. All of the foregoing are subject to change. Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another law or international tax treaty. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax law may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations or interpretations, but Chilean tax authorities may change their rulings, regulations or interpretations prospectively. For purposes of this overview, the term "Foreign Holder" means either (1) in the case of an individual, a person who is not resident or domiciled in Chile (for purposes of Chilean taxation, (a) an individual holder is resident in Chile if he or she has resided in Chile for a period or periods aggregating more than 183 days within any twelve-month period and (b) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile (such intention to be evidenced by circumstances such as the acceptance of long-term employment within Chile, the relocation of one's family to Chile or having the principal place of business in Chile)); or (2) in the case of a legal entity, a legal entity that is not organized under the laws of Chile, unless the Notes are assigned to a branch or a permanent establishment of such entity in Chile.

Under the *Ley de Impuesto a la Renta* (the "Income Tax Law"), payments of interest or premium, if any, made to a Foreign Holder in respect of the Notes will generally be subject to a Chilean withholding tax currently at the rate of 4.0%. Under existing Chilean law and regulations, a Foreign Holder will not be subject to any Chilean taxes in respect of payments of principal made by the Issuer with respect to the Notes. The Issuer has agreed, subject to specific exceptions and limitations, to pay to the holders of the Notes Additional Amounts in respect of the Taxes mentioned above in order that the interest the Foreign Holder receives, net of such Taxes, equals the amount which would have been received by such Foreign Holder in the absence of such Taxes. If the Issuer pays Additional Amounts in respect of such Chilean withholding taxes, any refunds of such Additional Amounts will be for the account of the Issuer. See "Description of the Notes—Payment of Additional Amounts."

The Income Tax Law provides that a Foreign Holder is subject to income tax on his Chilean source income. For this purpose, Chilean source income means earnings from activities performed in Chile or from the sale, disposition or other transactions in connection with assets or goods located in Chile. As of this date, capital gains earned by a Foreign Holder on the sale or other disposition of a note issued abroad by a Chilean resident company will be considered foreign source income. Therefore, any capital gains realized on the sale or other disposition by a Foreign Holder of the Notes generally will not be subject to any Chilean taxes. The Chilean Internal Revenue Service has recognized this criterion in rule Nº 604 of 2015, ruling that bonds issued outside of Chile by Chilean companies would not be deemed located in Chile for capital gain purposes and, consequently, the sale of such bonds by a non-Chilean resident would not be subject to capital gains taxes in Chile.

A Foreign Holder will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings unless Notes held by a Foreign Holder are either located in Chile at the time of such Foreign Holder's death, or, if the Notes are not located in Chile at the time of a Foreign Holder's death, if such Notes were purchased or acquired with cash obtained from Chilean sources. A Foreign Holder will not be liable for Chilean stamp, registration or similar taxes.

The issuance of the Notes is subject to a maximum 0.8% stamp tax which will be payable by the Issuer. If the stamp tax is not paid when due, Chile's Stamp Tax Law imposes a penalty of up to 30% of the amount of the tax due plus inflation adjustments and interest. Until such tax (and any penalty) is paid, Chilean courts will not enforce any action brought with respect to the Notes. The Issuer has agreed, subject to specific exceptions and limitations, to pay to the holders of the Notes, any present or future stamp, court or documentary taxes, charges or levies that arise in the Republic of Chile from the execution, delivery, enforcement or registration of the Notes or any other document or instrument in relation thereto and the Issuer has agreed to indemnify holders of Notes for any such taxes, charges or similar levies paid by holders. See "Description of the Notes—Payment of Additional Amounts."

Pursuant to the Income Tax Law, entities such as banks and insurance companies under the supervision of the FMC (such as the Bank) are not subject to the Chilean Thin Capitalization Rules.

U.S. Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Chile) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments that are published in the U.S. Federal Register and Notes characterized as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SPECIAL PROVISIONS RELATING TO FOREIGN CURRENCY NOTES

General

Unless otherwise specified in the applicable Pricing Supplement, the following provisions shall apply to Foreign Currency Notes which are in addition to, and to the extent inconsistent therewith replace, the description of general terms and provisions of the Notes set forth elsewhere in this Offering Circular.

Payments on Foreign Currency Notes

Purchasers are required to pay for the Notes in the currency specified in the applicable Pricing Supplement. In certain jurisdictions, there may be limited facilities for conversion of home currencies into foreign currencies, and vice versa. In addition, in certain jurisdictions, many banks may not offer foreign currency denominated checking or savings account facilities.

Payment of principal, premium, if any, and interest, if any, on each Note will be made in immediately available funds in the Specified Currency unless otherwise specified in the applicable Pricing Supplement and except as provided under "Changing the Specified Currency of Foreign Currency Notes" below.

Unless otherwise specified in the applicable Pricing Supplement, a holder of the equivalent of U.S.$1,000,000 or more aggregate principal amount of a definitive Registered Note denominated in a Specified Currency other than U.S. dollars may elect subsequent to the issuance thereof that future payments be converted, or not be converted, as the case may be, at the Market Exchange Rate to U.S. dollars by transmitting a written request for such payments to the relevant Paying Agent on or prior to the Regular Record Date or at least 16 days prior to maturity or earlier redemption or repayment, as the case may be. Such request shall include appropriate payment instructions and shall be in writing (mail or hand delivered) or by cable, telex or facsimile transmission. A holder may elect to receive all future payments of principal, premium, if any, and interest in either the Specified Currency or in U.S. dollars, as specified in the written request, and need not file a separate election for each payment. Such election will remain in effect until revoked by a subsequent election made in the manner and at the times prescribed in this paragraph. Owners of beneficial interests in permanent global Notes or holders of definitive Bearer Notes should contact their broker or nominee to determine whether and how an election to receive payment in either U.S. dollars or the Specified Currency may be made.

The "Market Exchange Rate" means, as of any time of determination which shall be two business days prior to payment date the Specified Currencies other than U.S. dollars to U.S. dollar exchange rate as quoted by an exchange rate agent appointed by the Issuer (the "Exchange Rate Agent") for similar client driven orders.

All determinations made by the Exchange Rate Agent shall be at its sole discretion and, in the absence of manifest error, shall be conclusive for all purposes and binding on holders of the Notes and the Exchange Rate Agent shall have no liability therefor. Under no circumstances shall the Issuer bear any responsibility for losses incurred by a holder due to fluctuations in the Market Exchange Rate.

Specific information about the Specified Currency in which a particular Foreign Currency Note is denominated will be set forth in the applicable Pricing Supplement. Any information therein concerning exchange rates is furnished as a matter of information only and should not be regarded as indicative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

Minimum Denominations, Restrictions on Maturities, Repayment and Redemption

General. Notes denominated in Specified Currencies other than U.S. dollars shall have such minimum denominations and be subject to such restrictions on maturities, repayment and redemption as are set forth below or as are set forth in the applicable Pricing Supplement in the event different restrictions on minimum denominations, maturities, repayment and redemption may be permitted or required from time to time by any relevant central bank or equivalent governmental body, however designated, or by such laws or regulations as are applicable to the Notes or the Specified Currency. Certain restrictions related to the distribution of Notes denominated in Specified Currencies other than U.S. dollars are set forth under "Plan of Distribution" in this Offering Circular. Any other restrictions applicable to Notes denominated in Specified Currencies other than U.S. dollars will be set forth in the applicable Pricing Supplement relating to such Notes.

Minimum Denominations. Unless permitted by then current laws, regulations and directives, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are received by the Issuer in the United Kingdom and which have a maturity of less than one year will only be issued if (a) the redemption value of each such Note is at least £100,000 as determined at the time of issuance or an amount of equivalent value denominated wholly or partly in a currency other than Sterling, (b) no part of any Note may be transferred unless the redemption value of that part is at least £100,000, or such an equivalent amount, and (c) such Notes are issued to a limited class of professional investors, unless the relevant Note(s) can be issued and sold without contravention of Section 19 of the Financial Services and Markets Act 2000 ("FSMA"). See "Plan of Distribution."

Restrictions on Maturities, Repayment and Redemption. All Notes (irrespective of the Specified Currency in which they are denominated) will comply with applicable legal, regulatory and/or central bank requirements in respect of minimum required maturities and limitations on redemption by the Issuer or holder of such Note.

Redenomination

The Issuer may, without the consent of holders of Notes denominated in a Specified Currency of a member state of the European Union, which on or after the issue date of such Notes participates in the European Economic and Monetary Union, on giving at least 30 days' prior notice (the "Redenomination Notice") to the holders of such Notes and on prior notice to the Fiscal Agent, and Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system, elect that, with effect from the date specified in the Redenomination Notice (the "Redenomination Date"), such Notes shall be redenominated in euro.

The election will have effect as follows:

(a) the Notes shall be deemed to be redenominated into euro in the denomination of €0.01 with a nominal amount for each Note equal to the nominal amount of that Note in the Specified Currency, converted into euro at the Established Rate (defined below); provided that, if the Issuer determines after consultation with the Fiscal Agent that the then market practice in respect of the redenomination into euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the holders of Notes, any stock exchange on which the Notes may be listed, the Fiscal Agent and the relevant Paying Agents of such deemed amendments;

(b) save to the extent that an Exchange Notice (defined below) has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;

(c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued, subject to compliance with all applicable laws and regulations, at the expense of the Issuer in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the relevant Paying Agent may approve) €0.01 and such other denominations as the Issuer shall determine and notify to the Noteholders;

(d) if issued prior to the Redenomination Date, all unmatured coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the "Exchange Notice") that replacement euro-denominated Notes and coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes so issued will also become void on that date although such Notes will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes and coupons, if any, will be issued in exchange for Notes and coupons, if any, denominated in the Specified Currency in such manner as the relevant Paying Agent may specify and as shall be notified to the holders of Notes in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;

(e) after the Redenomination Date, all payments in respect of the Notes and the coupons, if any, including payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account outside the United States (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro check mailed to an address outside the United States;

(f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated by applying the Fixed Interest Rate to each specified denomination, multiplying such sum by the applicable Fixed Day Count Fraction specified in the applicable Pricing Supplement, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention;

(g) if the Notes are Floating Rate Notes, the applicable Pricing Supplement will specify any relevant changes to the provisions relating to interest; and

(h) such other changes shall be made as the Issuer may decide, after consultation with the relevant Paying Agent and the calculation agent (if applicable), and as may be specified in the Redenomination Notice, to conform them to conventions then applicable to instruments denominated in euro.

"Established Rate" means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of European Union pursuant to Article 109L(4) of the treaty establishing the European Communities, as amended by the Treaty on European Union.

"sub-unit" means, with respect to any Specified Currency other than euro, the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified Currency and, with respect to euro, means one cent.

Changing the Specified Currency of Foreign Currency Notes

Payments of principal, premium, if any, and interest, if any, on any Note denominated in a Specified Currency other than U.S. dollars shall be made in U.S. dollars if, on any payment date, such Specified Currency (a) is unavailable due to imposition of exchange controls or other circumstances beyond the Issuer's control or (b) is no longer used by the government of the country issuing such Specified Currency or for the settlement of transactions by public institutions in that country or within the international banking community. Such payments shall be made in U.S. dollars on such payment date and on all subsequent payment dates until such Specified Currency is again available or so used as determined by such Issuer.

Amounts so payable on any such date in such Specified Currency shall be converted into U.S. dollars at a rate determined by the Exchange Rate Agent on the basis of the most recently available Market Exchange Rate. Any payment required to be made on Foreign Currency Notes denominated in a Specified Currency that is instead made in U.S. dollars under the circumstances described above will not constitute a default of any obligation of the Issuer under such Notes.

The provisions of the two preceding paragraphs shall not apply in the event of the introduction in the country issuing any Specified Currency of the euro pursuant to the entry of such country into European Economic and Monetary Union. In such an event, payments of principal, premium, if any, and interest, if any, on any Note denominated in any such Specified Currency shall be effected in euro at such time as is required by, and otherwise in conformity with, legally applicable measures adopted with reference to such country's entry into the European Economic and Monetary Union.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "Clearing Systems") currently in effect. The information in this section concerning the Clearing Systems has been accurately reproduced and far as the Issuer is aware and able to ascertain from information published by such third-party Clearing Systems, no facts have been omitted that would render the reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "Rules"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("DTC Notes") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("Owners") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "Transfer and Selling Restrictions."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-Entry Ownership of and Payments in Respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective principal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to an exchange agent appointed by the Issuer on behalf of DTC or its nominee and such exchange agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the relevant Paying Agent, the relevant Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC or Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of notes in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. However, as discussed above, such exchanges will generally not be available. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in

Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

On or after the Original Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers of interests between the relevant Registered Global Notes will be effected through the relevant Registrar, the relevant Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. For such transactions, the Notes will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents nor any Dealer will be responsible for any performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in the Dealer Agreement, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Description of the Notes." In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of Notes under the Program and to indemnify the Dealers certain liabilities incurred by them in connection therewith.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes. Each purchaser of Registered Notes or person wishing to transfer an interest from one Registered Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is outside the United States and is not a U.S. person;

(b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(c) that, unless it holds an interest in a Regulation S Global Note, the applicable distribution compliance period has elapsed and it is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A and which takes delivery in the form of an interest in the Rule 144A Global Note, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to another available exemption from registration under the Securities Act or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(d) that it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;

(e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(f) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF,

THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTES EXCEPT IN ACCORDANCE WITH THE FISCAL AGENCY AGREEMENT AND OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE.

THIS NOTE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE FISCAL AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED NOTES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF THE ISSUER."

(g) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the 40-day distribution compliance period which commences upon completion of distribution of all the Notes of the Tranche of which the Notes being resold or otherwise transferred forms a part of the offering and the closing date with respect to the original issuance of the Notes, it will do so only (i) outside the United States in compliance with Rule 903 or 904 under the Securities Act and (ii) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE FISCAL AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO

AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF FORTY DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.";

(h) that (x) either: (i) no portion of the assets used by it to purchase and hold the Notes constitutes assets of (a) any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (b) any plan, individual retirement account ("IRA") or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (c) any entity whose underlying assets are considered to include "plan assets" (as defined in ERISA) of any such employee benefit, plan, account or arrangement (each of the foregoing in clauses (a), (b) and (c), a "Plan") or (d) any non-U.S., governmental or church plan subject to any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code ("Similar Law") and/or laws or regulations that provide that the assets of the Issuer could be deemed to include "plan assets" of such plan (each, an "Other Plan Investor"), or (ii) (a) the purchase and holding of the Notes by such purchaser will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of Other Plan Investors, will not result in a violation of any applicable Similar Law and will not subject the Issuer to any laws, rules, or regulations applicable to such Other Plan Investor solely as the result of the investment in the Notes by such Other Plan Investor and (b) none of the Issuer, the Dealers or any of their respective affiliates is providing investment advice, or giving advice in a fiduciary capacity, in connection with the purchase, holding or disposition of the Notes; and (y) if it is a Plan, the decision to acquire and hold the Notes has been made by a duly authorized fiduciary who is independent of the Issuer, the Arrangers, the Dealers and their respective affiliates (collectively, the "Transaction Parties") and none of the Transaction Parties has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Benefit Plan Investor has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise acting as a fiduciary; and such purchaser acknowledges that the Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"(X) EACH PURCHASER OR TRANSFEREE OF THIS NOTE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER: (I) NO PORTION OF THE ASSETS USED BY IT TO PURCHASE AND HOLD the NOTES CONSTITUTES ASSETS OF (A) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), (B) ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT ("IRA") OR OTHER ARRANGEMENT SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" (FOR PURPOSES OF ERISA) OF ANY SUCH EMPLOYEE BENEFIT, PLAN, ACCOUNT OR ARRANGEMENT (EACH OF THE FOREGOING IN CLAUSES (A), (B) AND (C), A "PLAN") OR (D) ANY NON-U.S., GOVERNMENTAL OR CHURCH PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS") AND/OR LAWS OR REGULATIONS THAT PROVIDE THAT THE ASSETS OF THE ISSUER COULD BE DEEMED TO INCLUDE "PLAN ASSETS" OF SUCH PLAN (EACH, AN "OTHER PLAN INVESTOR"), OR (II) (A) THE PURCHASE AND HOLDING OF THE NOTES BY SUCH PURCHASER WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF OTHER PLAN INVESTORS, WILL NOT RESULT IN A VIOLATION OF ANY APPLICABLE SIMILAR LAW AND WILL NOT SUBJECT THE ISSUER TO ANY LAWS, RULES, OR REGULATIONS APPLICABLE TO SUCH OTHER PLAN INVESTOR SOLELY AS THE RESULT OF THE INVESTMENT IN THE

NOTES BY SUCH OTHER PLAN INVESTOR AND (B) NONE OF THE ISSUER, THE DEALERS OR ANY OF THEIR RESPECTIVE AFFILIATES IS PROVIDING INVESTMENT ADVICE, OR GIVING ADVICE IN A FIDUCIARY CAPACITY, IN CONNECTION WITH THE PURCHASE, HOLDING OR DISPOSITION OF THE NOTES; AND (Y) IF IT IS A PLAN, THE DECISION TO ACQUIRE AND HOLD THE NOTES HAS BEEN MADE BY A DULY AUTHORIZED FIDUCIARY WHO IS INDEPENDENT OF THE ISSUER, THE ARRANGERS, THE DEALERS AND THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE "TRANSACTION PARTIES") AND NONE OF THE TRANSACTION PARTIES HAS PROVIDED, AND NONE OF THEM WILL PROVIDE, ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE BENEFIT PLAN INVESTOR HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THE NOTES, AND THEY ARE NOT OTHERWISE ACTING AS A FIDUCIARY";

(i) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$100,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent) of Registered Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

In connection with any Notes which are offered or sold outside the United States in reliance on the safe harbor from the registration requirements of the Securities Act provided under Regulation S ("Regulation S Notes"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes (a) as part of their distribution at any time or (b) otherwise until forty days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons.

Until forty days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers, directly or through their respective U.S. broker dealer affiliates, may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$150,000 (or the approximate equivalent thereof in any other Specified Currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4) so long as the Notes are considered "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by United States Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The applicable Pricing Supplement will specify whether the TEFRA C Rules or the TEFRA D Rules are applicable to the Bearer Notes, or whether neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

In the case of Bearer Notes to which the TEFRA D Rules have been specified to apply, the Notes may not be delivered, offered, sold or resold, directly or indirectly, in connection with their original issuance or during the Restricted Period in the United States to or for the account of any United States person, other than to certain persons as provided under United States Treasury regulations. An offer or sale will be considered to be made to a person within the United States if the offeror or seller has an address within the United States for the offeree or purchaser with respect to the offer or sale. In addition, each Dealer has represented and agreed (and each further Dealer appointed under the Program will be required to represent and agree) that:

(a) except to the extent permitted under the TEFRA D Rules, (i) it has not offered or sold, and during the Restricted Period will not offer or sell, Notes in bearer form to a person who is within the United States or to a United States person, and (ii) such Dealer has not delivered and will not deliver within the United States definitive Notes in bearer form that are sold during the Restricted Period;

(b) it has and throughout the Restricted Period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or to a United States person, except as permitted by the TEFRA D Rules;

(c) if such Dealer is a United States person, it represents that it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and, if such Dealer retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of United States Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and

(d) with respect to each affiliate (if any) that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Dealer either (i) hereby represents and agrees on behalf of such affiliate (if any) to the effect set forth in sub-paragraphs (a), (b) and (c) of this paragraph or (ii) agrees that it will obtain from such affiliate (if any) for the benefit of the Issuer the representations and agreements contained in sub-paragraphs (a), (b) and (c) of this paragraph.

Where the TEFRA C Rules are specified in the applicable Pricing Supplement as being applicable to any Tranche of Bearer Notes, such Notes must be issued and delivered outside the United States in connection with their original issuance. Accordingly, each Dealer has represented and agreed (and each additional Dealer appointed under the Program will be required to represent and agree) in respect of such Notes that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any such Notes within the United States in connection with the original issuance. Further, each Dealer has represented and agreed (and each further Dealer appointed under the Program will be required to represent and agree) in connection with the original issuance of such Notes in bearer form, that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such purchaser is within the United States or its possessions and will not otherwise involve the U.S. office of such Dealer in the offer and sale of Notes.

Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it has not entered and will not enter into any contractual arrangements with respect to the distribution or delivery of Notes except with its affiliates (if any) or with the prior written consent of the Issuer.

Each Bearer Note having a maturity of more than 365 days (including unilateral rights to rollover or extend) and interest coupons pertaining to such Note, if any, will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

European Economic Area

If the applicable Pricing Supplement in respect of any Notes issued under this Offering Circular specifies "Prohibition of Sales to Retail Investors" as "Applicable", each Dealer will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA (Iceland, Norway and Liechtenstein in addition to the member states of the European Union). For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation.

If the applicable Pricing Supplement in respect of any Notes issued under this Offering Circular specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer will be required to represent and agree in relation to each Member State of the EEA (each, a "Relevant State") that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time if the denomination per Note being offered amounts to at least €100,000 (or equivalent);

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of the Notes shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression of an offer in relation to the Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and any Notes to be offered so as to enable an investor to decide to purchase or subscribe for any Notes, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer to sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their business or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent), for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

If the applicable Pricing Supplement for the Notes issued under this Offering Circular specifies "Prohibition of Sales to UK Retail Investors" as "Applicable," each Dealer will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision: the expression retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

If the applicable Pricing Supplement in respect of any Notes issued under this Offering Circular specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer will be required to represent and agree, that it has not made and will not make any offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

(c) at any time if the denomination per Note being offered amounts to at least €100,000 (or equivalent); or

(d) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

For the purposes of this provision the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

In connection with any offering of Notes hereunder, none of the Dealers that are regulated in the United Kingdom are acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to any such offering.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the "Financial Instruments and Exchange Act") and each Dealer has agreed and each further Dealer appointed under the Program will be required to agree that it has not offered or sold and it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Act (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the

Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer will be required to acknowledge that this Offering Circular has not been registered as a Prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, each Dealer will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Australia

No prospectus or other disclosure document (as defined by the Corporations Act 2001 of Australia (the "Corporations Act")) in relation to the Program or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission ("ASIC").

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that unless the applicable Pricing Supplement (or a supplement to this Offering Circular) otherwise provides, it:

(a) has not made offers or invited applications (directly or indirectly), and will not make offers or invite applications, for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Offering Circular, any Supplement, any other prospectus, any disclosure document, advertisement or other offering material relating to the Notes in Australia,

unless:

(i) the offeree is a "wholesale client" within the meaning of section 761G(4) of the Corporations Act;

(ii) the aggregate consideration payable by each offeree is at least A$500,000 (or its equivalent in any alternative currency but, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;

(iii) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements of Chapter 7 of the Corporations Act); and

(iv) such action does not require any document to be lodged with ASIC.

Section 708(19) of the Corporations Act provides that an offer of debentures for issue or sale does not need disclosure to investors under Part 6D.2 of the Corporations Act if the Issuer is an Australian ADI (as defined in the Corporations Act).

Switzerland

The Dealers have agreed, and each further Dealer appointed under the Program will be required to agree, that it will comply with any laws, regulations or guidelines in Switzerland from time to time, including, but not limited to, any regulations made by the Swiss Federal Banking Commission and/or the Swiss National Bank (if any) in relation to the offer, sale, delivery or transfer of the Notes or the distribution of any offering material in Switzerland in respect of such Notes.

Dubai

This Offering Circular relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This Offering Circular is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Circular nor taken steps to verify the information set forth herein and has no responsibility for the Offering Circular. The shares to which this Offering Circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this Offering Circular you should consult an authorized financial advisor.

Brazil

The offer of Notes described in this Offering Circular will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (Instrução) No. 400, of December 29, 2003, as amended. The offer and sale of the ADSs have not been and will not be registered with the Comissão de Valores Mobiliários in Brazil. The Notes have not been offered or sold, and will not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Peru

In Peru, this offering will be considered a public offering directed exclusively to institutional investors under CONASEV Resolution No. 079-2008-EF/94.01.1.

The Notes and this Offering Circular have been registered with the SMV in accordance with the procedure set forth in SMV Resolution No. 004-2011-EF/94.01.1, applicable to international offerings with a placement tranche in Peru executed in reliance with Rule 144A of the Act.

In order to purchase the Notes, institutional investors in Peru must sign a statement representing that they understand (i) differences which exist among the accounting and tax treatment in Peru and the country or countries where the Notes will be traded, and (ii) the terms and conditions of the Notes.

Chile

The Notes will not be registered under Law 18,045 of Chile, as amended, with the FMC, and accordingly, they may be not be offered to persons in Chile, except in circumstances that do not constitute a public offering under Chilean law.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with an offering.

General

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

PLAN OF DISTRIBUTION

The Notes are being offered on a continuous basis for sale by the Issuer to or through BofA Securities, Inc., J.P. Morgan Securities LLC, J.P. Morgan Securities plc, Scotiabank Europe plc, Scotia Capital (USA) Inc. and The Bank of Nova Scotia, Hong Kong Branch, together with such other Dealers as may be appointed by the Issuer with respect to a particular Series of Notes, pursuant to a dealer agreement entered into on April 28, 2020 (as amended and modified or supplemented from time to time, the "Dealer Agreement"). One or more Dealers may purchase the Notes, as principal or agent or on a riskless principal basis, from the Issuer from time to time for resale to investors and other purchasers at varying prices relating to prevailing market prices at the time of resale as determined by any Dealer, or, if so specified in the relevant Pricing Supplement, for resale at a fixed offering price. Any Dealers of the Notes that are not U.S. registered broker-dealers will agree that they will offer and sell the Notes within the United States only through U.S. registered broker-dealers. If the Issuer and a Dealer agree, a Dealer may also utilize its reasonable efforts on an agency basis to solicit offers to purchase the Notes.

In connection with an offering of the Notes, one or more Dealers designated as Managers in the relevant Pricing Supplement will initially propose to offer the Notes for resale at the issue price that appears in the relevant Pricing Supplement. After the initial offering, the relevant Managers may change the offering price and any other selling terms. Managers may offer and sell Notes through certain of their affiliates.

In connection with any offering of Notes, the Managers may purchase and sell such Notes in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by a Manager of a greater principal amount of Notes than it is required to purchase in the offering. A Manager may close out any short position by purchasing Notes in the open market. A short position is more likely to be created if a Manager is concerned that there may be downward pressure on the price of the Notes in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of the Notes made by a Manager in the open market prior to the completion of the offering.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the Notes. Additionally, these purchases may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. However, there is no assurance that the Managers will undertake stabilization transactions. If the Managers engage in stabilizing or short-covering transactions, they may discontinue them at any time, and if begun, must be brought to an end after a limited period. Any over-allotment stabilizing and short- covering transaction must be conducted by the relevant managers, or persons acting on their behalf, in accordance with applicable laws. These transactions may be effected in the over-the-counter market or otherwise.

Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If any of the Managers or their affiliates has a lending relationship with the Issuer, certain of those Managers or their affiliates routinely hedge, and certain other of those Managers or their affiliates may hedge, their credit exposure to the Issuer consistent with customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of any issuance of Notes. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, the Offering Circular is only for distribution to and directed at: (i) in the United Kingdom, persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") and high net worth entities falling within Article 49(2)(a) to (d) of the Order; (ii) persons who are outside the United Kingdom; and (iii) any other person to whom it can otherwise be lawfully distributed (all such persons together being referred to as "Relevant Persons"). Any investment or investment activity to which the Offering Circular relates is available only to and will be engaged in only with Relevant Persons, and any person who is not a Relevant Person should not rely on it. It is a condition of receiving the Offering Circular that recipients represent and warrant to the Issuer and its professional advisers and contractors that (i) they are a Relevant Person; and (ii) they have read and agree to comply with the contents of this notice.

GENERAL INFORMATION

Authorization

The establishment of the Program has been duly authorized by resolutions of the Board of Directors of the Issuer dated October 30, 2019. The Issuer has agreed to obtain from time to time all necessary consents, approvals and authorizations for the update of the Program and each issue of Notes under the Program.

Listing

Application has been made to the SGX-ST for permission to deal in, and quotation of, any Notes which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

Admission to the Official List and any quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Program or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, for so long as such Notes are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, Notes which are listed on the SGX-ST will be traded with a minimum board lot size of at least S$200,000 or its equivalent in foreign currencies.

Clearing Systems

The Notes to be issued under the Program have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The appropriate CUSIP, common code and/or ISIN for each Tranche of Notes allocated to the Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No Significant Change

Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial position or prospects of the Bank since December 31, 2020.

Litigation

Save as disclosed in this Offering Circular, the Bank is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Bank is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Bank.

Accounts

The auditors of the Issuer for the years ended December 31, 2019 and 2020 were KPMG Auditores y Consultores SpA, independent auditors. Such auditors have issued, in accordance with Chilean Bank GAAP, an unqualified audit report for the financial years ended December 31, 2019 and 2020.

Legal Entity Identifier

The Legal Entity Identifier (LEI) code of the Issuer is 54930018SOOHBHRLWC16.

Available Documents

For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Bank:

(i) the Agency Agreement (which includes the form of the Global Notes and the Notes in definitive form);

(ii) the by-laws and articles of incorporation of the Bank;

(iii) copies of the Bank's most recent audited financial statements;

(iv) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Bank and the relevant Paying Agent as to its holding of Notes and identity); and

(v) a copy of this Offering Circular together with any Supplementary Offering Circular.

INDEX TO FINANCIAL STATEMENTS

Scotiabank Chile and Subsidiaries

Consolidated Financial Statements as of and for the year ended December 31, 2020

Consolidated Financial Statements as of and for the year ended December 31, 2019

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.

Santiago
Isidora Goyenechea 3520
Piso 2, Las Condes
+56 2 2997 1000
contacto@kpmg.com

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
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

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

		Attributable to equity owners								
					Retained earnings					
	Note	Share capital MCh$	Reserves MCh$	Other comprehensive income MCh$	Retained earnings MCh$	Profit for the year MCh$	Provision for minimum dividends MCh$	Total MCh$	Non-controlling interest MCh$	Total equity 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.

(l) 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.

Provisions for loans by individual assessment: 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		12/31/2019	
	For MCh$	Against MCh$	For MCh$	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**

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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			
	Domestic loans	Foreign loans	Total		Domestic loans	Foreign loans	Total	
Commercial loans:	MCh$	MCh$	MCh$	%	MCh$	MCh$	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 MCh$	Assets at tax value Total MCh$	Secured overdue portfolio MCh$	Unsecured overdue portfolio 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**

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		
Separate Equity BSTDS E No. 2	85	Current commercial value
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 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	(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.

Scotiabank

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	Estimated fair value	Carrying amount	Estimated fair value
	MCh$	MCh$	MCh$	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.

Scotiabank

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 Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$	Financial margin 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 Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$	Financial margin 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$	Amount 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 MCh$	Credit risk adjustment MCh$
Total	(423,484)	12,705

12/31/2019	Fair value of assets MCh$	Credit risk adjustment 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.

LEONARDO MUÑOZ C.
Accounting Manager

MARIA VICTORIA DOBERTI D.
Chief Financial Manager

FRANCISCO J. SARDÓN DE TABOADA
Chief Executive Officer

Independent Auditor's Report

To the Shareholders and Directors of
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, 2019 and 2018, 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 provided 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.

Santiago
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Piso 2, Las Condes
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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, 2019 and 2018, 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
Mario Torres S.

KPMG SpA

Santiago, February 27, 2020

Scotiabank

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2019 and 2018

ASSETS	Note	12/31/2019 MCh$	12/31/2018 MCh$
Cash and deposits in banks	6	1,384,762	787,472
Transactions pending settlement	6	366,308	864,482
Securities held for trading	7	845,707	859,028
Investments sold under repurchase agreements and securities lending	8	23,146	217,365
Derivative instruments	9	4,571,759	2,480,637
Loans and advances to banks	10	81,127	2,789
Loans and advances to customers	11	24,812,269	22,330,415
Available-for-sale investment securities	12	808,674	1,212,048
Held-to-maturity investment securities	12	-	-
Investments in companies	13	16,709	18,909
Intangible assets	14	186,647	160,692
Property and equipment	15	112,459	132,352
Right-of-use assets under lease contracts	15	236,637	-
Current tax assets	16	33,953	5,924
Deferred taxes assets	16	328,940	271,142
Other assets	17	844,393	723,759
TOTAL ASSETS		**34,653,490**	**30,067,014**

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2019 and 2018

LIABILITIES	**Note**	**12/31/2019 MCh$**	**12/31/2018 MCh$**
Deposits and other on-demand liabilities	18	4,865,538	4,107,266
Transactions pending settlement	6	232,354	678,542
Investments sold under repurchase agreements and securities lending	8	1,089,323	575,782
Term and on-demand deposits	19	11,124,022	10,820,595
Derivative instruments	9	4,574,890	2,409,176
Bank borrowings	20	3,275,807	2,559,097
Debt securities issued	21	6,288,227	6,141,337
Other financial liabilities	22	66,891	73,082
Lease liabilities	15	219,062	-
Current tax liabilities	16	2,926	2,507
Deferred tax liabilities	16	2,535	1,942
Provisions	23	202,790	137,277
Other liabilities	24	565,102	450,458
TOTAL LIABILITIES		**32,509,467**	**27,957,061**
EQUITY			
Attributable to owners of the Bank:			
Capital	26	996,706	996,054
Reserves	26	496,397	496,348
Other comprehensive income:	26	(156,033)	(1,984)
Retained earnings:			
Retained earnings from previous periods	26	523,121	447,437
Profit for the period	26	254,378	108,120
Less: Provision for minimum dividends	26	(76,314)	(32,436)
		2,038,255	**2,013,539**
Non-controlling interest	26	**105,768**	**96,414**
TOTAL EQUITY		**2,144,023**	**2,109,953**
TOTAL LIABILITIES AND EQUITY		**34,653,490**	**30,067,014**

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statement of Income
for the years ended December 31, 2019 and 2018

	Note	12/31/2019 MCh$	12/31/2018 MCh$
Interest and indexation income	27	1,681,074	1,163,097
Interest and indexation expenses	27	(816,751)	(548,188)
Net interest and indexation income	27	**864,323**	**614,909**
Fee and commission income	28	285,436	184,302
Fee and commission expenses	28	(78,004)	(51,435)
Net fee and commission income	28	**207,432**	**132,867**
Net gain (loss) from financial transactions	29	146,346	935
Net foreign exchange (expense) income	30	(22,368)	71,075
Other operating income	35	70,099	24,530
Total operating income		**1,265,832**	**844,316**
Allowances for credit risk	31	(276,030)	(230,129)
NET OPERATING INCOME		**989,802**	**614,187**
Personnel payroll and expenses	32	(299,149)	(203,810)
Administrative expenses	33	(244,011)	(173,637)
Depreciation and amortization	34	(56,777)	(27,842)
Impairment	34	(219)	(21,372)
Other operating expenses	36	(38,774)	(29,282)
TOTAL OPERATING EXPENSES		**(638,930)**	**(455,943)**
OPERATING INCOME		**350,872**	**158,244**
Equity in net income of investees	13	276	121
Profit before income tax		**351,148**	**158,365**
Income taxes	16	(77,582)	(31,290)
CONSOLIDATED PROFIT FOR THE PERIOD		**273,566**	**127,075**
Attributable to:			
Owners of the Bank		254,378	108,120
Non-controlling interest	26	19,188	18,955
		273,566	127,075
Earnings per share attributable to owners of the Bank			
Basic and diluted earnings per share		$ 22.10	$ 9.40

The Consolidated Financial Statements as of December 31, 2018, include the balances of Scotiabank Chile from January 1 through December 31, 2018 and the balances of Scotiabank Azul from September 1 through December 31, 2018 (4 months) as a result of the merger.

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Other Comprehensive Income for the Period
for the years ended December 31, 2019 and 2018

	Note	12/31/2019 MCh$	12/31/2018 MCh$
Consolidated profit for the period		**273,566**	**127,075**
Other comprehensive income, net of tax			
Net fluctuation in available-for-sale investment securities		(2,210)	6,151
Net fluctuation in deferred taxes on available-for-sale investment	16	536	(1,508)
Adjustment of cash flow hedge derivatives		(211,571)	1,136
Net fluctuation in deferred taxes on cash flow hedge derivatives	16	59,221	(337)
Other adjustments to equity		-	-
Total other comprehensive income		**(154,024)**	**5,442**
Consolidated comprehensive income for the period		**119,542**	**132,517**
Attributable to:			
Owners of the Bank		100,329	113,560
Non-controlling interest		19,213	18,957
Consolidated comprehensive income for the period		**119,542**	**132,517**

Scotiabank

SCOTIABANK CHILE AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
for the years ended December 31, 2019 and 2018

		Attributable to equity owners								
					Retained earnings					
	Note	Share capital MCh$	Reserves MCh$	Other comprehensive income MCh$	Retained earnings MCh$	Profit for the year MCh$	Provision for minimum dividends MCh$	Total MCh$	Non-controlling interest MCh$	Total equity MCh$
Balances as of December 31, 2017		390,158	56,190	(2,430)	400,211	103,299	(30,990)	916,438	77,557	993,995
Transfer to retained earnings		-	-	-	103,299	(103,299)	-	-	-	-
Net fluctuation in available-for-sale investment securities, net of taxes		-	-	4,641	-	-	-	4,641	2	4,643
Adjustments of cash flow hedge derivatives, net of taxes		-	-	799	-	-	-	799	-	799
Profit for the period		-	-	-	-	108,120	-	108,120	18,955	127,075
Total comprehensive income for the period		-	-	5,440	103,299	4,821	-	113,560	18,957	132,517
Merger with former Banco BBVA	26	324,341	463,831	(4,994)	49,177	-	-	832,355	484	832,839
Capitalization per Extraordinary Shareholders' Meeting		23,673	(23,673)	-	-	-	-	-	-	-
Capital increase	26	257,882	-	-	-	-	-	257,882	-	257,882
Non-controlling interest on acquisition of new subsidiaries		-	-	-	-	-	-	-	2,053	2,053
Distribution of profit or loss from prior years	26	-	-	-	(105,250)	-	30,990	(74,260)	(2,637)	(76,897)
Provision for minimum dividends	26	-	-	-	-	-	(32,436)	(32,436)	-	(32,436)
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**
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 of Scotia Azul Corredores de Bolsa Limitada		-	-	-	-	-	-	-	(13)	(13)
Merger of 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**

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Cash Flows
for the years ended December 31, 2019 and 2018

	Note	12/31/2019 MCh$	12/31/2018 MCh$
Cash flows from operating activities:			
Profit or loss for the period		273,566	127,075
Adjustments:			
Depreciation and amortization	34	56,777	27,842
Allowances for credit risk	31	340,104	281,725
Effect of fair value adjustment on derivative instruments		(66,332)	(28,116)
Net gain from sale of property and equipment	35/36	(23,297)	(2,170)
Net gain from sale of interest in companies	35	(1)	-
Net interest and indexation income	27	(864,323)	(614,909)
Equity for investments in related companies	13	(276)	(121)
Income tax expense	16	133,006	55,986
Income on sale of assets received in lieu of payment	35	(13,166)	(6,016)
Provisions and/or write-offs of assets received in lieu of payment	36	12,821	6,803
Impairment of intangible assets	34	219	21,372
Other debits and (credits)		(132,147)	(98,342)
Change in trading assets:			
Securities held for trading		16,299	(449,895)
Loans and advances to banks		(78,338)	(2,754)
Loans and advances to customers		(2,669,964)	(11,949,365)
Deferred tax assets	16	(55,424)	(24,696)
Other assets		(134,170)	(545,420)
Change in trading liabilities:			
Deposits and other on-demand liabilities		741,521	2,566,943
Investments under repurchase agreements and securities lending		513,177	531,500
Term and on-demand deposits		308,650	5,278,615
Other liabilities		101,767	261,777
Interest and indexation received		1,557,834	509,125
Interest and indexation paid		(723,149)	(431,985)
Taxes and fines paid		(343)	(68)
Collection of remaining balance of taxes from previous years		2,154	33
Net cash used in operating activities		**(703,035)**	**(4,485,061)**

SCOTIABANK CHILE AND SUBSIDIARIES
Consolidated Statements of Cash Flows
for the years ended December 31, 2019 and 2018

	Note	12/31/2019 MCh$	12/31/2018 MCh$
Cash flows from investing activities:			
Acquisition of property and equipment	15	(22,900)	(19,592)
Additions of right-of-use assets under lease contracts	15	(7,382)	-
Net change in investment securities		248,667	(287,595)
Dividends received	13	276	121
Acquisition of intangible assets	14	(52,381)	(29,065)
Acquisition of investments in companies	13	(588)	(84)
Proceeds from sale of investments in companies	13	16	-
Acquisition of new subsidiaries		-	2,053
Net cash from used in investing activities		**165,708**	**(334,162)**
Cash flows from financing activities			
Net change in bank borrowings		715,386	1,294,672
Net change in debt instruments		79,249	3,017,161
Net change in other financial liabilities		(6,059)	9,297
Net cash flows of lease liabilities	15	(18,954)	-
Addition of cash and cash equivalents from the Merger with Scotiabank Azul		-	826,067
Capital increase	26	701	257,882
Dividends paid to non-controlling interests	26	(9,893)	(2,637)
Dividends paid	26	(32,436)	(105,250)
Net cash provided by financing activities		**727,994**	**5,297,192**
Net cash flows		**190,667**	**477,969**
Cash and cash equivalents as of January 1	6	**1,603,117**	**1,125,148**
Cash and cash equivalents as of December 31	6	**1,793,784**	**1,603,117**

The Consolidated Statements of Cash Flows were prepared using the indirect method, determining the variance between balances as of December 31, 2019 and 2018.

Nota 1 General Information

Background information

Scotiabank Chile (hereinafter the "Bank" or "Parent 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. As the Parent Company, its main purpose is the brokerage of money and financial instrument such as transferable securities, 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[1] (formerly Chilean Superintendence of Banks and Financial Institutions).

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 (75.56%) and non-controlling interests of 24.44%. 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.scotiabank.cl.

[1] Beginning on June 1, 2019, the Chilean Superintendence of Banks and Financial Institutions (SBIF) was incorporated to the Financial Market Commission (CMF). Accordingly, beginning on such that date, the market became under oversight of this agency.

Note 2 Significant accounting policies

(a) Basis of preparation

The Consolidated Financial Statements, which comprise the Consolidated Statements of Financial Position, Consolidated Statements of Income, 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 (formerly Chilean Superintendence of Banks and Financial Institutions - SBIF), 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 CMF (formerly SBIF), the latter shall prevail.

For this purpose, the accounting policies applied are consistent with those from the prior year, using certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingencies during the period. Actual results may differ from these estimates.

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 Consolidated Financial Statements comprise the preparation of the separate (stand-alone) financial statements of Scotiabank Chile, and the different companies involved in the consolidation and include the required adjustments and reclassifications to unify the accounting policies and valuation criteria used by the Bank in accordance with the Summary of Accounting Standards (CNC) issued by the CMF (formerly SBIF).

Balances originated by operations between the Bank and its subsidiaries, and any unrealized income or expenses arising from collective intercompany transactions, have been eliminated during the preparation of the Consolidated Financial Statements.

Likewise, non-controlling interests have been recognized and 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, 2019 and 2018.
- The Consolidated Statements of Income 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, 2019.
- The Consolidated Statements of Income 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, 2018, include the balances of Scotiabank Chile. Additionally, and as a result of the merger on September 1, 2018, these financial statements only include the profit or loss accounts and accounting movements of Scotiabank Azul from September 1 through December 31, 2018 (4 months).

The Consolidated Financial Statements were approved by the Board of Directors on February 27, 2020.

i) Subsidiaries

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, in accordance with the standards established. These Consolidated Financial Statements have been prepared using consistent accounting policies for similar transactions and other events in equivalent circumstances.

“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 2019 %	Indirect December 2019 %	Direct December 2018 %	Indirect December 2018 %
Scotia Corredora de Bolsa Chile Limitada (ex Scotia Corredores de Chile S.A.) (1)	-	-	99.82	-
Scotia Administradora General de Fondos Chile S.A.	99.13	0.87	99.13	0.87
Scotia Asesorías Financieras Limitada (2)	-	-	99.00	1.00
Scotia Corredora de Seguros Chile Limitada (5)	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. (3)	51.00	-	51.00	-
Administradora y Procesos S.A. (3)	51.00	-	51.00	-
Scotia Azul Asset Management Administradora General de Fondos S.A. (4)	99.90	0.10	99.90	0.10
Scotia Azul Corredora Técnica de Seguros Limitada (4) (5)	-	-	99.90	0.10
Scotia Corredora de Bolsa Chile Limitada (ex Scotia Azul Corredores de Bolsa Limitada) (1) (4)	99.19	0.80	99.16	0.84
Scotia Asesorías Financieras Limitada (ex Scotia Azul Asesorías Financieras Limitada) (2) (4)	98.74	-	98.60	1.40
Scotia Azul Sociedad de Leasing Inmobiliario S.A. (4)	97.50	-	97.49	-
Scotia Azul Factoring Limitada (4) (6)	-	-	99.90	0.10

(1) The effective merger of Scotia Corredores de Bolsa Chile Limitada into Scotia Corredores de Bolsa Limitada was conducted on May 1, 2019; refer to Note 4 for further details regarding this transaction.

(2) On May 1, 2019, Scotia Asesorías Financieras Limitada was dissolved because of the merger into Scotia Asesorías Financieras Limitada; refer to Note 4 for further details regarding this transaction.

(3) On September 1, 2018, the Bank acquired 51% ownership interest on Servicios Integrales S.A. and Administradora y Procesos S.A. from Sociedad de Inversiones Fintesa Limitada, which is under the same common control of Scotiabank Chile through Nova Scotia Inversiones Limitada.

(4) The subsidiaries of Banco Scotiabank Azul (Formerly BBVA Chile) were included as subsidiaries of Scotiabank Chile on September 1, 2018 as a result of the merger (see Note 40).

(5) The effective merger of Scotia Azul Corredora Técnica de Seguros Limitada into Scotia Corredora de Seguros Chile Limitada was conducted on October 29, 2019; refer to Note 4 for further details regarding this transaction.

(6) The assignment of rights and dissolution of Scotia Azul Factoring Limitada was performed on October 30, 2019.

ii) Fund management

The Bank, through its subsidiary Scotia Administradora General de Fondos Chile S.A. and Scotia Azul Asset Management Administradora General 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 over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any surplus or deficit arising from the loss of control over a subsidiary, 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 measured at fair value.

(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. Foreign currency differences are recognized with a debit or credit to profit of 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$751.35 per US$1 as of December 31, 2019 (Ch$693.85 as of December 31, 2018).

As of December 31, 2019, the balance of MCh$22,368 recorded within "Net foreign exchange loss" (Profit MCh$71,075 as of December 31, 2018), 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 operating 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 International Financial Reporting Standard 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 business 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 nature of the relationship with each related party involved, as well as the transaction description and related balances. All of this is disclosed for an adequate understanding of the potential effects that such relationship has over 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.

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, 2019 and 2018.

This section discloses all movements in Equity, including those arising from changes in the accounting policies and in the correction of errors. Accordingly, this statement shows a reconciliation of the carrying amount at the beginning and at the end of the year of all items that comprise net equity.

(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) 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.

(l) 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.

(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) Derivative instruments

Derivative instruments 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 “Derivative instruments.”

Certain derivatives embedded in other 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, 2019 and 2018, 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.

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) Derivative Instruments 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 uncollectibility 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.

(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 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) Leases

(i) Operating leases

A lease is classified as an operating lease if the lessor retains substantially all the risks and rewards related to the ownership.

When the Bank and its subsidiaries act as lessors, they report the acquisition costs of the leased assets in the caption "Property and equipment." These assets are amortized in accordance with the policies adopted for similar material assets kept for own use, and income from lease contracts are recognized on a straight-line basis in the caption "Other operating income" in the Consolidated Statement of Income.

When the Bank acts as lessee and the contract qualifies as operating lease, total payments are debited against the operating income of the year as incurred. At the end of the operating lease term, any contract penalty payment required by the lessor is recorded within expenses for the period in which the contract ended. Prepayments under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(ii) Finance lease

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 Statement of Financial Position.

For finance leases when the Bank acts as a lessee, it recognizes the cost of leased assets in the Consolidated Statement 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.

(iii) Sales with subsequent lease

For sales at fair value with subsequent operating lease, the profit or loss is recorded at the time of the sale. For subsequent finance lease, the gain or loss is amortized during the term of the lease.

(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 investment securities are recorded 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.

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

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.

As of December 31, 2019 and 2018, the Bank and its subsidiaries do not maintain held-to maturity investment securities.

(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

Shares or interests in companies refer to those over which the Bank exerts no control or significant influence. Interests are recorded at acquisition cost (historical cost).

(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*

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.

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.

As of December 31, 2019, the estimated useful lives of the Bank's property and equipment assets 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 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 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 Statements of Financial Position and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Income tax expense for an interim period is based on an estimated average annual effective income tax rate, consistent with the annual assessment of income taxes.

(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 Statements of Income. 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 (formerly, SBIF).

(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 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 and 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 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 and its subsidiaries.

(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.

(ab) 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$28,309.94 as of December 31, 2019 (Ch$27,565.79 as of December 31, 2018).

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 suspension:
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) Allowance account 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 (formerly SBIF) 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.

Provisions for loans by individual evaluation: 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. The Bank classifies its customers to conduct an individual assessment of such customers, including customers with authorized exposure over MCh$250 and sales over MUS$1, as well as all debtors from the Corporate, Large Corporations, Real Estate and Medium-Sized Entities segments.

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 Summary of Accounting Standards issued by the CMF (formerly SBIF). Based on the debtor rating, the Bank assigns probability of default and loss given default percentages, which result in the expected loss percentage:

Type of portfolio	Debtor category	Probability of default (%)	Loss given default (%)	Expected loss (%)
Normal	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	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 (%)
In default	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$250 to determine an allowance based on the concept of expected loss of a credit.

On July 6, 2018, the CMF (formerly SBIF) issued Circular No. 3,638, in which it established a new standard model to estimate the provisions for credit risk for the collective analysis in the commercial portfolio, mandatory beginning on July 1, 2019. On December 19, 2018, the Board of Directors approved the use of these new collective provision models for the commercial portfolio, which were applied as of December 31, 2018.

Additional provisions for loans: In conformity with the standards issued by the CMF (formerly SBIF), 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.

As of December 31, 2019, additional provisions amounted to MCh$5,451 and is recorded as "Provisions" within liabilities in the Statement of Financial Position.

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.

To estimate allowances for contingent loans, as indicated in Chapter B-1 and Chapter B-3 of the Summary of Accounting Standards issued by the CMF (formerly SBIF), 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-debtor 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%
- Others	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 Summary of Accounting Standards issued by the CMF (formerly SBIF), 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. The effect in the statement of financial position is recognized within "Provisions" in the Consolidated Statements of Financial Position.

At the reporting date, the Bank has no agreements on severance indemnity with its personnel. Accordingly, the Bank does not record any provision. The payment is only performed in case of the termination of one of the employees, subject to legal limits set in the Labor Code.

(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.

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, 2018 to maintain the adequate comparison to the Consolidated Financial Statements as of December 31, 2019.

(ak) New Accounting Pronouncements

i) New accounting pronouncements issued by the CMF (formerly – the SBIF)

Circular No. 3,645, January 11, 2019, Summary of Accounting Standards. Leases in accordance with IFRS 16. Amends and supplements the instructions. Chapters A-2, B-1, C-1 and C-3.

Provides instructions establishing how banks should apply the criteria defined in IFRS 16 "Leases".

Effects arising from the application of such Circular are detailed in Note 3 "Accounting changes", Note 15 "Right-of-use - leased assets" and "Lease Contract Obligations" and Note 34 "Depreciation amortization and impairment."

Circular No. 3,647 of January 31, 2019, Summary of Accounting Standards. Standard method of provisions for commercial loans of the collective portfolio. Supplements instructions on factoring operations. Chapter B-1.

For factoring operations, the introduction of a particular factor for the component "Loss Given Default" of the standard method has been estimated for the collective analysis of the commercial portfolio, which must be considered for calculating the provisions.

The Bank applied these amendments beginning in June 2019.

Circular No. 3,649 of May 6, 2019, Summary of Accounting Standards. Leases in accordance with IFRS 16. Supplements instructions. Chapter C-3.

This chapter supplements instructions for the treatment that a lessee should follow with respect to lease contracts expressed in inflation-adjusted units (UF), and the consequences of the adjustment made to the liability.

The Bank applied these amendments beginning in May 2019.

Circular No. 2,243 of December 20, 2019, Summary of Accounting Standards for Banks. Updates instructions.

Provides comprehensive updates for the instructions in the Summary of Accounting Standards for Banks (CNCB) to allow for greater convergence with the new International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (particularly, IFRSs 9, 15 and 16), as well as an improvement in financial disclosures to contribute to the financial stability and transparency in the banking system.

The Bank will apply these amendments beginning on January 1, 2021, establishing January 1, 2020 as the date of transition, for the purposes of the comparative financial statements that should be issued beginning in March 2021.

ii) New accounting pronouncements issued by the IASB

Adoption of new standards and amendments to IFRS

New IFRS	Mandatory application date
IFRS 16, Leases	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
New Interpretations	
IFRIC 23, Uncertainty over Income Tax Treatments	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Amendments to IFRSs	
IAS 28, Long-term Interests in Associates and Joint Ventures	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
IFRS 9: Prepayment Features with Negative Compensation	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Plan Amendment, Curtailment and Settlement (Amendments to IAS 19, Employee Benefits).	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.
Annual improvements to IFRS Cycle 2015-2017 (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).	Annual periods beginning on or after January 1, 2019. Early adoption is permitted.

IFRS 16, Leases

Issued on January 13, 2016, this Standard requires that companies acting as operating lessees account for all leases in their financial statements beginning on January 1, 2019. Companies acting as lessees recording operating leases will be more asset-rich but also more heavily indebted. The larger the operating lease portfolio, the greater the impact on key reporting metrics.

The Bank and its subsidiaries used the modified retrospective method in the initial application of this Standard (without effects on equity), recognizing a right-of-use asset and a lease liability for the same amount of MCh$231,760 as of January 1, 2019, which was determined at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The Bank did not restate comparative information.

<u>Leases where the Bank and its Subsidiaries act as lessee</u>

The Bank recognized assets and liabilities for its leases. The nature of expenses related to such leases changed as the Bank recognized a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Bank recognized the operating lease expense on a straight-line basis during the lease term, and recognized assets and liabilities only to the extent there was a temporary difference between the actual lease payments and the expense recognized. The Bank included payments owed under the lease contract in its lease liability.

<u>Leases where the Bank acts as lessor</u>

With respect to sub-lease contracts that the Bank has entered into with its Subsidiaries, Management assessed the impact and determined it was immaterial. Note that the Scotiabank Group is under a strategic definition and restructuring of subsidiaries process as a result of the acquisition of Banco BBVA Chile and subsidiaries; accordingly, current lease contracts maturing in the current year will be redefined in line with the information indicated above.

IFRIC 23: Uncertainty over Income Tax Treatments

This Interpretation, issued on June 7, 2017, provides guidance on determining taxable profits (losses), taxable bases, unused tax losses, unused tax credits, and tax rates when there is an uncertainty with respect to the treatments for income tax under IAS 12.

Specifically, it considers:
- Whether tax treatments should be considered collectively.
- Assumptions for the tax authority's inspection.
- The determination of the tax profit (loss) taxable bases, unused tax losses, unused tax credits and tax rates.
- The effect of changes in facts and circumstances.

This Interpretation is effective for periods beginning on or after January 1, 2019. Early adoption 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.

IAS 28: Long-Term Interests in Associates and Joint Ventures

This amendment considers:

- The incorporation of paragraph 14A which clarifies that an entity applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture which is a part of the net investment in the associate or joint venture but to which the equity method of accounting is not applied.

- Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

This Interpretation is effective for periods beginning on or after January 1, 2019. Early adoption is permitted.

Because the Bank records no such investments, Management determined that this Standard had no impact on its Consolidated Financial Statements.

Amendment to IFRS 9, Financial Instruments: Prepayment Features with Negative Compensation

On October 12, 2017, this amendment was issued, which changes the requirements existing in IFRS 9 related to termination rights to allow the measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

This amendment is effective for periods beginning on or after January 1, 2019. Early adoption is permitted.

In accordance with the CMF (formerly SBIF), the Bank's Management will not adopt this Standard earlier. It will be adopted in the Consolidated Financial Statements when its application is authorized by such regulator.

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 (formerly SBIF), even when early adoption is permitted.

Amendments to IFRSs	Mandatory application date
Sale or Contribution of Assets Between and Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).	Effective date deferred indefinitely.
Definition of a 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)	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. 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.

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. Early adoption is permitted.

The Bank believes these amendments will be adopted in its Consolidated Financial Statements for the period beginning on January 1, 2020. The Bank expects no significant impacts from the adoption of these amendments.

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.

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

The Bank believes these amendments will be adopted in its Consolidated Financial Statements for the period beginning on January 1, 2020. The Bank expects no significant impacts from the adoption of these amendments.

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.

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

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

Scotiabank

Note 3 Accounting changes

Due to the entry into force of IFRS 16 "Leases" and the instructions contained in Circulars Nos. 3,645 and 3,649 of January 11, 2019 and May 6, 2019, respectively issued by the Chilean CMF, the Bank and its subsidiaries adopted the single accounting model for the recognition, measurement and presentation of its lease contracts.

The Bank and its subsidiaries used the modified retrospective approach for the initial adoption of the Standard (with no impacts on equity) recognizing a right-of-use asset and lease liability for the same amount; i.e., MCh$$231,760 as of January 1, 2019, which was determined according to the present value of discounted remaining lease payments using the lessee's incremental borrowing interest rate. Comparative information was not restated.

During November 2019, the Bank changed the integrated model for the allowances for the Retail and Business Collective portfolios, which represented a decrease of MCh$ 351 in the Retail portfolio (because of the offsetting effect between the increase the Consumption portfolio of MCh$ 973 and the update of the LGD for Education loans, which generated a decrease of MCh$ 1,324). For the SMEs model, we noted a decrease of MCh$ 1,802, which is explained by the transfer of customers from the former BBVA from the Collective Portfolio to the Individual Model. In addition, we noted an increase of MCh$ 545 because of the application of consistent criteria for the recognition of guarantees. The remaining portfolios were not subject to any impacts as such portfolios are controlled by the standard matrix.

Subsidiary Scotia Corredora de Seguros Chile Limitada.

Revenue recognition

The Company's main revenue relates to fees from insurance policy brokerage. As established in Appendix No. 5 of Circular No. 2,137 of January 13, 2014 and subsequent amendments included in Circular No. 2,168 of December 31, 2014, the Company has applied the following:

<u>Prior to August 1, 2019</u>

The methodology applied and approved by the CMF on December 23, 2014 relates to the following:

- A provision of 29.3% for the refund of fees calculated on each brokerage insurance policy, based on the study of the historical behavior of insurance policy brokerage.
- Deferral of 0.9% of fees considering that the amount resulting from the application of this percentage allows covering the expenses required to provide services in the future.

Beginning on August 1, 2019

The Company has applied a new methodology for the deferral of fees and calculation of the provision, which was approved by the Chilean CMF through Official Communication No. 22847 of July 25, 2019, related to the following:

- Provision for refund of fees calculated by product family, based on the historical behavior of policies generated between January 2014 and December 2017.
- Deferral of fees determined by product family based on the "Activity Based Costing" methodology.

Note 4 Significant events

Scotiabank Chile

i. At the Ordinary Board of Directors' Meeting No. 2430 held on April 25, 2019, the directors accepted the resignations presented by Regular Directors Mr. Eduardo Aninat Ureta and Mr. Juan Antonio Guzmán Molinari and appointed Mr. Emilio Deik Morrison and Mrs. Karen Ergas Segal, respectively as their replacements, who took office the same date. Likewise, the Board of Directors agreed to accept the resignation presented by Mr. Nicolás Tagle Swett to the position of Alternate Director and appointed Mr. Juan Antonio Guzmán Molinari as his replacement, who took office the same date.

Additionally, at the Ordinary General Shareholders' Meeting of Scotiabank Chile held on April 25, 2019, the shareholders agreed to pay a minimum legal dividend equivalent to 30% of net income for 2018 of MCh$32,436, equivalent to Ch$2.81818 per share, in which the remaining balance will be allocated to the reserve for undistributed profit.

ii. On July 25, 2019, in conformity with articles 9 and 10 of Law No. 18,045 and Chapter 18-10 of the Updated Summary of Standards for Banks and Financial Institutions, the Bank communicated as an Essential Event that on such date the Parent Bank, The Bank of Nova Scotia ("BNS") has entered into with BNP Paribas Cardif ("Cardif") the "Master Program Agreement" (the "Agreement"), which establishes the general terms and conditions in conformity with which a long-term strategic alliance will be established for the joint development and distribution of insurance policies among the customers of the banks and financial institutions controlled by BNS in Mexico, Peru, Colombia and Chile. By virtue of the Agreement, banks and financial institutions controlled by BNS in such jurisdictions will provide Cardif insurance companies with exclusive access to their distribution channels for them to offer insurance policies to such banks' customers.

Such agreements will be formalized through entering into local distribution agreements by the entities controlled by BNS and the insurance companies controlled by Cardif in each of the aforementioned jurisdictions in future dates.

iii. On December 18, 2019, in conformity with articles 9 and 10 of Law No. 18,045 and Chapter 18-10 of the Updated Summary of Standards for Banks and Financial Institutions, the Bank communicated as an Essential Event that at the ordinary Board of Directors' Meeting held on such date, the Directors of Scotiabank Chile unanimously agreed to call for a Shareholders' Meeting of Scotiabank Chile to be held on January 6, 2020. The matters to be addressed and agreed on at the Extraordinary Shareholders' Meeting are as follows:

1. Capital increase
2. Entity's By-laws.
3. Powers for the Board of Directors
4. Information on other transactions with related parties.
5. Other agreements approved.

Subsidiary Scotia Corredores de Bolsa Limitada.

On April 23, 2019, the Bank communicated to the Chilean CMF in conformity with articles 9 and 10 of Law No. 18,045 and General Standard No. 16 of June 11, 1985, issued by the Chilean CMF, as an Essential Event, that via public deed of April 23, 2019, witnessed at the notarial office of Santiago of Mr. Roberto Antonio Cifuentes Allel, Scotiabank Chile and Nova Scotia Inversiones Limitada, as the exclusive partners of Scotia Corredora de Bolsa Chile Limitada, Taxpayer ID No. 96.568.550-2, and Scotiabank Chile and Scotia Azul Asesorías Financieras Limitada, as the exclusive partners of Scotia Azul Corredores de Bolsa Limitada, Taxpayer ID No. 96.535.720-3 (the "Company"), agreed the merger of the former into the Company, effective beginning on May 1, 2019 (the "Effective Date"). As a result, on the Effective Date the Company will acquire all the assets, rights, authorizations, permits and assume all the obligations and liabilities of the absorbed company, becoming the legal successor company. Likewise, on the Effective Date the absorbed company will be dissolved without the need for a liquidation process. Through a Communication dated April 11, 2019, the Chilean Superintendence of Banks and Financial Institutions approved the request for approval and became aware of the aforementioned merger.

By virtue of the merger, on the Effective Date the Company's partners will be: Scotiabank Chile holding interest of 99.19% of share capital, Scotia Azul Asesorías Financieras Limitada holding interest of 0.8% of share capital, and Nova Scotia Inversiones Limitada holding interest of 0.01% of the share capital. Likewise, the change of the Company's name to "Scotia Corredora de Bolsa Chile Limitada" was approved beginning on the Effective Date.

On April 11, 2019, the Chilean SBIF approved the authorization and acknowledged the proposal for the merger of Scotia Corredora de Bolsa Chile S.A. Taxpayer ID No. 96.568.550-2 into Scotia Azul Corredores de Bolsa Limitada Taxpayer ID No. 96.535.720-3, both subsidiaries of Scotiabank Chile. As a result, Scotia Azul Corredores de Bolsa Limitada will acquire all the assets, rights, authorizations, permits and assume all the obligations and liabilities of the absorbed company, becoming the legal successor company of Scotia Corredora de Bolsa Chile S.A., which will be dissolved without the need for a liquidation process. In addition, the absorbing company's name will be changed to "Scotia Corredora de Bolsa Chile Limitada."

Subsidiary Scotia Asesorías Financieras Limitada.

On April 23, 2019, in conformity with Circular No. 8 of December 20, 1989 issued by the Chilean SBIF, communicated as essential information, that via public deed of April 23, 2019, witnessed at the notarial office of Santiago of Mr. Roberto Antonio Cifuentes Allel, Scotiabank Chile and Nova Scotia Inversiones Limitada, as the exclusive partners of Scotia Asesorías Financieras Limitada Taxpayer ID No. 96.654.820-7, and Scotiabank Azul Asesorías Financieras Limitada Taxpayer No. 96.526.410-8 (the "Company"), agreed the merger of the former into the Company, effective beginning on May 1, 2019 (the “Effective Date”). As a result, on the Effective Date the Company will acquire all the assets, rights, authorizations, permits and assume all the obligations and liabilities of the absorbed company, becoming the legal successor company. Likewise, on the Effective Date the absorbed company will be dissolved without the need for a liquidation process. The merger was authorized by the Chilean SBIF through the communication dated April 11, 2019.

By virtue of the merger, on the Effective Date, Scotiabank Chile holding interest of 98.74% in the share capital and Nova Scotia Inversiones Limitada holding interest of 1.26% in the share capital will be the Company's partners. Likewise, the change in the Company's name beginning on the Effective Date to "Scotia Asesorías Financieras Limitada" was approved.

At the Extraordinary Shareholders' Meeting of April 17, 2019, of the shareholders of Scotia Azul Asesorías Financieras Limitada Taxpayer ID No. 96.526.410-8 (the "Company") the minute of which was drafted as a public deed on such date at the notarial office of Santiago of Mr. Roberto Antonio Cifuentes Allel, Scotiabank Chile and Nova Scotia Inversiones Limitada, as the exclusive owners of the Company agreed: (i) to transform the Company to a limited liability under the name "Scotia Azul Asesorías Financieras Limitada."

Assignment of rights and dissolution of Scotia Azul Factoring Limitada.

Via public deed of October 30, 2019, Scotia Asesorías Financieras Limitada sold, assigned and transferred all its interest in Scotia Azul Factoring Limitada equivalent to approximately 0.1% of the share capital to Scotiabank Chile effective beginning on November 1, 2019. As a result of the assignment of rights, Scotiabank Chile will acquire all the interest in Scotia Azul Factoring Limitada and as such Scotia Azul Factoring Limitada will be legally dissolved becoming Scotiabank Chile the legal successor of all the rights and obligations of Scotia Azul Factoring Limitada.

As of December 31, 2019, no other significant events have occurred that have had or may have an impact or significant effects on the Bank's operations or financial statements.

Subsidiary Scotia Administradora General de Fondos Chile S.A.

On July 29, 2019, in conformity with article 18 of Law No. 20,712 and articles 9 and 10 of Law No. 18,045, the Company communicated to the Chilean CMF the following essential information of Scotia Administradora General de Fondos Chile S.A. (the "Company" or "Scotia AGF"):

1) Scotiabank Chile, the Parent Bank of the Company is performing a corporate organization process to integrate the subsidiaries with redundant lines of business after the absorption of Banco Scotiabank Azul (formerly - Banco Bilbao Vizcaya Argentaria, Chile) as a result of the merger formalized on September 1, 2018. Such reorganization process searches for simplifying the organizational chart of Scotiabank Chile and improve the efficiency of the operation and management of its subsidiaries and businesses.

2) Both the Company and Scotia Azul Asset Management Administradora General de Fondos S.A. (“Azul AGF”) are companies engaged in general fund administration. Scotiabank Chile is the direct or indirect holder of 100% of the share capital of Azul AGF and Scotiabank Azul AGF and has the intention of merging the former into the latter.

3) Because of being performed between related parties, the merger of the Company and Azul AGF qualifies as a related party transaction, which must be submitted to Title XVI of Law 18,046 on Public Companies. Consequently and in order to conduct the merger of Azul AGF into Scotia AGF, the Company's Board of Directors engaged Pricewaterhouse Coopers Consultores Auditores SpA as independent appraiser, to present a report on the conditions of such merger, its effects and potential impact for the Company.

4) It is hereby communicated through this essential event that the Report issued by the independent appraiser appointed by the Board of Directors was received on this date and made available for the Company's shareholders at its registered office located at Morandé No. 226, piso 5, Santiago.

On July 31, 2019, in conformity with article 18 of Law No. 20,712 and articles 9 and 10 of Law No. 18,045, the Company communicated to the Chilean CMF the following essential information of Scotia Administradora General de Fondos Chile S.A. (the "Company" or "Scotia AGF"):

That in connection with the related party transaction consisting of the merger of Scotia Azul Asset Management Administradora General de Fondos S.A., into Scotia Administradora General de Fondos Chile S.A. ("Scotia AGF"), on this same date the Company has received the individual views of the Directors of Scotia AGF Mr. Fabio Valdivieso Rojas, Mr. Ricardo Lagos Gana and Mr. Carlos Escamilla Jácome.

Accordingly, on this same date, and in conformity with article 147 of Law No. 18,046 on Public Companies, the views referred to above were made available to the general public and the shareholders at the Company's registered office located at Morande 226, piso 5, Santiago.

On July 31, 2019, in conformity with article 18 of Law No. 20,712 and articles 9 and 10 of Law No. 18,045, the Company communicated to the Chilean CMF the following essential information of Scotia Administradora General de Fondos Chile S.A. (the "Company" or "Scotia AGF"):

That in connection with the related party transaction consisting of the merger of Scotia Azul Asset Management Administradora General de Fondos S.A. into Scotia Administradora General de Fondos Chile S.A. ("Scotia AGF"), on this same date the Company has received the individual views of the Directors of Scotia AGF Mr. Fabio Valdivieso Rojas, Mr. Ricardo Lagos Gana and Mr. Carlos Escamilla Jácome.

Accordingly, on this same date, and in conformity with article 47 of Law No. 18,046 on Public Companies, the views referred to above were made available to the general public and the shareholders at the Company's registered office located at Morande 226, piso 5, Santiago.

On August 1, 2019 and in conformity with the essential events communicated on July 29 and 31, 2019, on the corporate reorganization process with the purpose of integrating the subsidiaries having redundant lines of businesses, it has been communicated to the Chilean CMF that at the Ordinary Meeting held on July 31, 2019, it has been agreed to summon an extraordinary shareholders' meeting for August 19, 2019.

The matters to be addressed and agreed on at the aforementioned Extraordinary Shareholders' Meeting are as follows:

(i) Transaction with related parties.
(ii) Approval of the financial statements.
(iii) Merger.
(iv) Amendments to by-laws and articles of incorporation.
(v) Information on other transactions with related parties.
(vi) Other complementary agreements.

Evidence is left that the shares of Scotia AGF and Azul AGF are directly or indirectly owned by 100% by Banco Scotiabank Chile and accordingly, there are no minority shareholders that could be affected by the terms of the Merger, including the proposed exchange rate. Notwithstanding the foregoing, a full copy of the documents explaining and providing the bases for the matters that are submitted for the review and approval of the shareholders at the extraordinary shareholders' meeting, which are from today available for the shareholders at the registered office located at Avenida Costanera Sur No. 2710, Torre A, piso 14, Parque Titanium, in the commune of Las Condes, Santiago.

On August 20, 2019, in conformity with article 18 of Law No. 20,712 and articles 9 and 10 of Law No. 18,045, the Company communicated to the Chilean CMF the following essential information of Scotia Administradora General de Fondos Chile S.A. (the "Company" or "Scotia AGF"):

On August 19, 2019, at the Company's Extraordinary Shareholders' Meeting (the “Meeting”), the shareholders of Scotia AGF approved the merger of Scotia Azul Asset Management Administradora General de Fondos S.A. (“Azul AGF”) into Scotia AGF (the “Merger”), by virtue of which, Scotia AGF will acquire all the assets and assume all the liabilities of Azul AGF and become the legal successor company in all its rights and obligations, incorporating to the Company all the shareholders and equity of Azul AGF. As a result, Azul AGF will be legally dissolved without the need for a liquidation process. In addition, the merger was also approved as a transaction with related parties in conformity with the law.

The Merger will become effective beginning on the first calendar day following the date in which the Chilean CMF issues the resolution approving the merger or December 1, 2019, (the "Effective Date"), whichever occurs last. To formalize the Merger, the Board approved a capital increase in Scotiabank AGF of Ch$4,121,888,534, through the issuance of 400,000 new nominative, same-series shares with no par value, that will be fully subscribed and paid with a debit to the incorporation of the equity of Azul AGF, as absorbed company, beginning on the Effective Date. For such purposes, 200 shares of Scotia AGF will be distributed per each share of Azul AGF held by the shareholders of the latter, without considering fractions of shares.

Finally, the shareholders at the Meeting agreed that to formalize the Merger agreement and the capital increase in the Company and effective beginning on the Effective Date, the issuance of a revised text of the By-Laws of Scotia AGF was approved, which will fully replace the currently effective By-Laws.

Subsidiary Scotia Corredora de Seguros Chile Limitada.

As it is publicly known, the Scotiabank Chile Group is conducting a corporate reorganization process with the purpose of merging certain of its subsidiaries recording duplicate lines of businesses as a result of the merger between Scotiabank Azul (formerly - Banco Bilbao Vizcaya Argentaria, Chile) and Scotiabank Chile, formalized on September 1, 2018, and the resulting acquisition of the subsidiaries of the absorbed bank. Accordingly, Scotiabank Chile searches to simplify its organizational chart and improve the efficiency of the operation and administration of its subsidiaries and businesses.

Scotia Azul Corredora de Seguros Técnica Limitada and Scotia Corredora de Seguros Chile Limitada are subsidiaries of Scotiabank Chile, the direct or indirect owner of 100% of their share capital. Considering that both Scotia Corredora de Seguros Chile Limitada and Scotia Azul Corredora de Seguros Técnica Limitada are companies in the property & casualty and life insurance brokerage business, within the framework of the corporate reorganization referred to in the preceding paragraph and as indicated previously to the Chilean SBIF (currently - integrated in the Chilean CMF) in the letter submitted by Scotiabank Chile on March 6, 2019, the Group intends to conduct the merger of Scotia Azul Corredora de Seguros Técnica Limitada into Scotia Corredora de Seguros Chile Limitada, by virtue of which the former will be dissolved without the need for a liquidation process, becoming the latter the legal successor company with respect to former's rights and obligations, and incorporating the partners of Scotia Azul Corredora de Seguros Técnica Limitada as partners of Scotia Corredora de Seguros Chile Limitada (the “Merger”).

To formalize such Merger, during October 2019 a merger agreement will be entered into via public deed by all the partners of Scotia Corredora de Seguros Chile Limitada and Scotia Azul Corredora de Seguros Técnica Limitada, by way of which the Merger and its terms will be approved, so that it becomes effective beginning on November 1, 2019. Subsequent to the Merger, Scotiabank Chile (holding interest higher than 99%), Scotia Corredora de Bolsa Chile Limitada and Scotia Asesorías Financieras Limitada (both holding the remaining interest) will be the partners of Scotia Corredora de Seguros Chile Limitada. Likewise, via the public deed where the Merger is agreed, the partners will also agree to increase the capital of Scotia Corredora de Seguros Chile Limitada to leave evidence of the Merger, adapt its line of business and update and clarify the text of its By-Laws.

Except for the amendments included in the Merger agreement described above, Scotiabank Chile, as the Parent Bank of Scotia Corredora de Seguros Técnica Limitada and Scotia Azul Corredora de Seguros Técnica Limitada, has not foreseen making any changes in the organization of the companies involved in the Merger, related to the method for managing and controlling their management activities (method for establishing policies and risk management, autonomy degree, information flow foreseen, etc.) or the analysis of the main risks, internal controls to manage or foresee risks, or the equipment and services existing through the present date, except for the fact that they are currently performed by twin subsidiaries as to their exclusive line of business, and after the Merger solely one insurance company will continue operating the line of business.

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.

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

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.

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.

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

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$50,000.

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), Cuenta Mujer (Women's Account), Tarjeta Joven (Young Person's Account), Plan Scotiamax Médico (Scotiamax Medical Plan), which seek to offer a mix of highly customized products for every customer need.

4. **Financial Retail**

This segment groups credit cards and consumer loans offered within the framework of the binding partnership agreement entered into with Cencosud S.A., by way of which the bank acquired 51% of the shares of CAT Administradora de Tarjetas de Crédito S.A. ("CAT") and of CAT Corredores de Seguros y Servicios S.A., with the purpose of the joint and exclusive performance of the financial retail business of Cencosud in Chile.

5. Other

This caption includes all non-recurrent items, treasury income 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, 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**

	As of December 31, 2018					
	SME and retail banking MCh$	Business banking MCh$	Personal banking MCh$	Retail statements MCh$	Other MCh$	Total MCh$
Net interest and adjustment income	97,491	102,451	230,983	187,593	(3,609)	614,909
Net fee and commission income	26,961	17,399	46,683	50,888	(9,064)	132,867
Net gain (loss) from financial operations	9,461	71,361	6,538	408	(86,833)	935
Net foreign exchange income (loss)	1,356	(19,859)	2,135	445	86,998	71,075
Other operating income	1,502	841	2,713	922	18,552	24,530
Total operating income	**136,771**	**172,193**	**289,052**	**240,256**	**6,044**	**844,316**
Allowances for credit risk	(29,123)	(23,873)	(93,745)	(83,075)	(313)	(230,129)
Net operating income	**107,648**	**148,320**	**195,307**	**157,181**	**5,731**	**614,187**
Operating expenses	(74,706)	(49,453)	(113,879)	(107,115)	(110,790)	(455,943)
Segment operating income (loss)	**32,942**	**98,867**	**81,428**	**50,066**	**(105,059)**	**158,244**
Equity in net income of investees	-	-	-	-	121	121
Segment income (loss) before tax	**32,942**	**98,867**	**81,428**	**50,066**	**(104,938)**	**158,365**
Income tax						(31,290)
Profit for the period						**127,075**
Segment assets	2,230,370	10,852,283	10,301,518	1,161,526	5,521,317	30,067,014
Segment liabilities	820,892	9,427,422	3,356,425	1,008,398	13,343,924	27,957,061

Note 6 Cash and cash equivalents

The detail of cash and cash equivalents is as follows:

	12/31/2019 MCh$	12/31/2018 MCh$
Cash and deposits in banks		
Cash	355,339	179,521
Deposits in Banco Central de Chile	539,784	385,981
Deposits in domestic banks	23,607	33,940
Deposits in foreign banks	466,032	188,030
Subtotal cash and deposits in banks	1,384,762	787,472
Net trading operations pending settlement	133,954	185,940
High liquidity financial instruments	252,014	412,587
repurchase agreements	23,054	217,118
Total cash and cash equivalents	**1,793,784**	**1,603,117**

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:

	12/31/2019 MCh$	12/31/2018 MCh$
Assets		
Due from banks (interbank)	76,074	81,154
Funds receivable	290,234	783,328
Subtotal assets	366,308	864,482
Liabilities		
Funds payable	(232,354)	(678,542)
Subtotal liabilities	(232,354)	(678,542)
Net trading operations pending settlement	**133,954**	**185,940**

Scotiabank

Note 7 Securities held for trading

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

	12/31/2019 MCh$	12/31/2018 MCh$
Instruments of Government and Banco Central de Chile:		
Instruments issued by Banco Central de Chile	23,954	44,436
Bonds or promissory notes issued by the Treasury	230,968	118,007
Other fiscal instruments	-	-
Other financial instruments issued by domestic institutions:		
Instruments issued by other domestic banks	403,009	533,103
Corporate bonds and commercial papers	21,582	1
Other instruments issued in Chile	2,253	1,676
Investments in mutual funds:		
Funds managed by related parties	163,941	161,805
Funds managed by third-parties	-	-
Total	**845,707**	**859,028**

As of December 31, 2019 and 2018, the caption Instruments of Government and Banco Central de Chile includes no transactions of securities sold under repurchase agreement to financial institutions or customers.

As of December 31, 2019, the caption Financial instruments issued by other domestic institutions includes securities sold under repurchase agreement to financial institutions or customers of MCh$77,981 with average maturity of 7 days (MCh$89,118 with an average maturity of 10 days as of December 31, 2018).

Note 8 Investments sold under repurchase agreements and securities lending

As of December 31, 2019 and 2018, this caption is detailed as follows:

	12/31/2019		12/31/2018	
	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	23,054	1,089,231	217,118	575,535
Securities loaned	92	92	247	247
Total	**23,146**	**1,089,323**	**217,365**	**575,782**

Note 9 Derivative instruments and accounting hedge

As of December 31, 2019 and 2018, the Bank has the following portfolio:

As of December 31, 2019

	Notional amount of contract with final maturity:			Fair value	
	Less than 3 months	3 months to 1 year	Over 1 year	Assets	Liabilities
Held-for-trading derivatives	MCh$	MCh$	MCh$	MCh$	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	994,088	5,271,398	2,118,250	2,118,250	(2,004,351)
Options	-	-	-	4,317	(4,315)
Subtotal	**35,827,776**	**40,520,774**	**64,227,887**	**4,462,905**	**(4,169,680)**

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

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

(**) Related to derivative instruments hedging against the following:
- i) Floating and fixed interest rate risk in Term Deposits (Notional amount of MCh$539,599 and MCh$226,450).
- ii) Foreign currency risk in Foreign Trade Loan received (Notional amount of MUS$350).
- iii) Fixed interest rate risk in bonds issued (Notional amount of MCh$50,000).

(***) Related to Derivative instruments simultaneously hedging against the following:
- i) Foreign currency risk from Foreign Trade loan received (Notional amount of MUS$250).
- ii) Inflation risk in Mortgage Loans (Notional amount of MCh$2,318,330).
- i) Floating interest rate risk in Term Deposits (Notional amount of MCh$2,012,670).
- iv) Inflation risk in Bonds BTU and Bonds BCU (UF 7,017,000) (As of December 31, 2019, Notional amount of MCh$198,651).
- v) Inflation risk in Liability Bonds issued by the Bank (UF300,000) (As of December 31, 2019, Notional amount of MCh$8,415).
- vi) Interest rate risk in Debt bonds issued by the Bank (UF6,005,000) (As of December 31, 2019, Notional amount of MCh$163,431.

As of December 31, 2018

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	22,574,349	15,113,612	8,801,679	808,947	(761,521)
Interest rate swaps	9,402,235	14,416,946	45,630,119	399,454	(363,149)
Interest rate and currency swaps	2,110,268	4,186,736	23,900,427	1,210,945	(1,162,731)
Options	31,530	65,261	-	600	(600)
Subtotal	**34,118,382**	**33,782,555**	**78,332,225**	**2,419,946**	**(2,288,001)**

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 (*)	261,875	567,855	110,263	5,943	(904)
Interest rate swaps (**)	291,764	195,500	212,199	1,155	(223)
Interest rate and currency swaps (***)	102,720	95,220	3,189,949	53,593	(120,048)
Options	-	-	-	-	-
Subtotal	**656,359**	**858,575**	**3,512,411**	**60,691**	**(121,175)**
Total				**2,480,637**	**(2,409,176)**

(*) Correspond to derivatives hedging the inflation risk of mortgage loans (notional amount of MCh$ 939,993).

(**) Relate to Derivative Instruments hedging against:
- i) Floating and fixed interest rate risk in Term Deposits (Notional amount of MCh$482,763 and MCh$240,700).
- ii) Foreign currency risk in Foreign Trade Loans received (Notional amount of MUS$200).
- iii) Fixed interest rate risk of Term Deposits (Notional amount of MCh$24,000).
- iv) Fixed interest rate risk of available for sale debt securities in portfolio (BTP and BCP) BTP0600120, BCP0600221, BTP0450321 and BTP0450221 (Notional amount of MCh$279.225).
- v) Fixed interest rate risk of bonds issued, the mnemonic code is BBBVP40316 (Notional amount of MCh$50,000).

(***) Correspond to derivatives simultaneously hedging:
- i) Foreign currency risk in foreign trade loans received (notional amount of MAUD30).
- ii) Foreign currency risk of foreign trade loans granted (notional amount MUS$23).
- iii) Foreign currency risk of foreign trade loan received (notional amount of MUS$250).
- iv) Mortgage loan inflation risk (notional amount of MCh$3,100,170).
- v) Floating interest rate risk of term deposits (notional amount of MCh$1,038,072).
- vi) Inflation risk of bonds BTU0150321 (UF300,000) (notional amount of MCh$8,270 as of December 31, 2018).
- vii) Inflation risk of liability bond issued by the Bank, mnemonic code BBNSAF1016 and BBNSAK0118 (UF5,500,000) (Notional amount of MCh$151,612 as of December 31, 2018).
- viii) EUR/Ch$ foreign exchange risk of debt security portfolio for selling euros (notional amount of MEUR20)
- ix) Rate risk in available-for-sale debt security portfolio (BTU and BCU) BTU0150321, BCU0300221 and BCU0300519 (notional amount of MCh$8,890).
- x) Interest rate risk in debt bonds issued by the Bank, mnemonic codes BBBVM41113 and BBBVO10416 (UF 3,200,000.00) (notional amount of MCh$88,210 as of December 31, 2018).

Derivatives exist covering the mortgage loans inflation risk (notional amount of MCh$220,526) starting on a future date.

During July 2018, the total accounting hedge portfolio from BBVA was de-designated and re-designated due to the change in the effective measurement methodology. The impact of the de-designation to be amortized amounts to (MCh$6,633).

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, obligations with foreign banks at floating rate in foreign currency, 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 (CCS and IRS).

As of December 31, 2019, the Bank has recorded a loss in equity valuation accounts, net of tax of MCh$162,114 (MCh$9,764 as of December 31, 2018) for the adjustment of cash flow hedging instruments.

As of December 31, 2019, the Bank recorded a profit from cash flow hedging derivatives of MCh$124,569 (loss of MCh$9,671 as of December 31, 2018).

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 Income with the changes in the fair value of the hedged item attributable to the hedged risk. The Bank uses fair value hedges primarily to convert 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 (CCS and IRS).

a.3) Market valuation by type of hedge

	12/31/2019		12/31/2018	
	For MCh$	Against MCh$	For MCh$	Against MCh$
Derivatives designated in fair value hedging relationships	52,507	(800)	13,682	(15,694)
Derivatives designated in cash flow hedging relationships	56,347	(404,410)	47,009	(105,481)
Total derivatives designated in hedging relationships	108,854	(405,210)	60,691	(121,175)

a.4) Cash flows of hedged items are expected to occur and impact the Consolidated statements of income for cash flow hedge accounting

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)**

As of December 31, 2018	Less than 3 months MCh$	3 months to 1 year MCh$	Over 1 year MCh$	Total MCh$
Hedged item (Asset)	195,164	801,926	4,088,125	5,085,215
Hedged item (Liability)	(194,571)	(744,329)	(4,249,443)	(5,188,343)
Net cash flows	**593**	**57,597**	**(161,318)**	**(103,128)**

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:

	12/31/2019 MCh$	12/31/2018 MCh$
Fair value hedges		
Gain (loss) recorded in hedged items	25,910	3,303
Gain (loss) recorded in hedging instruments	(25,729)	(3,663)
Ineffectiveness	**181**	**(360)**
Cash flow hedges		
Ineffectiveness	**2,414**	**2,671**

Note 10 Composition of loans and advances to banks

a) Composition of loans and advances to banks:

As of December 31, 2019 and 2018, this caption comprises the following:

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**

As of December 31, 2018	Assets before allowances Regular portfolio MCh$	 Impaired portfolio MCh$	 Total MCh$	Allowances accrued Individual allowances MCh$	 Collective allowances MCh$	 Total MCh$	Net assets 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	2,604	-	2,604	-	-	-	2,604
Foreign trade loans for domestic imports	-	-	-	-	-	-	-
Foreign trade loans between third countries	-	-	-	-	-	-	-
Other receivables from domestic banks	186	-	186	(1)	-	(1)	185
Subtotal	**2,790**	**-**	**2,790**	**(1)**	**-**	**(1)**	**2,789**
BANCO CENTRAL DE CHILE							
Unavailable deposits at Banco Central	-	-	-	-	-	-	-
Other receivables from Banco Central	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**2,790**	**-**	**2,790**	**(1)**	**-**	**(1)**	**2,789**

b) Allowances for credit risk

	Domestic banks MCh$	Foreign banks MCh$	Banco Central de Chile MCh$	Total MCh$
Balance as of January 1, 2018	-	-	-	-
Merger with former BBVA Bank	-	12	-	12
Impaired portfolio write-offs	-	-	-	-
Allowances accrued (Note 31)	-	5	-	5
Allowances released (Note 31)	-	(16)	-	(16)
Balance as of December 31, 2018	**-**	**1**	**-**	**1**
Balance as of January 1, 2019	-	1	-	1
Merger with former BBVA Bank	-	-	-	-
Impaired portfolio write-offs	-	-	-	-
Allowances accrued (Note 31)	-	-	-	-
Allowances released (Note 31)	-	-	-	-
Balance as of December 31, 2019	**-**	**1**	**-**	**1**

Note 11 Loans and advances to customers

The following is a detail of Loans and advances to 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 advances to customers:

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**

As of December 31, 2018	Assets before allowances			Allowances accrued			Net assets
	Regular portfolio	Impaired portfolio	Total	Individual allowances	Collective allowances	Total	
	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$	MCh$
COMMERCIAL LOANS							
Commercial loans	7,457,884	277,875	7,735,759	(110,666)	(42,741)	(153,407)	7,582,352
Foreign trade loans	1,746,368	7,466	1,753,834	(25,923)	(151)	(26,074)	1,727,760
Receivables from current accounts	153,807	5,465	159,272	(2,938)	(2,217)	(5,155)	154,117
Factoring operations	251,209	1,594	252,803	(3,736)	(650)	(4,386)	248,417
Student loans	617,618	59,002	676,620	-	(21,934)	(21,934)	654,686
Lease operations	650,888	23,618	674,506	(5,807)	(2,142)	(7,949)	666,557
Other loans and advances	6,594	7,617	14,211	(6,463)	(327)	(6,790)	7,421
Subtotal	**10,884,368**	**382,637**	**11,267,005**	**(155,533)**	**(70,162)**	**(225,695)**	**11,041,310**
MORTGAGE LOANS							
Letter of credit loans	111,863	26,590	138,453	-	(1,011)	(1,011)	137,442
Endorsable mutual mortgage loans	56,697	8,316	65,013	-	(222)	(222)	64,791
Bond funded mutual mortgage loans	-	-	-	-	-	-	-
Other mortgage mutual loans	7,643,608	279,610	7,923,218	-	(42,867)	(42,867)	7,880,351
Loans from the ANAP	-	-	-	-	-	-	-
Lease operations	52,640	7,154	59,794	-	(744)	(744)	59,050
Other loans and advances	22,762	7,119	29,881	-	(343)	(343)	29,538
Subtotal	**7,887,570**	**328,789**	**8,216,359**	**-**	**(45,187)**	**(45,187)**	**8,171,172**
CONSUMER LOANS							
Consumer loans paid in installments	1,617,058	126,086	1,743,144	-	(113,567)	(113,567)	1,629,577
Receivables from current accounts	112,790	7,373	120,163	-	(7,049)	(7,049)	113,114
Receivables from credit cards	1,395,585	80,970	1,476,555	-	(101,415)	(101,415)	1,375,140
Lease operations	23	52	75	-	-	-	75
Other loans and advances	28	10	38	-	(11)	(11)	27
Subtotal	**3,125,484**	**214,491**	**3,339,975**	**-**	**(222,042)**	**(222,042)**	**3,117,933**
Total	**21,897,422**	**925,917**	**22,823,339**	**(155,533)**	**(337,391)**	**(492,924)**	**22,330,415**

b) Allowances for credit risk

	Individual allowances MCh$	Collective allowances MCh$	Total MCh$
Balance as of January 1, 2018	81,904	195,603	277,507
Impaired portfolio write-offs:			
Commercial loans	(15,943)	(17,597)	(33,540)
Mortgage loans	-	(3,906)	(3,906)
Consumer loans	-	(164,671)	(164,671)
Total write-offs	(15,943)	(186,174)	(202,117)
Allowances accrued (Note 31)	55,621	257,371	312,992
Allowances released (Note 31)	(17,776)	(17,320)	(35,096)
Merger with former BBVA Bank	51,765	92,179	143,944
Allowance for sale of portfolio used	(38)	(4,268)	(4,306)
Total provisions	89,572	327,962	417,534
Balance as of December 31, 2018	**155,533**	**337,391**	**492,924**
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**

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, 2019				As of December 31, 2018			
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	493,796	9,739	503,535	1.99	316,125	1,426	317,551	1.39
Real estate and services rendered to companies	1,208,347	12,165	1,220,512	4.82	1,146,390	5,292	1,151,682	5.05
Wholesale	1,476,881	93,522	1,570,403	6.20	1,048,322	19,537	1,067,859	4.68
Retail, restaurants and hotels	545,873	-	545,873	2.15	500,487	-	500,487	2.19
Communications	286,652	-	286,652	1.13	197,392	-	197,392	0.86
Housing construction	557,213	-	557,213	2.20	597,845	1,244	599,089	2.62
Electricity, gas and water	618,635	-	618,635	2.44	727,039	14	727,053	3.19
Financial and insurance facilities	2,630,662	1,515	2,632,177	10.38	2,581,040	52,460	2,633,500	11.54
Exploitation of mines and quarries	649,759	-	649,759	2.56	532,617	-	532,617	2.33
Manufacturing of metallic and non-metallic mineral products, machinery and equipment	229,273	-	229,273	0.90	158,524	538	159,062	0.70
Wood and furniture industry	76,485	-	76,485	0.30	56,220	-	56,220	0.25
Beverage, food and tobacco industry	440,384	18,134	458,518	1.81	552,893	13,914	566,807	2.48
Industry of chemicals and oil by-products, coal, rubber and plastic	271,153	-	271,153	1.07	200,103	-	200,103	0.88
Paper, print plants and book publishing divisions industry	181,074	-	181,074	0.71	27,923	9,179	37,102	0.16
Textile and leather industry	208,411	56,892	265,303	1.05	46,314	-	46,314	0.20
Other manufacturing industries	125,589	235	125,824	0.50	228,137	-	228,137	1.00
Other works and constructions	186,890	-	186,890	0.74	102,965	-	102,965	0.45
Fishing	122,116	1,880	123,996	0.49	65,897	-	65,897	0.29
Production of crude oil and natural gas	37,603	-	37,603	0.15	35,253	-	35,253	0.15
Communal, social and personal services	920,378	-	920,378	3.63	857,686	2,613	860,299	3.77
Forestry and timber extraction	56,754	-	56,754	0.22	51,975	-	51,975	0.23
Transport and storage	571,792	57	571,849	2.26	455,049	86	455,135	2.00
Subtotal	11,895,720	194,139	12,089,859	47.70	10,486,196	106,303	10,592,499	46.41
Mortgage loans	9,047,214	-	9,047,214	35.69	8,156,565	-	8,156,565	35.74
Consumer loans	3,459,325	-	3,459,325	13.65	3,339,900	-	3,339,900	14.63
Lease operations	750,761	-	750,761	2.96	734,375	-	734,375	3.22
Total	**25,153,020**	**194,139**	**25,347,159**	**100.00**	**22,717,036**	**106,303**	**22,823,339**	**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, 2019 and 2018, 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	12/31/2019 MCh$	12/31/2018 MCh$
Par value	104,464	117,257
Provisions	(3,876)	(4,268)
Net value of allowance accounts	**100,588**	**112,989**
Sale value	127,413	143,837
Gain or loss	**26,825**	**30,848**
Gain from sales	**11,509**	**13,464**
Unearned revenue	**15,316**	**17,384**

Gain on sale is included in the Consolidated Statement of Income 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) Lease operations

Remaining maturities of loans related to finance lease agreements as of December 31, 2019 and 2018 are as follows:

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**

As of December 31, 2018 Maturity:	Receivables MCh$	Deferred interest and VAT MCh$	Net balance receivable MCh$
Less than 1 year	298,331	(61,983)	236,348
1 to 5 years	495,589	(112,786)	382,803
Over 5 years	158,354	(43,130)	115,224
Total	**952,274**	**(217,899)**	**734,375**

f) Sale of written-off loans

During the period between January 1 and December 31, 2019, the Bank sold written-off loans from the retail and consumer portfolio, recognizing a profit of MCh$797 and MCh$708, respectively, in the caption "Gain or loss on financial transactions" (MCh$2,724 as of December 31, 2018).

Note 12 Investment securities

As of December 31, 2019 and 2018, this caption comprises the following:

Held-for-sale securities:	12/31/2019 MCh$	12/31/2018 MCh$
Instruments of Government and Banco Central de Chile		
Instruments issued by Banco Central de Chile	352,795	505,899
Instruments issued by Tesorería General de la República (Chilean Treasury)	422,563	615,646
Other fiscal instruments	13,341	29,272
Other instruments issued in Chile		
Instruments issued by other domestic banks	15,328	58,270
Corporate bonds and commercial papers	-	190
Other instruments issued in Chile (*)	4,647	2,771
Total	**808,674**	**1,212,048**

(*) During April 2019, the subsidiary Scotia Corredora de Bolsa Chile S.A. 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."

During 2018, the subsidiary Scotia Azul Corredora de Bolsa Chile S.A. 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, 2019, instruments of the Government and Banco Central de Chile includes securities sold under repurchase agreement to financial institutions or customers of MCh$531,040 with average maturity of 4 days (MCh$160,315 with an average maturity of 6 days as of December 31, 2018).

As of December 31, 2018, Instruments of the Government and Banco Central de Chile includes securities sold under repurchase agreement to financial institutions or customers of MCh$184,259 with average maturity of 14 days. As of December 31, 2019, there are no securities.

As of December 31, 2019, the portfolio of available-for-sale securities includes an unrealized net gain of MCh$6,608 (MCh$7,780 as of December 31, 2018), recorded as valuation adjustments in equity and a realized net gain of MCh$15,921 (MCh$932 as of December 31, 2018), recorded in the caption "Gain or loss on financial transactions."

As of December 31, 2019 and 2018, the bank held no investment securities held-to maturity.

Note 13 Investments in other companies

a) Investments in companies

	Ownership %		Investment amount		Net gain (loss)	
	12/31/2019	12/31/2018	12/31/2019 MCh$	12/31/2018 MCh$	12/31/2019 MCh$	12/31/2018 MCh$
Investments valued at cost:						
Sociedad Interbancaria de Depósitos de Valores	15.86	15.86	204	204	16	6
Sociedad Servicios de Infraestructura y de Mercado OTC (3)	18.28	18.39	2,291	2,303	-	-
Nexus S.A. (4)	25.93	22.58	2,604	2,016	-	-
Redbanc S.A.	12.72	12.72	860	860	-	-
Transbank S.A	22.69	22.69	10,080	10,080	-	-
Combanc S.A. (1)	15.00	15.10	597	601	15	-
Bolsa de Valores de Valparaíso S.A.	1.67	1.67	11	11	-	-
Other companies			62	62	9	2
Subtotal			**16,709**	**16,137**	**40**	**8**
Investments at fair value:						
Bolsa de Comercio de Santiago (2)	-	2.08	-	2,616	236	109
Bolsa Electrónica de Chile (2)	-	2.44	-	156	-	4
Subtotal			**-**	**2,772**	**236**	**113**
Total			**16,709**	**18,909**	**276**	**121**

(1) On August 27, 2018, 86 shares were subscribed equivalent to MCh$53; on October 17, 2018, 7 shares were subscribed equivalent to MCh$5; and on November 8, 2018, 41 shares were subscribed equivalent to MCh$26. On July 25, 2019, 4 shares were transferred to Banco Bice equivalent to MCh$3; on July 25, 2019, 3 shares were transferred to Banco Internacional equivalent to MCh$2; and on May 17, 2019, 2 shares were transferred to Banco Bice equivalent to MCh$1.

(2) During April 2019, the subsidiary Scotia Corredora de Bolsa Chile S.A. 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."

During 2018, the subsidiary Scotia Azul Corredora de Bolsa Chile S.A. 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."

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

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

b) Movements in investments in companies are as follows:

	12/31/2019 MCh$	12/31/2018 MCh$
Opening carrying amount	18,909	10,191
Acquisition of investments	588	84
Sale of investments	(16)	-
Transfer to available for sales	(2,772)	(2,188)
Incorporation by merger of former Banco BBVA (*)	-	11,151
Equity in profit for the period	276	121
Provisions for minimum dividends	-	-
Dividends received	(276)	(121)
Adjustment at market value	-	(329)
Total	**16,709**	**18,909**

(*) This amount includes the ownership of Scotiabank Azul (formerly BBVA Chile) in companies that support the line of business and other companies that join Scotiabank Chile due to the merger of September 1, 2018.

During the years ended December 31, 2019 and 2018, there have been no movements associated with impairment.

Note 14 Intangible assets

a) As of December 31, 2019 and 2018, this caption comprises the following:

	Years									
	Useful life		Average remaining amortization		Gross balance		Amortization and cumulative impairment		Net balance	
Intangible assets	**2019**	**2018**	**2019**	**2018**	**12/31/2019 MCh$**	**12/31/2018 MCh$**	**12/31/2019 MCh$**	**12/31/2018 MCh$**	**12/31/2019 MCh$**	**12/31/2018 MCh$**
Computer software	5	5	3	1	166,851	98,847	(75,564)	(42,743)	91,287	56,104
Intangible assets from business combinations (1)	15	15	11	12	138,425	138,425	(43,065)	(33,837)	95,360	104,588
Other intangible assets	5	5	-	-	2,457	2,457	(2,457)	(2,457)	-	-
Total					**307,733**	**239,729**	**(121,086)**	**(79,037)**	**186,647**	**160,692**

(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, 2019 and 2018, 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, 2018	34,215	138,425	2,457	175,097
Incorporation by merger of former Banco BBVA	36,808	-	-	36,808
Acquisitions	29,065	-	-	29,065
Disposal of assets	(1,109)	-	-	(1,109)
Reclassification of accounts	(132)	-	-	(132)
Withdrawals	-	-	-	-
Total gross balance	**98,847**	**138,425**	**2,457**	**239,729**
Accumulated amortization	(13,363)	(24,609)	(2,457)	(40,429)
Amortization for the period	(9,117)	(9,228)	-	(18,345)
Reclassification of accounts	-	-	-	-
Disposal of assets	1,109	-	-	1,109
Impairment loss (1)	(21,372)	-	-	(21,372)
Total amortization	**(42,743)**	**(33,837)**	**(2,457)**	**(79,037)**
Net value as of December 31, 2018	**56,104**	**104,588**	**-**	**160,692**
Gross balance:				
Balance as of January 1, 2019	98,847	138,425	2,457	239,729
Adjustment for migration from former Banco BBVA (2)	16,279	-	-	16,279
Acquisitions	52,381	-	-	52,381
Disposal of assets	(656)	-	-	(656)
Withdrawals	-	-	-	-
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 former Banco BBVA (2)	(16,279)	-	-	(16,279)
Amortization for the period	(16,950)	(9,228)	-	(26,178)
Disposal of assets	627	-	-	627
Impairment loss (1)	(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**

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.

(1) As of December 31, 2018, Scotiabank Chile assessed the use of software acquired in the merge with Scotiabank Azul (formerly BBVA Chile). As a result of such assessment, Management determined that a large part of such software would not be used in the future merged Bank's processes; therefore, a debit to profit or loss of MCh$21,372 was made, included under "Impairment" in the Consolidated Statement of Income. As of December 31, 2019, the impairment corresponds to internal developments that will not continue generating economic benefits.

(2) Corresponds to the migration of the accounting balances from former Banco BBVA to Scotiabank during the operational integration between both companies. This adjustment arises from the change in the amortization method from direct to indirect, which has no impact on the profit or loss for the period and/or profit or loss from prior periods.

Note 15 Property, plant and equipment; right-of-use leased assets and lease contracts obligations

a) Property and equipment and depreciation

As of December 31, 2019 and 2018, 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, 2018	48,549	7,494	42,741	765	99,549
Incorporation by merger of former Banco BBVA	44,627	30,385	87,559	6,054	168,625
Acquisition of property and equipment	-	911	2,968	15,713	19,592
Prepayments from prior year	-	-	-	2,550	2,550
Disposal of assets	(4)	(4,791)	(5,552)	(1,318)	(11,665)
Reclassification of accounts	(30)	(458)	(25,324)	10,140	(15,672)
Regularization	-	-	678	-	678
Transfer to available for sale	(10,833)	(425)	(2,030)	(322)	(13,610)
Total, gross	82,309	33,116	101,040	33,582	250,047
Depreciation, former Banco BBVA	(13,920)	(15,099)	(71,603)	(3,578)	(104,200)
Accumulated depreciation	(8,964)	(3,873)	(20,490)	(85)	(33,412)
Depreciation for the period	(1,420)	(1,392)	(6,044)	(641)	(9,497)
Disposal of assets	3	6,369	6,306	1,064	13,742
Reclassification of accounts	-	399	23,246	(7,973)	15,672
Total depreciation	(24,301)	(13,596)	(68,585)	(11,213)	(117,695)
Net value as of December 31, 2018	**58,008**	**19,520**	**32,455**	**22,369**	**132,352**
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
Prepayments from prior year	-	-	-	-	-
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	(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**

(1) Corresponds to the reclassification of improvements to leased properties in conformity with instructions issued in Circular No. 3,465 dated January 11, 2019 issued by the CMF (formerly SBIF).
(2) Corresponds to the distribution of prepayments made for the payment of items of PP&E and improvements to leased properties.
(3) Corresponds to the reclassification of disposal of buildings and constructions.

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

b) **Right-of-use leased assets**

As of December 31, 2019, the movement in assets subject to IFRS 16 by class of underlying asset is as follows:

	Buildings and Land	Leased property improvements	Equipment	Other property, plant and equipment	Other intangible assets	Total
	MCh$	MCh$	MCh$	MCh$	MCh$	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) for 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
Balance as of January 1, 2019, accumulated depreciation	-	(13,596)	-	-	-	(13,596)
Impairment loss	-	-	-	-	-	-
Depreciation for offices enablement (3)	(601)	-	-	-	-	(601)
Depreciation for the period	(16,101)	(2,246)	-	-	-	(18,347)
Reclassifications (2)	-	(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**

(1) Corresponds to the distribution of prepayments made for the payment of items of PP&E and improvements to leased properties (See Note 15 a) (2)).

(2) Corresponds to the reclassification of disposal of buildings and constructions (See Note 15 a) (3)).

(3) Corresponds to the capitalization of the leased offices depreciation not yet in use, as they are in the fitting stage.

The debits for the depreciation of right-of-use assets are included in the caption "Depreciation and amortization" in the Consolidated Statement of Income.

As of December 31, 2019, the Bank records no expenses related to low-value leases, and expenses related to short-term leases amounting to MCh$2,501 are included in the caption "Administrative expenses" in the Consolidated Statement of Income (see Note 33).

As of December 31, 2019, the Bank has recognized revenue from subleases of right-of-use assets amounting to MCh$1,123, included in the caption "Other operating income" in the Consolidated Statement of Income (see Note 35).

As of December 31, 2019, profit or loss from sale and leaseback transactions amounts to MCh$11,690 included in the caption "Other operating income" in the Consolidated Statement of Income, corresponding to the disposal of property, and MCh$1,036 corresponding to the amount paid to lease such property, recognized as Expenses from short-term lease contracts included in the caption "Administrative expenses" in the Consolidated Statement of Income. Sale and leaseback transactions are within the execution of the Integration Plan related to the system migration being performed by the Bank due to the business combination completed in September 2018.

c) Lease contract obligations

As of December 31, 2019, movements in lease contract obligations and flows for the year are as follows:

Lease liabilities	Movements for the year ended December 31, 2019
Balance as of January 1, 2019	231,760
Lease liabilities generated	3,534
Increase (decrease) due to contract amendments	(5,653)
Interest expense	4,815
Payments of principal	(14,139)
Payments of interest	(4,815)
Contract adjustments	5,821
Payments for termination of lease contracts	(2,261)
Balance as of December 31, 2019	**219,062**

Total cash flows for the year ended December 31, 2019 from (used in) lease liabilities	(18,954)

d) Flow of lease contract obligations

The Bank has operating lease contracts over certain assets. The table below shows the analysis of contract maturities as of December 31, 2019:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Cash flows from lease contracts	1,619	3,238	14,571	77,309	164,429	261,166

The Bank's lease contracts comprise mainly lease of property for the performance of its operational functions. Contracts contain renewal options and for those that there is reasonable certainty that this option will be exercised, the Bank establishes a 10-year horizon as the lease term used to measure the liability and asset for such period.

Note 16 Current and deferred tax

a) Current taxes

Assets	12/31/2019 MCh$	12/31/2018 MCh$
Income taxes, tax rate of 27%	(45,197)	(41,000)
One-off income tax, rate of 40%	(192)	(197)
Income taxes, absorbed subsidiaries	-	-
Less:		
Monthly provisional income tax pay	47,777	27,594
Credit for training expenses	374	379
Credit 104 Income Tax Law	1,371	1,228
Prior period tax receivable	29,613	17,920
Other	207	-
Total current tax assets	**33,953**	**5,924**

Liabilities	12/31/2019 MCh$	12/31/2018 MCh$
Income taxes, tax rate 27%	(30,939)	(19,830)
One-off income tax, rate 40%	-	-
Income taxes, absorbed subsidiaries	-	-
Less:	-	-
Monthly provisional income tax pay	26,824	17,078
Credit for training expenses	268	245
Prior period taxes receivable	844	-
Credit 104 Income Tax Law	-	-
Other	77	-
Total current tax liabilities	**(2,926)**	**(2,507)**

b) Effect on net income

The effect of tax expense during the years ended December 31, 2019 and 2018 is detailed as follows:

	12/31/2019 MCh$	12/31/2018 MCh$
Income tax expenses:		
Current year tax	(133,066)	(58,766)
Surplus (deficit) from prior-year provision	252	2,335
Prior-year tax	-	785
Credit (debit) for deferred taxes:		
Effect and reversal of temporary differences, current year	55,424	26,551
Effect and reversal of temporary differences, previous year	-	(1,997)
Subtotal	(77,390)	(31,092)
Taxes on non-deductible permanent expenses Article No. 21	(192)	(198)
Other	-	-
Net credit (debit) to profit for the period for income taxes	**(77,582)**	**(31,290)**

c) Effect of taxes recorded in equity

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

	12/31/2019 MCh$	12/31/2018 MCh$
Available-for-sale financial instruments	536	(1,508)
Cash flow hedge derivatives	59,221	(337)
Total debit (credit) to equity	**59,757**	**(1,845)**

d) Deferred tax assets and liabilities

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

	12/31/2019 MCh$	12/31/2018 MCh$
Deferred tax assets		
Collective allowances on loan portfolio	109,396	101,361
Differences on property and equipment between tax	13,947	10,165
Leased assets, net	57,924	48,050
Accrued vacations	4,315	4,327
Non-taxable advance write-offs	3,512	8,725
Allowance for doubtful accounts	38,948	26,052
Provisions for assets received in lieu of payment	362	493
Financial securities held for trading	51,526	12,225
Assets from factoring operations	400	1,047
Interest and indexation on risky portfolio	14,503	12,992
Balances arising from merger of BDD AGF	4,803	3,972
Write-off of assets received in lieu of payment	1,156	1,238
Intangible assets	34,128	34,914
Adjustment for change in tax rate	-	-
Tax goodwill adjustment	27,594	30,099
Other provisions	16,057	13,031
Provision for Corfo-Inverlink	-	8,551
Other	3,976	14,234
Total deferred tax assets	**382,547**	**331,476**
Deferred tax liabilities		
Leased assets, net	(4)	(1,530)
Accelerated depreciation – Building	-	15
Financial securities held for trading	-	-
Deferred expenses	(33,538)	(26,055)
Intangible assets	(25,931)	(28,239)
Adjustment for change in tax rate	-	-
Other	4,770	(4,288)
Total deferred tax liabilities	**(54,703)**	**(60,097)**
Total assets, net	**327,844**	**271,379**
Deferred taxes on equity		
Available-for-sale financial investments	(1,439)	(2,179)
Total assets, net (*)	**326,405**	**269,200**
Deferred tax assets	328,940	271,142
Deferred tax liabilities	(2,535)	(1,942)
Deferred tax assets, net	**326,405**	**269,200**

(*) In 2018, the change in deferred tax assets, net, includes the balances received due to the merger with Scotiabank Azul.

e) Reconciliation of effective tax rate

As of December 31, 2019 and 2018, 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 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		
Adjustment for change in tax rate, Law No. 20,780	-	-
Monthly provisional income tax payments for unabsorbed earnings	-	-
Hedge accounting in equity	-	-
Other permanent differences	(0.04%)	(146)
Current year effective rate and income tax revenue	22.04%	77,390
Tax under Article 21		192
Total income tax expense		**77,582**

	Tax rate %	12/31/2018 Total
Profit before income tax	27.00%	42,759
Permanent differences	(7.58%)	(12,010)
Taxes not recognized in profit or loss from prior periods	-	-
Prior year effect	0.29%	458
Adjustment for change in tax rate, Law No. 20,780	-	-
Monthly provisional income tax payments for unabsorbed earnings	-	-
Hedge accounting in equity	-	-
Other permanent differences	(0.08%)	(122)
Current year effective rate and income tax revenue	19.63%	31,085
Tax under Article 21		205
Total income tax expense		**31,290**

f) Joint Circular No. 47 issued by the SII and No. 3,478 issued by the CMF (formerly SBIF)

The detail of movements and effects generated by the application of article 31, 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 advances to 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	Write-offs against allowances	Allowances accrued	Allowances released	Balance as of December 31, 2019
	MCh$	MCh$	MCh$	MCh$	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	-

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Loans and advances to customers as of 12/31/2018

Type of loan	Assets at carrying amount	Assets at tax value		
		Total	Secured overdue portfolio	Unsecured overdue portfolio
	MCh$	MCh$	MCh$	MCh$
Commercial loans:	11,320,357	11,371,682	20,531	44,300
Consumer loans:	2,178,374	2,176,555	17,424	9,954
Mortgage loans:	8,156,254	8,174,676	54,460	1,688
Total	**21,654,985**	**21,722,913**	**92,415**	**55,942**

Allowances on past due amounts in portfolio as of 12/31/2018

Type of loan	Balance as of December 31, 2017 MCh$	Write-offs against allowances MCh$	Allowances accrued MCh$	Allowances released MCh$	Balance as of December 31, 2018 MCh$
Commercial loans:	57,717	(17,132)	31,077	(27,362)	44,300
Consumer loans:	20,617	(22,058)	24,718	(13,323)	9,954
Mortgage loans:	3,035	(167)	310	(1,490)	1,688
	81,369	**(39,357)**	**56,105**	**(42,175)**	**55,942**

Direct write-offs and recoveries as of 12/31/2018	**MCh$**
Direct write-offs Art. 31 No. 4 second sub-paragraph	76,669
Debt forgiveness which resulted in the release of allowances	-
Recoveries or renegotiation of loans written-off	21,216

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, 2019 and 2018, this caption is composed of the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Cash deposits in guarantee (1)	561,243	482,313
Accounts, fees and commissions receivable	172,527	99,004
Assets received in lieu of payment or awarded (2)	25,569	18,937
Securitized bonds	17,417	17,920
Recoverable taxes	2,555	11,259
Prepayments	24,148	5,735
Pending transactions	9,937	59,188
Assets held for lease (3)	9,784	4,580
Value-added tax	4,751	5,601
Account receivable from Minvu (the Housing Ministry)	4,320	4,012
Available-for-sale items of property and equipment	3,225	10,470
Accounts receivable, Law No. 20,634	2,191	1,447
Leased assets recovered	971	1,162
Accounts receivable, Law No. 20,027	68	54
Other assets	5,687	2,077
Total	**844,393**	**723,759**

(1) As of December 31, 2019, it comprises cash deposits of MCh$13 to operate in the Derivatives Clearing House (COMDER) (MCh$114,472 as of December 31, 2018) and MCh$491,818 in other foreign institutions (MCh$166,658 as of December 31, 2018). In addition, it includes Guarantees with third parties of MCh$67,193 (MCh$185,526 as of December 31, 2018).

(2) Assets received in lieu of payment or awarded include a provision as of December 31, 2019 of MCh$916 (MCh$1,779 as of December 31, 2018), 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, 2019 and 2018, this caption comprises the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Current accounts	3,515,321	3,029,895
Notes on demand	161,825	162,657
On-demand deposits	447,006	399,192
Funded payment cards	-	1
Deposits in court	-	-
Performance bonds payable on demand	27,468	34,658
Collections payable	79,067	38,240
Payments to be made related to financial instruments	-	-
Export returns pending settlement	63	492
Payment orders outstanding	41,026	13,021
Extraordinary repayments of letters of credit	1,071	1,353
Payments for loans pending settlement	2,886	102,110
Locked in balances, Art. 156 of the General Banking Law	19,093	9,887
Overdue term deposits	17,706	15,832
Overdue bond and letter of credit coupons	5,366	7,374
Other mortgage holders	318,034	83,102
Loans granted, Law No. 20,027	227	88
Other on-demand liabilities	229,379	209,364
	4,865,538	**4,107,266**

Note 19 Term and on-demand deposits

As of December 31, 2019 and 2018, this caption is composed of the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Term deposits	11,047,486	10,742,972
Term savings accounts	76,536	77,253
Other	-	370
	11,124,022	**10,820,595**

Note 20 Bank borrowings

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

	12/31/2019 MCh$	12/31/2018 MCh$
Domestic banks		
Interbank loans (1)	-	110,025
Long-term loans	15,102	-
Foreign banks		
Foreign trade borrowings (2)	1,684,825	1,311,605
Overdrafts in current accounts	91	266,998
Long-term loans	22,649	46,582
Revolving credit facilities of foreign banks	1,553,140	823,887
Total	**3,275,807**	**2,559,097**

(1) As of December 31, 2019, there are no interbank loan transactions. As of December 31, 2018, interbank loans relate to obligations with an average maturity of 2 days.

(2) Obligations with foreign banks assumed at long-term correspond to loans obtained by virtue of a diversification strategy for financing in more favorable conditions.

As of December 31, 2019 and 2018, the Bank and its subsidiaries record no liabilities with Banco Central de Chile.

Note 21 Debt securities issued

As of December 31, 2019 and 2018, this caption comprises the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Letters of credit (1)	138,708	160,227
Current bonds (2)	5,418,481	5,333,777
Subordinated bonds (3)	731,038	647,333
Total	**6,288,227**	**6,141,337**

(1) During the period between January 1 and December 31, 2019 and January 1 and December 31, 2018, no new letters of credit have been placed.

(2) During the period between January 1 and December 31, 2019 and January 1 and December 31, 2018, the following new bonds have been placed:

Year ended December 31, 2019

Series	Amount	Term (years)	Annual issuance rate	Currency	Date of issue	Maturity date
AP	5,000,000	7	0.9	UF	09/01/2019	09/01/2026

Year ended December 31, 2018

Series	Amount	Term (years)	Annual issuance rate	Currency	Date of issue	Maturity date
AK	10,000,000	5.5	2.1	UF	01/01/2018	07/01/2023
AL	5,000,000	15	2.7	UF	01/01/2018	01/01/2033
AM	5,000,000	5	1.7	UF	09/01/2018	09/01/2023
AN	5,000,000	7.5	2.1	UF	09/01/2018	03/01/2026
AO	10,000,000	10	2.3	UF	09/01/2018	09/01/2028

(3) During the period between January 1 and December 31, 2019 and January 1 and December 31, 2018, no new subordinated bonds have been placed.

Note 22 Other financial liabilities

As of December 31, 2019 and 2018, this caption comprises the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Bonds payable and promissory notes payable	-	11,964
Payables to affiliates for credit card use	4,069	16,708
Payables to credit card operators	55,935	34,841
Liabilities in favor of Chilean exporters	433	2,182
Other domestic borrowings	6,454	7,387
Total	**66,891**	**73,082**

Note 23 Provisions

a) As of December 31, 2019 and 2018, this caption comprises the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Provision for personnel benefits and payroll (1)	63,791	33,872
Provision for minimum dividends	76,314	32,436
Provisions for contingent loan risk	34,986	43,705
Provisions for country risk	901	682
Additional allowances for commercial loans (2)	1,932	508
Additional allowances for mortgage loans (2)	1,630	482
Additional allowances for consumer loans (2)	1,889	834
Adjustment to minimum provision for commercial loans	-	41
Legal contingencies, subsidiary Scotia Corredora de Bolsa Chile Limitada	15,214	15,000
Other provisions for contingencies	6,133	9,717
Total	**202,790**	**137,277**

(1) Corresponds to provisions for the integration plan as established by IAS 37.

(2) Because of the present social unrest situation in Chile that started in October and the possible unmeasurable impacts on the impairment of the portfolio, the Bank has opted to generate additional provisions. The calculation methodology was based on the performance of an exercise on the main retail portfolios in order to estimate the provisions that are not included in the traditional models. From these portfolios and based on the default tranches and portfolio, the Bank selected the higher IR and recalculated the provision using this ratio.

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

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, 2018	15,943	30,990	20,112	25	2,602	69,672
Merger with the former Banco BBVA	14,589	-	19,792	1,801	20,245	56,427
Allowances accrued	4,758	32,436	9,217	39	3,166	49,616
Use of provisions	(1,418)	(30,990)	-	-	(373)	(32,781)
Release of provisions	-	-	(5,416)	-	(241)	(5,657)
Balance as of December 31, 2018	**33,872**	**32,436**	**43,705**	**1,865**	**25,399**	**137,277**
Balance as of January 1, 2019	33,872	32,436	43,705	1,865	25,399	137,277
Allowances accrued (1)	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**

(1) Total profit or loss for the additional provision of MCh$3,627, is distributed as follows: consumer portfolio of MCh$1,055, commercial portfolio of MCh$1,424 and mortgage portfolio of MCh$1,148.

The increase in provisions corresponds to 1.35% of the provisions calculated under the retail models, which is equivalent to an increase of 3bp of the IR in the retail portfolio.

If the monthly IR for each portfolio is lower than the IR for the year, a sixth of the provision amount made per portfolio will be released. Otherwise, such provisions will be maintained.

In July 2020, in the absence of a new assessment or changes to such definitions, the provisions shall be released in full.

Note 24 Other liabilities

As of December 31, 2019 and 2018, this caption comprises the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Accounts and notes payable	136,494	121,086
VAT fiscal debit	10,495	10,600
Dividends payable	237	276
Unearned revenue	61,100	41,047
Pending transactions	11,425	44,881
Funds to be transferred	112,871	4,448
Deposits received as collateral	220,702	219,522
Other liabilities	11,778	8,598
Total	**565,102**	**450,458**

Note 25 Contingencies and commitments

a) Contingent loans

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

	12/31/2019 MCh$	12/31/2018 MCh$
Co-debt and collateral	172,558	187,422
Foreign confirmed letters of credit	573	3,125
Supporting letters of credit issued	73,764	113,493
Bank guarantee certificates	984,148	1,190,987
Readily available revolving credit facilities	5,368,275	5,009,631
Other loan commitments:	354,407	378,684
Allowances accrued (Note 23)	(34,986)	(43,705)
Total	**6,918,739**	**6,839,637**

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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, 2019, provisions for legal contingencies amount to MCh$17,758 (MCh$20,932 as of December 31, 2018) 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 Superintendence of Banks and Financial Institutions 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 the Central Bank of 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 that the arbitration court performed an additional settlement of interests covering the period between January 2017 and December 2018. In January 2019, the arbitration court sent a settlement proposal to the parties, without any objection being made, which amounted to Ch$294,676,095, paid by the Bank on June 12, 2019. On July 5, 2019, we received a confirmation from the external lawyers Claro & Cia. that Francisco Javier Errázuriz Ovalle had received from the arbitrators the two checks for the payments ordered in his favor, in Folder 20 of the arbitration procedure.

Francisco Javier Errázuriz requested a new settlement of interests for the period from January through July 2019, and the court set such interests as amounting to Ch$3,900,000, the payment of which has not been ordered.

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.

Against the same decision, a request for inapplicability was also filed with the Constitutional Court, which was rejected through the resolution dated April 30, 2018, noticed to the parties on May 2, 2018.

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.

Without prejudice to the outcome of the appeals still pending, the Broker has made a provision for this event, which represents the expected contingency, based on the views of lawyers and advisors.

An inapplicability requirement was also filed against such decision with the Constitutional Court that, before passing judgment on such requirement, immediately decided in favor of a temporary injunction against further process filed by the Company, ordering the dismissal of acknowledgement and resolution of the appeal in cassation and the settlement of interests that the first instance court should require.

On July 1, 2016, subsequent to the hearings with oral arguments of CORFO and the Company, the Constitutional Court decided that the inapplicability requirement was admissible in court. Appeals against such decision are not allowed, and accordingly, the proceeding must be followed until the final judgment is passed by the Court. On November 24, 2016, Corfo and the Broker presented their arguments on the merits of the case, leaving the final decision of the Constitutional Court settled. Until the final decision of the Court, the abovementioned dismissal will remain in force, halting the acknowledgement and resolution of appeals in cassation filed with the Supreme Court and the payment of interests related to the decision of the first instance court.

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

On May 20, 2011, the Bank and International Finance Corporation (IFC) entered into a contract for a revolving credit facility amounting to MUS$50 million. Among others, such contract establishes the Bank's compliance with covenants mainly associated with providing information, internal control and compliance with financial ratios related to capital adequacy ratio, overdue portfolio and provision for portfolio risk. Such ratios are detailed as follows:

- Capital adequacy ratio (effective equity on credit risk-weighted assets) may not be less than 10%.
- Overdue portfolio ("portfolio with 90 days overdue" according to CMF (formerly SBIF)) will not exceed 2.25% on the total of loans before provisions.
- Allowance account for credit risk ("Loan allowance" according to CMF (formerly SBIF)) will not be less than 100% of the portfolio with 90 days past due.
- Total loans granted to individuals related to the Bank's Management will not exceed 5% of the Bank's capital.
- Total loans granted to individuals related to the Bank's Management will not exceed 25% of the Bank's capital provided that there is a collateral.

As of December 31, 2019 and 2018, the Bank has complied with each of the financial ratios mentioned above.

c) Responsibilities

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

	12/31/2019 MCh$	12/31/2018 MCh$
Notes for collection	180,008	165,811
Financial assets transferred to and managed by the Bank	10,069	11,172
Securities under custody	5,112,260	5,202,508
Assets pledged as collaterals	206,212	101,286
Guarantees for housing purchase obligation	-	-
Total	**5,508,549**	**5,480,777**

d) **Guarantees on transactions**

i) **At Scotia Corredora de Bolsa Chile Ltda.**

In order to comply with the requirements of Articles No.30 and 31 of Law No. 18,045, the Company engaged an insurance policy with Chilena Consolidada Seguros Generales S.A., equivalent to UF20,000, to ensure the correct and full compliance of its obligations as Brokers. The policy is valid from April 22, 2019 to April 22, 2020.

In order to comply with the requirements of Stock Exchanges, the Bank contracted for Scotia Sud Americano Corredores de Bolsa S.A. the insurance policy No. 4798018 with Chilena Consolidada Seguros Generales S.A. The insured amount is US$1,000,000 and the policy is valid from April 1, 2019 to April 1, 2020.

In order to guarantee the operations of the gross settlement offsetting system pledged, securities were delivered to the Stock Exchange amounting to MCh$9,720 as of December 31, 2019 (MCh$2,998 Scotia Corredora de Bolsa Chile S.A. and MCh$5,174 Scotia Azul Corredores de Bolsa Limitada as of December 31, 2018).

In conformity with the internal regulations of the Chilean Stock Exchange, in order to ensure the adequate performance and fulfillment of the operations of Scotia Corredora de Bolsa Chile S.A., cash guarantees in the amount of MCh$200 were constituted in favor of the Santiago Stock Exchange and MCh$0 in favor of the Chilean Electronic Exchange (MCh$1,000 and MCh$200, respectively in Scotia Corredora de Bolsa Chile S.A., MCh$0 and MCh$0, respectively, in Scotia Azul Corredores de Bolsa Limitada as of December 31, 2018), and securities guarantees in the amount of MCh$1,692 were constituted in favor of the Santiago Stock Exchange and MCh$214 in favor of the Chilean Electronic Exchange (MCh$0 Scotia Corredora de Bolsa Chile S.A., and MCh$0 Scotia Azul Corredores de Bolsa Limitada as of December 31, 2018).

To ensure the share loan transactions, cash was delivered to the Chilean Electronic Exchange of MCh$490 (MCh$600 Scotia Corredora de Bolsa Chile S.A. and MCh$0 Scotia Azul Corredores de Bolsa Limitada as of December 31, 2018).

As of December 31, 2019, the Company trades shares in the Santiago Stock Exchange in order to guarantee term share transactions of MCh$7,633 and MCh$105 (MCh$8,596 Scotia Corredora de Bolsa Chile S.A. and MCh$0 Scotia Azul Corredores de Bolsa Limitada as of December 31, 2018).

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 UF 433,350.6 with maturities due on January 10, 2020.

iii) At Scotia Azul Asset Management Administradora General de Fondos 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 UF526,606.21 with maturities due on January 10, 2020.

e) At Scotia Corredora de Seguros Chile Ltda.

As set forth in Article No.58, letter D of Decree Law 251, as of December 31, 2018, the Bank holds insurance policies 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.4797978
Amount	:	UF500
In favor of	:	Scotiabank Chile
Purpose	:	To cover the general conditions of the guarantee insurance policy for insurance brokers, registered in the insurance policy record under code POL120130965 of the CMF
Effective date	:	Until to April 14, 2020

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.420001559094
Amount	:	UF4,000
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Ltda. and that arise from its performance as a broker of the payment protection insurance associated with Scotiabank Chile's portfolio of debtors.
Effective date	:	Until April 30, 2020

Series A	:	No.420001560386
Amount	:	UF300
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Ltda. 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 April 30, 2020

Series A	:	No.420001586415
Amount	:	UF100
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Ltda. and assumed in the Insurance Contract obtained in the Public Bidding on Collective Insurance Policies.
Effective date	:	Until September 1, 2020

Series A	:	No.420001586431
Amount	:	UF100
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Ltda. and that agrees in the Insurance Contract obtained in the Public Bidding on Collective Insurance Policies.
Effective date	:	Until July 31, 2020

Series A	:	No.420001586423
Amount	:	UF50
In favor of	:	Scotiabank Chile
Purpose	:	To ensure the faithful and timely fulfillment of the obligations of Scotia Corredora de Seguros Chile Ltda. and that agrees in the Insurance Contract obtained in the Public Bidding on Collective Insurance Policies.
Effective date	:	Until July 31, 2020

f) 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 of 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, 2019, the Company has contracted with Chilena Consolidada Seguros Generales the following policies, effective as of April 15, 2019 and expiring on April 14, 2020, 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
4797413	CAT Corredores de Seguros y Servicios S.A.	Brokers Guarantee	UF 500
4797412	CAT Corredores de Seguros y Servicios S.A.	Civil liability	UF 60,000

g) 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 Sociedad de Leasing Inmobiliario S.A. and Santander S.A. Sociedad Securitizadora 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 from Leasing Inmobiliario S.A. is detailed as follows:

Entity	% on the value of the housing unit	Definition of housing unit value
Santander S.A Sociedad Securitizadora		
Separate Equity BSTDS E No. 2	85	Current commercial value
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

Note 26 Equity

a) Ownership

As of December 31, 2019 and 2018, the Company’s shares are as follows:

a.1) Shares subscribed and paid

As of December 31, 2019, the Bank’s authorized capital is composed of 11,509,591,630 shares, from which 100% of shares are effectively subscribed and paid.

a.2) Capital increases

On August 2, 2018, the Company recorded a capital increase of ThCh$324,341 divided into 5,605,522,687 shares. The issued shares were delivered to the shareholders of Banco Bilbao Vizcaya Argentaria, Chile, in proportion to their interest in that company by exchanging their shares in that entity for shares of the Company at the exchange ratio of 13.545733 shares of the Company for each share of Banco Bilbao Vizcaya Argentaria, Chile, which they own, without considering fractions of shares. These shares were subscribed and paid with a debit to the incorporation of the equity that relates to the absorbed business. Additionally, the Company agreed to capitalize overprice paid for shares in the amount of MCh$23,673.

On November 15, 2018, the capital of Scotiabank Chile was increased by MCh$258,534, through the issuance of 756,652,864 new same series, no par value nominative shares, which are fully paid (MCh$652 paid in 2019).

a.3) Dividends paid and reserves

At the General Ordinary Shareholders' Meeting of Scotiabank Chile held on March 28, 2018, the directors agreed the distribution of 30% of the 2017 profits amounting to MCh$30,990, distributing a dividend of Ch$6.02042 per share.

In addition, on August 29, 2018, Scotiabank Chile paid the dividend agreed by the Board, amounting to MCh$74,260, with a debit to retained earnings, distributing a dividend of Ch$14.4267667139 per share, as approved by the extraordinary shareholders' meeting on August 2, 2018.

At the Ordinary Shareholders’ Meeting of Scotiabank Chile held on April 25, 2019, the shareholders agreed to pay a minimum legal dividend equivalent to 30% of profit for 2018 of 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:

	12/31/2019 MCh$	12/31/2018 MCh$
Capital:		
Share capital	996,706	996,054
Shares acquired by the Bank	-	-
Total	**996,706**	**996,054**
Reserves:		
Share premium	121,715	121,667
Other reserves not related to earnings	10,296	10,295
Reserves from earnings	364,386	364,386
Total	**496,397**	**496,348**
Other comprehensive income:		
Adjustment of available-for-sale investments	6,081	7,780
Adjustment of cash flow hedge derivatives	(162,114)	(9,764)
Total	**(156,033)**	**(1,984)**
Retained earnings:		
Retained earnings from previous periods	523,121	447,437
Profit or loss for the year	254,378	108,120
Provisions for minimum dividends	(76,314)	(32,436)
Total	**701,185**	**523,121**
Profit or loss for the year - Non-controlling interest	105,768	96,414
Total	**105,768**	**96,414**

c) Non-controlling interest

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

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 Ltda.	1.26%	118	62	(21)
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	2.51%	543	40	-
Total		**105,768**	**19,188**	**(9,893)**

Information as of December 31, 2018	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%	89,227	16,498	(2,203)
CAT Corredores de Seguros y Servicios S.A.	49.00%	4,283	2,117	(433)
Servicios Integrales S.A.	49.00%	1,851	272	-
Administradora y Procesos S.A.	49.00%	518	44	-
Scotia Corredora de Bolsa Chile Limitada	0.18%	18	-	-
Bandesarrollo Sociedad de Leasing Inmobiliario S.A.	0.09%	9	1	(1)
Scotia Asesorías Financieras Ltda.	1.40%	26	12	-
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	2.51%	482	11	-
Total		**96,414**	**18,955**	**(2,637)**

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

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
Servicios Integrales S.A.	971	4,018	2,892
Administradora y Procesos S.A.	5,270	13,433	7,132
Scotia Asesorías Financieras Ltda.	4,954	10,419	1,012
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	1,569	49,701	28,536

Information as of December 31, 2018	**Profit (loss) for the year MCh$**	**Total assets MCh$**	**Total liabilities MCh$**
CAT Administradora de Tarjetas S.A.	33,671	1,177,026	1,008,398
CAT Corredores de Seguros y Servicios S.A.	4,320	22,866	15,852
Administradora y Procesos S.A.	553	8,926	5,660
Servicios Integrales S.A.	89	3,476	2,829
Scotia Azul Asesorías Financieras S.A.	823	2,947	1,304
Scotia Azul Sociedad de Leasing Inmobiliario S.A.	460	55,432	36,370

Note 27 Interest and indexation

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

	Interests		Indexation		Total	
	12/31/2019 MCh$	12/31/2018 MCh$	12/31/2019 MCh$	12/31/2018 MCh$	12/31/2019 MCh$	12/31/2018 MCh$
Income:						
Repurchase agreements	2,856	4,241	-	-	2,856	4,241
Loans to banks	678	17	-	-	678	17
Commercial loans	485,337	306,486	86,088	54,862	571,425	361,348
Mortgage loans	330,082	215,528	231,004	150,287	561,086	365,815
Consumer loans	505,855	383,350	1,381	582	507,236	383,932
Investment securities	22,809	33,315	1,740	4,922	24,549	38,237
Other interest and indexation income	18,348	15,604	3,920	2,362	22,268	17,966
Gain (loss) from accounting hedges	-	-	(9,024)	(8,459)	(9,024)	(8,459)
Total	**1,365,965**	**958,541**	**315,109**	**204,556**	**1,681,074**	**1,163,097**
Expenses:						
On-demand deposits	(35,966)	(19,240)	(1,195)	(747)	(37,161)	(19,987)
Repurchase agreements	(16,261)	(7,022)	-	-	(16,261)	(7,022)
Term and on-demand deposits	(301,546)	(217,362)	(4,779)	(8,235)	(306,325)	(225,597)
Bank borrowings	(104,982)	(46,463)	(3)	(348)	(104,985)	(46,811)
Debt securities issued	(176,256)	(121,618)	(153,587)	(114,443)	(329,843)	(236,061)
Other financial liabilities	(309)	(1,110)	(391)	(51)	(700)	(1,161)
Lease contract obligations	(4,815)	-	-	-	(4,815)	-
Other interest and indexation expense	(4,342)	(1,827)	(4,578)	(2,608)	(8,920)	(4,435)
Gain (loss) from accounting hedges	-	-	(7,741)	(7,114)	(7,741)	(7,114)
Total	**(644,477)**	**(414,642)**	**(172,274)**	**(133,546)**	**(816,751)**	**(548,188)**
Net interest and indexation income	**721,488**	**543,899**	**142,835**	**71,010**	**864,323**	**614,909**

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

	Interests		Indexation		Total	
	12/31/2019 MCh$	12/31/2018 MCh$	12/31/2019 MCh$	12/31/2018 MCh$	12/31/2019 MCh$	12/31/2018 MCh$
Commercial loans	1,133	2,086	1,640	1,146	2,773	3,232
Mortgage loans	1,716	1,482	3,625	3,114	5,341	4,596
Consumer loans	1	-	-	-	1	-
Total	**2,850**	**3,568**	**5,265**	**4,260**	**8,115**	**7,828**

Note 28 Fees and commissions

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

	12/31/2019 MCh$	12/31/2018 MCh$
Fee and commission income:		
Revolving credit facilities and bank overdrafts	2,855	1,471
Guarantees and letters of credit	10,987	6,428
Credit card services	95,792	36,872
Account management	15,369	10,982
Collection and payments	52,789	41,971
Securities brokerage and management	3,082	2,097
Investments in mutual fund deposits or other	17,812	13,131
Insurance brokerage	59,718	41,926
Loan management under Law No. 20,027	10,964	10,179
Other subsidiary commissions	7,687	12,192
Other commissions	8,381	7,053
Total	**285,436**	**184,302**
Fee and commission expenses:		
Credit card transactions	(35,289)	(23,628)
Debit and ATM card transactions	(15,729)	(9,587)
Other fees and commissions from credit card transactions	(341)	(234)
Deposit and custody of securities	(361)	(316)
Brokerage	(2,434)	(2,964)
Other security transactions	(12,985)	(8,217)
Fees and commissions from guarantors for Bank liabilities	(396)	(246)
Fees and commissions paid for collection management	(3,006)	(2,284)
Commissions for guarantees granted	-	-
Other commissions	(7,463)	(3,959)
Total	**(78,004)**	**(51,435)**
Net fee and commission income	**207,432**	**132,867**

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

Concept	As of December 31, 2019 SME and Retail MCh$	Commercial Banking MCh$	Personal Banking MCh$	Financial Retail MCh$	Other MCh$	Total MCh$
Revolving credit facilities	170	1,027	1,636	-	1,765	4,598
Bank guarantee certificates	575	9,751	2	-	6,940	17,268
Credit cards	1,384	465	16,869	4,176	29,063	51,957
Current accounts	4,844	1,640	8,880	-	3,935	19,299
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	(60,372)	(11,439)
Net fee and commission income	**26,768**	**22,419**	**73,479**	**76,399**	**8,367**	**207,432**

Concept	As of December 31, 2018 SME and Retail MCh$	Commercial Banking MCh$	Personal Banking MCh$	Financial Retail MCh$	Other MCh$	Total MCh$
Revolving credit facilities	192	356	893	-	30	1,471
Bank guarantee certificates	455	5,289	(32)	-	722	6,434
Credit cards	697	327	10,914	(522)	(7,993)	3,423
Current accounts	3,787	1,632	5,685	-	(123)	10,981
Collection	5,259	2,231	8,477	27,653	(1,681)	41,939
Insurance	7,574	2,521	20,303	15,218	5,689	51,305
Other	8,997	5,043	443	8,539	(5,708)	17,314
Net fee and commission income	**26,961**	**17,399**	**46,683**	**50,888**	**(9,064)**	**132,867**

Note 29 Net gain (loss) from financial transactions

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

	12/31/2019 MCh$	12/31/2018 MCh$
Net loss (gain) from financial instruments held for trading:		
Interest and indexation	23,742	16,258
Fair value adjustments	685	61
Gain on sales	31,753	6,146
Loss on sales	(13,771)	(3,677)
Gain on investments in mutual funds	1,996	1,694
Gain on financial instruments held for trading	**44,405**	**20,482**
Net (loss) gain on financial derivative instruments held for trading:		
Gain on derivative instruments	7,199,074	1,947,575
Loss on derivative instruments	(7,121,750)	(1,980,256)
Net gain (loss) on financial derivative instruments held for trading	**77,324**	**(32,681)**
Sale of available-for-sale securities:		
Changes in fair value transferred to profit or loss	-	-
Gain on sale	16,133	2,980
Loss on sales	(212)	(2,048)
Net gain (loss) on sale of available-for-sale securities	**15,921**	**932**
Net gain on sale of loan portfolio	**13,078**	**16,262**
Net gain on other transactions		
Letters of credit issued by the Bank	39	27
Income from ineffective hedges	787	394
Expense from ineffective hedges	(3,201)	(3,065)
Other income	533	558
Other expenses	(2,540)	(1,974)
Net gain or loss on other transactions	**(4,382)**	**(4,060)**
Net gain (loss) from financial operations	**146,346**	**935**

Note 30 Net foreign exchange (expense) income

The detail of net foreign exchange income (expense) is as follows:

	12/31/2019 MCh$	12/31/2018 MCh$
Net gain or loss from foreign currency exchange differences:		
Foreign currency exchange gain, net - exchange position	(54,715)	48,607
Other	(5,862)	(8,366)
Subtotal	**(60,577)**	**40,241**
Net gain or loss from foreign currency exchange adjustments:		
Securities held for trading	(1)	-
Loans to customers	5,041	3,591
Indexation to other assets	41	-
Indexation to other liabilities	(5)	(1)
Subtotal	**5,076**	**3,590**
Net gain or loss from derivatives in hedge accounting:		
Gain from hedge of assets	78	7,262
Loss from hedge of assets	(15,109)	(26)
Gain from hedge of liabilities	58,675	29,376
Loss from hedge of liabilities	(10,511)	(9,368)
Subtotal	**33,133**	**27,244**
Total	**(22,368)**	**71,075**

Note 31 Allowances for credit risk

Allowances for credit risk included in the Consolidated Statements of Income for the period are detailed as follows:

As of December 31, 2019	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	-	(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)**

As of December 31, 2018	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	(5)	(55,621)	-	-	(154)	-	(55,780)
Collective allowances	-	(59,509)	-	(197,862)	(9,063)	(39)	(266,473)
Net gain (loss) from allowances accrued	(5)	(115,130)	-	(197,862)	(9,217)	(39)	(322,253)
Release of allowances:							
Individual allowances	16	17,776	-	-	142	-	17,934
Collective allowances	-	16,460	860	-	5,274	-	22,594
Net gain (loss) on release of allowances	16	34,236	860	-	5,416	-	40,528
Net gain (loss) on allowances	**11**	**(80,894)**	**860**	**(197,862)**	**(3,801)**	**(39)**	**(281,725)**
Recovery of assets written-off	-	9,186	4,042	38,368	-	-	51,596
Net gain (loss)	**11**	**(71,708)**	**4,902**	**(159,494)**	**(3,801)**	**(39)**	**(230,129)**

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, 2019 and 2018:

	12/31/2019 MCh$	12/31/2018 MCh$
Payroll	148,205	113,572
Bonuses	91,880	57,149
Severance indemnity payments	36,855	14,388
Training expenses	2,162	1,436
Other personnel expenses	20,047	17,265
Total	**299,149**	**203,810**

Note 33 Administrative expenses

As of December 31, 2019 and 2018, this caption is composed of the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Administrative expenses		
Maintenance and repair of property and equipment	9,344	3,809
Office leases (1)	-	15,459
Equipment leases (1)	-	1,802
Insurance premiums	4,672	2,317
Office stationary	2,803	2,316
IT and communication expenses	52,696	28,604
Electricity, heating and other services	3,240	2,475
Security patrol and security transport services	3,991	2,512
Representation expenses and personnel transportation	1,681	2,016
Legal and notary expenses	9,134	6,359
Professional service fees	10,452	10,173
Fines imposed by the SBIF	48	-
Fines imposed by other entities	295	68
Expenses related to short-term lease contracts (2)	2,501	-
Expenses related to low-value lease contracts (2)	-	-
Other expenses related to lease contract obligations (2)	232	-
Other general administrative expenses	46,246	29,797
Subcontracted services		
Data processing	397	641
Sale of products	322	145
Other (3)	51,989	31,054
Board of Directors expenses		
Directors' fees	1,053	606
Other Directors' expenses	2	-
Publicity and advertising	30,572	25,143
Taxes and contributions		
Real estate	857	684
Patents	2,350	1,726
Other taxes	978	744
Contributions to the SBIF	8,156	5,187
Total	**244,011**	**173,637**

(1) These line items were removed by the CMF (formerly – the SBIF) beginning on January 1, 2019, as a result of the effective application of IFRS 16.

(2) These line items were incorporated by the CMF (formerly – the SBIF), beginning on January 1, 2019, as a result of the effective application of IFRS 16.

(3) This item comprises mainly expenses from card processing, collection expenses, and advisory services by the subsidiaries CAT Administradora de Tarjetas S.A., Administradora de Procesos S.A., and Servicios Integrales S.A., amounting to MCh$28,306 (MCh$23,416 as of December 31, 2018).

Note 34 Depreciation, amortization and impairment

The caption “Depreciation, amortization and impairment” in the Consolidated Statements of Income for the period is composed of the following expenses incurred during the years ended December 31, 2019 and 2018:

	12/31/2019 MCh$	12/31/2018 MCh$
Depreciation of property and equipment	12,252	9,497
Amortization of intangible assets	26,178	18,345
Amortization and depreciation of right-of-use assets under lease contracts	18,347	-
Total depreciation and amortization	**56,777**	**27,842**
Impairment of investment securities	-	-
Impairment of property and equipment	-	-
Impairment of intangible assets	219	21,372
Right-of-use assets under lease contracts	-	-
Total impairment	**219**	**21,372**
Total	**56,996**	**49,214**

Note 35 Other operating income

As of December 31, 2019 and 2018, this caption comprises the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Income from assets received in lieu of payment	13,166	6,016
Release of provisions for contingencies	-	44
Gain from the sale of property and equipment	23,298	2,170
Gain from the sale of interest in companies	1	-
Income other than interest and commissions from lease contracts	1,123	-
Other income from lease operations	279	563
Leases received	137	537
Income from advisory services	4,851	5,790
Reimbursement of expenses	8,833	4,228
Grants received from Minvu (the Housing Ministry)	85	333
Release of other provisions	1,310	39
Other income from subsidiaries	647	128
Income from prescribed obligations	-	-
Incentives received from credit card brands	11,119	1,822
Compensation received	2,907	2,000
Other operating income	2,343	860
Total	**70,099**	**24,530**

Note 36 Other operating expenses

As of December 31, 2019 and 2018, this caption comprises the following:

	12/31/2019 MCh$	12/31/2018 MCh$
Provision for assets received in lieu of payment	1,724	2,750
Write-off of assets received in lieu of payments	11,097	4,053
Maintenance expenses from assets received in lieu of payment	712	452
Provisions for contingencies	2,570	938
Loss from the sale of property and equipment	1	-
Restructuring costs	12	1,176
Expenses related to provisions for securitized bonds	4,342	4,507
Write-off of recovered leased assets	358	164
Leased asset expenses	588	449
Provisions for recovered leased assets	1,871	140
Expenses related to operational risk	5,403	2,390
Write-off due to commercial decisions	1,256	543
Other unforeseen events	-	-
Expenses related to the sale of goods in lieu of payment	273	158
Disallowed expenses under Income Law Art. 21	414	280
Correspondent bank expenses	1,438	791
Clearing House Services	1,718	1,390
Donations	506	448
Return of prior-year commissions	17	104
Expenses for legal settlements	706	400
Other operating expenses related to subsidiaries	-	-
Expenses related to loans	1,049	3,648
Other provisions	-	3,183
Other operating expenses	2,719	1,318
Total	**38,774**	**29,282**

Note 37 Transactions with related parties

As per the 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 third parties 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 the 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, 2019			As of December 31, 2018		
	Operating companies MCh$	Investment companies MCh$	Individuals MCh$	Operating companies MCh$	Investment companies MCh$	Individuals MCh$
Loans and receivables:						
Commercial loans	225,579	13,896	18,698	192,950	13,538	13,763
Mortgage loans	-	-	72,951	-	-	59,443
Consumer loans	-	-	16,063	-	-	13,665
Gross loans	**225,579**	**13,896**	**107,712**	**192,950**	**13,538**	**86,871**
Allowances for loans	(1,113)	(97)	(838)	(963)	(82)	(721)
Net loans	**224,466**	**13,799**	**106,874**	**191,987**	**13,456**	**86,150**
Contingent loans:						
Total contingent loans	24,841	6,490	25,923	29,457	43,165	22,689
Allowances for contingent loans	(25)	(10)	(91)	(20)	(22)	(106)

b) Other assets and liabilities with related parties

	12/31/2019 MCh$	12/31/2018 MCh$
Assets		
Derivative instruments	833,253	169,335
Other assets	1,334	721
Liabilities		
Derivative instruments	1,062,968	276,385
On-demand deposits	59,664	55,670
Term and on-demand deposits	381,048	282,281
Other liabilities	3,406	6,495

c) Gain or loss from transactions with related parties

	For the years ended			
	12/31/2019		12/31/2018	
	Income MCh$	Expenses MCh$	Income MCh$	Expenses MCh$
Interest and indexation income and expenses	11,231	7,368	7,861	6,527
Fee and commission income and expenses	884	21,767	673	9,421
Gain or loss from trading activities	823,091	1,146,414	487,924	544,691
Gain or loss from other financial transactions	352	-	50	6
Operating support expenses	-	29,050	-	11,001
Other income and expenses	1,152	5,434	1,319	2,827
Total	**836,710**	**1,210,033**	**497,827**	**574,473**

d) Contracts with related parties

As of December 31, 2019 and 2018, 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, 2019, 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$1,055 (MCh$664 as of December 31, 2018). 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:

	12/31/2019		12/31/2018	
	Directors MCh$	Key management personnel MCh$	Directors MCh$	Key management personnel MCh$
Short-term benefits	1,055	14,308	664	14,403
Severance indemnity payments	-	848	-	276
Total	**1,055**	**15,156**	**664**	**14,679**

f) Composition of key personnel

As of December 31, 2019 and 2018, the Bank's key personnel comprises the following:

Position	12/31/2019 No. of	12/31/2018 No. of
Directors	11	13
Key management personnel (*)	83	95

(*) 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, 2019 and 2018:

	12/31/2019		12/31/2018	
	Carrying amount MCh$	Estimated fair value MCh$	Carrying amount MCh$	Estimated fair value MCh$
Assets				
Cash and deposits in banks	1,384,762	1,384,762	787,472	787,472
Transactions pending settlement	366,308	366,308	864,482	864,482
Securities held for trading	845,707	845,707	859,028	859,028
Investments sold under repurchase agreements and securities lending	23,146	23,146	217,365	217,125
Derivative instruments	4,571,759	4,571,759	2,480,637	2,480,637
Loans and advances to banks	81,127	81,127	2,789	2,789
Loans and advances to customers	24,812,269	26,048,691	22,330,415	22,674,794
Available-for-sale investment securities	808,674	808,674	1,212,048	1,212,048
Investments in companies measured at fair value	-	-	2,772	2,772
Securitized bonds	17,417	18,375	17,920	17,920
Liabilities				
Deposits and other on-demand liabilities	4,865,538	4,865,538	4,107,266	4,107,266
Transactions pending settlement	232,354	232,354	678,542	678,542
Investments sold under repurchase agreements and securities lending	1,089,323	1,088,912	575,782	575,611
Term and on-demand	11,124,022	11,164,751	10,820,595	10,815,146
Derivative instruments	4,574,890	4,574,890	2,409,176	2,409,176
Bank borrowings	3,275,807	3,307,475	2,559,097	2,523,871
Debt securities issued	6,288,227	7,283,642	6,141,337	6,448,515
Other financial liabilities	66,891	66,891	73,082	73,082

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, 2019 and 2018. 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 active markets for identical instruments, 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 cash flows 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 platforms. 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, 2019 and 2018:

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	-
Total liabilities	**4,574,890**	**-**	**4,574,890**	**-**

As of December 31, 2018	Carrying amount MCh$	Fair value measurements Level 1 MCh$	Level 2 MCh$	Level 3 MCh$
Assets				
Securities held for trading	859,028	467,445	391,583	-
Available-for-sale investment securities	1,212,048	688,533	520,744	2,771
Derivative instruments	2,480,637	-	2,480,637	-
Investments in companies measured at fair value	2,772	-	-	2,772
Securitized bonds	17,920	-	-	17,920
Total assets	**4,572,405**	**1,155,978**	**3,392,964**	**23,463**
Liabilities				
Derivative instruments	2,409,176	-	2,409,176	-
Total liabilities	**2,409,176**	**-**	**2,409,176**	**-**

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.

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.

Structure:

At the structural level, the Bank maintains Scotiabank Chile's Risk Committees, Departments and Management areas, transactional and operational areas and information systems are currently undergoing a merger process.

2) Risk management structure

The Bank has a well-established risk control structure, which includes a 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 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 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.

• **Planning, Follow-up and Control Committee**

This Committee is intended to follow-up and control portfolio metrics and limits, safeguarding compliance with the Bank's risk appetite; announce the new products of each segment, report on new regulations or amendments to such regulations, and follow up the status of risk tools. If limits are exceeded, the Committee requests reasons for such excess, seeks agreement on solutions, and oversees the submission of proposals of increases or limit restructuring to the Board of Directors for its potential authorization.

Risk Division

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, technological 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.

Prevent 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.

• Provide guidelines on roles and responsibilities; validate compliance with policies and procedures to guarantee that appropriate controls on data quality are in place; identify 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. Limits and different 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.
• Calculation and monthly control of provisions.
• Follow-up of the impaired portfolio.
• Control of write-offs control and loan recoveries.

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

Individual assessment:

Individual assessments are performed to portfolios with authorized exposure over MCh$250 and sales over MUS$1, and to all debtors assigned to the Corporate, Large Corporations, Real Estate and SME segments. In accordance with the CMF (formerly the SBIF) 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.

Collective Assessment - Collective EL 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.

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$250 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 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 tranches 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:

$$\boxed{\textbf{EL = PD * LGD * Exposure}}$$

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 is 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.

For the year ended December 31, 2019, 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 Summary of Accounting Standards. The adjustment recognized Scotiabank Azul's default when developing the model, in addition to a segmentation of inactive customers. These adjustments resulted in a higher expense in the allowance for credit risk amounting to ThCh$600. Note that there is no change in the methodology and only adjustments were made as required by the regulatory entity.

Loan quality per class of financial asset

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	80,781	372,103	-	14,771	-	-	87,563	555,218
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	**81,127**	**10,140,990**	**664,972**	**237,644**	**-**	**-**	**1,158,438**	**12,283,171**
Group assessment:	-	1,710,080	31,107	1,145	3,459,325	9,101,896	1,643,610	15,947,163
Total	**81,127**	**11,851,070**	**696,079**	**238,789**	**3,459,325**	**9,101,896**	**2,802,048**	**28,230,334**

As of December 31, 2018

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	2,327	232,242	-	25,673	-	-	132,155	392,397
A2	376	2,758,858	68,513	18,550	-	-	676,255	3,522,552
A3	87	1,560,146	78,314	47,433	-	-	254,944	1,940,924
A4	-	2,103,109	300,713	54,291	-	-	168,772	2,626,885
A5	-	1,210,020	122,347	55,419	-	-	74,635	1,462,421
A6	-	477,649	37,787	17,422	-	-	25,091	557,949
B1	-	108,120	8,193	1,278	-	-	3,729	121,320
B2	-	24,588	1,237	126	-	-	958	26,909
B3	-	89,138	4,907	523	-	-	131	94,699
B4	-	20,242	6,223	-	-	-	97	26,562
C1	-	17,461	2,483	-	-	-	62	20,006
C2	-	19,531	1,833	-	-	-	19	21,383
C3	-	4,788	1,113	-	-	-	18	5,919
C4	-	8,000	2,108	-	-	-	16	10,124
C5	-	8,043	1,735	366	-	-	223	10,367
C6	-	33,336	356	6	-	-	2,013	35,711
Subtotal	**2,790**	**8,675,271**	**637,862**	**221,087**	**-**	**-**	**1,339,118**	**10,876,128**
Group assessment:	-	1,664,425	36,644	31,716	3,339,975	8,216,359	1,530,359	14,819,478
Total	**2,790**	**10,339,696**	**674,506**	**252,803**	**3,339,975**	**8,216,359**	**2,869,477**	**25,695,606**

Scotiabank

Total provisions for loans

As of December 31, 2019, the total amount of provisions for loans was MCh$534,890, which implies an increase of approximately 8.5% compared to the provision recorded as of December 2018, of MCh$492,924. Accordingly, and considering the increase in total loans (increase of 11.1% in the same period), the percentage of provisions over total loans decreased from 2.16% in December 2018, to 2.11% in December 2019.

Risk and provision rates	12/31/2019 MCh$	12/31/2018 MCh$
Total provisions for loans	534,890	492,924
Total loans	25,347,159	22,823,339
Percentage provisions / loans	2.11%	2.16%

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.

- Currency 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, 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
Term deposits in UF	0	0.00	0	0.00	0
Securitized bonds	0	0.00	0	0.00	0
Notes expressed in US$	**0**	**0.00**	**0**	**0.00**	**0**
Term deposits in US$	0	0.00	0	0.00	0
Total notes	**785,357**	**1.62**	**790,687**	**1.21**	**5,330**

As of December 31, 2018 **(Individual Bank)**

	Purchase value MCh$	Purchase IRR %	Market value MCh$	Market IRR %	Unrealized gain (loss) MCh$
Notes expressed in Ch$	**1,151,398**	**3.54**	**1,156,509**	**3.42**	**5,111**
BTP	610,639	3.98	615,646	3.82	5,007
Discountable promissory note issued by the Central Bank	249,955	2.68	249,938	2.48	-17
BCP	246,935	3.23	246,960	3.32	25
Time deposits in Ch$	43,869	3.96	43,965	3.71	96
Notes expressed in UF	**22,917**	**1.00**	**22,844**	**2.25**	**-73**
Term deposits in UF	13,746	0.90	13,652	3.23	-94
BCU	8,992	1.06	9,001	0.75	9
Corporate bond in UF	179	4.99	191	2.66	12
Notes expressed in US$	**652**	**3.50**	**652**	**2.43**	**0**
Term deposits in US$	652	3.50	652	2.43	0
Notes expressed in EUR	**16,191**	**1.64**	**16,736**	**0.66**	**545**
Government bond in EUR	16,191	1.64	16,736	0.66	545
Total notes	**1,191,158**	**3.46**	**1,196,741**	**3.36**	**5,583**

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, 2019, total VaR (including rate and currency) amounted to MCh$2,341 (MCh$1,492 as of December 31, 2018).

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

	12/31/2019 MCh$	12/31/2018 MCh$
Bonds in UF	(220)	163
Derivatives in UF	(1,595)	460
Bonds in Ch$	(26)	343
Derivatives in Ch$	1,620	454
Derivatives in US$	70	519
Basis US$/Ch$	2,462	1,036
Basis L3L6	(20)	43
Other	15	(1,765)
FX	35	239
Total	2,341	1,492

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.
• Allowances.
• 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: During 2017, the Bank amended the methodology used for the calculation, including the interest for future cash flows (the measurement was previously conducted only using principal owed amounts).

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		

As of December 31, 2018

	VPN	VPN + 1%	VPN - 1%
Ch$	1,338,482	(98,899)	107,379
UF	1,439,915	(117,579)	130,187
US$	(808,701)	1,276	(1,224)
FC	(2,407)	1	(1)
Use	215,201		

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

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**							

As of December 31, 2018

	Net present value				Financial margin			
	Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$	Ch$ MCh$	UF MCh$	US$ MCh$	FC MCh$
1 month	660,799	(91,561)	(638,717)	(2,409)	6,333	(877)	(6,121)	(23)
2 months	(615,287)	83,461	(108,785)	-	(5,384)	730	(952)	-
3 months	(300,167)	129,590	(10,369)	-	(2,376)	1,026	(82)	-
4 months	37,119	(142,218)	(14,012)	-	263	(1,007)	(99)	-
5 months	(273,489)	(248,792)	315,036	-	(1,709)	(1,555)	1,969	-
6 months	(408,824)	158,510	395,224	-	(2,214)	859	2,141	-
7 months	21,764	133,150	55,458	-	100	610	254	-
8 months	136,709	93,565	46,186	-	513	351	173	-
9 months	114,635	58,556	(167,365)	-	334	171	(488)	-
10 months	267,527	134,682	(196,927)	-	557	281	(410)	-
11 months	155,462	(275,676)	(218,736)	-	194	(345)	(273)	-
12 months	381,444	(150,433)	(169,658)	-	158	(64)	(72)	-
					(3,231)	**180**	**(3,960)**	**(23)**
Exposure to inflation						**7,543**		
Use	**14,135**							

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, 2019		
	Assets MCh$	Liabilities MCh$	Net MCh$
US$	53,599	53,529	70
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	-	-	-

	As of December 31, 2018		
	Assets MCh$	Liabilities MCh$	Net MCh$
US$	41,975	41,949	26
CAD	12,040	11,872	168
BRL	41,230	41,677	(447)
TWD	-	-	-
AUD	154,599	149,548	5,051
GBP	119,146	119,352	(206)
DKK	60	-	60
NOK	1,606	1,586	20
SEK	8,399	8,342	57
PEN	9,690	9,684	6
CHF	269,706	269,481	225
ARS	1,006	1,006	-
HKD	8,262	8,120	142
ZAR	34	-	34
COP	24,978	25,018	(40)
CNH	15,809	16,163	(354)
CNY	29,917	29,603	314
JPY	188,868	186,638	2,230
EUR	1,672,924	1,667,056	5,868
NZD	3	-	3
MXN	107,085	108,124	(1,039)

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, which compliance 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, 2019				As of December 31, 2018			
	Term mismatch				Term mismatch			
Days	Ch$	UF	US$	FC (*)	Ch$	UF	US$	FC (*)
00002-00030	(1,096,506)	(63,459)	475,963	(8,462)	(253,429)	(136,657)	(628,039)	(2,409)
00031-00060	(258,482)	(1,577)	(741,131)	7,551	(669,210)	74,695	(114,974)	-
00061-00090	(578,719)	233,489	14,010	1,034	(343,726)	124,201	(16,881)	-
00091-00120	(477,214)	350,729	194,617	868	6,024	(146,008)	(18,886)	-
00121-00150	(442,812)	(57,285)	314,431	2,903	(304,633)	(251,135)	310,517	-
00151-00180	112,708	42,638	662,081	1,012	(444,011)	156,488	390,838	-
00181-00210	239,173	703	(96,975)	6	(3,398)	130,747	50,141	-
00211-00240	(33,014)	49,816	(238,116)	258	112,800	91,071	42,871	-
00241-00270	14,248	211,892	(231,794)	-	90,963	56,479	(170,195)	-
00271-00300	(15,891)	84,963	(138,900)	-	244,473	132,892	(199,647)	-
00301-00330	(244,270)	127,239	(7,980)	-	132,877	(277,889)	(221,667)	-
00331-00360	93,457	(103,020)	(143,838)	-	358,361	(153,470)	(172,765)	-
00361-00720	799,158	261,961	(29,152)	-	1,005,725	451,933	121,041	-
00721-01080	533,612	(87,715)	15,384	-	330,421	176,287	(58,114)	-
01081-01440	162,699	(111,735)	99,440	-	241,227	(272,352)	22,880	-
01441-01800	(82,824)	198,267	(12,331)	-	98,593	44,560	2,006	-
01801-02160	(46,940)	150,895	557	-	(91,581)	15,921	15,058	-
02161-02520	350,161	(487,803)	(878)	-	(14,181)	113,496	4,061	-
02521-02880	210,372	(4,027)	9,137	-	278,482	(132,220)	5,978	-
02881-03240	80,369	205,708	(1,108)	-	459,586	114,595	224	-
03241-03600	98,564	336,012	(546)	-	112,656	574,534	1,818	-
03601-05400	270,823	924,331	(5,406)	-	258,512	679,632	69	-
05401-07200	42	21,654	(2,616)	-	22,316	23,540	-	-
07201-09000	4	(15,820)	-	-	7	39,276	-	-
09001-10800	3	(26,978)	-	-	8	(26,458)	-	-
10800->>>>>	40	6	-	-	95	1	-	-
NRS	(809,417)	(6,061)	(131,142)	9,083	(1,005,800)	208,049	538,135	-

(*) 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	
	12/31/2019 MCh$	12/31/2018 MCh$
SHORT-TERM (Margin)		
Short-term interest rate risk	72,640	67,903
Indexation risk	34,884	12,696
Lower income from sensitive commissions	-	5
Short-term total risk	**107,524**	**80,604**
Short-term risk limit (35% of margin)	230,736	272,382
Percentage of use of short-term limit	46.60%	29.59%
LONG-TERM (Value)		
Long-term interest rate risk	390,421	430,454
Interest rate optionality risk	-	-
Long-term total risk	**390,421**	**430,454**
Long-term limit (30% of capital)	836,144	802,094
Percentage of use of long-term limit	46.69%	53.67%

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 12/31/2019 MCh$	Amount 12/31/2018 MCh$
Interest rate risk	196,702	161,884
Currency risk	7,970	5,340
Interest rate optionality risk	998	1,323
Currency optionality risk	-	3
Total trading book market risk	**205,670**	**168,550**
Weighted assets by consolidated risk	25,651,767	23,396,898
Credit risk regulatory capital (8% APR)	2,052,141	1,871,752
Market risk regulatory capital	205,670	168,547
Total regulatory capital	**2,257,811**	**2,040,299**
Effective consolidated equity	2,787,146	2,673,646
Consumption % (includes CR and MR)	83.97%	76.35%
Basel index (including market risk)	10.87%	11.43%

5) Operational, technological and cybersecurity risk

Operational risk is the risk of loss, whether direct or indirect, to which the Bank and/or its subsidiaries are exposed due to external events, human errors or inadequate or failure in processes, procedures, systems or controls. Such definition also includes legal risk but excludes strategic and reputation risks. 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, technological and cybersecurity risks exist, which are focused on the identification, protection, detection, response and recovery against a 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, mitigate, monitor and report risks and current and potential events, 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 Bank's Risk Management Framework, which establishes the responsibilities related to Operational Risk management.

The internal governance structure for managing Operational Risk within the Bank complies with the risk management structure indicated in number 2 in this Note, which is composed of the Enterprise Risk Management and Control areas (second lines), the Non-financial Risk Management Committee, the Risk Committee, and the Board of Directors, which has delegated the responsibility of managing operational risk to the Management Committees.

Management of Technological risks and Cybersecurity

Risk management related to Cybersecurity requires the coordination between several teams. All groups play a critical role in the efforts associated with risk assessment and the implementation of Information Security and Cybersecurity.

The Cybersecurity government forms an integral part of the Bank's general governance. The Board of Directors is responsible for Cybersecurity and, as such, the Board of Directors must provide oversight and governance to the Cybersecurity strategic program and its results. Senior Management will assess and make recommendations for the Board of Directors' approval, key information, documents and limits related to Cybersecurity. Senior Management will ensure that, regarding all significant matters, such documents and limits comply with the related regulatory standards on Cybersecurity in the countries where the Bank operates and also with the Risk Appetite Framework.

Financial regulatory authorities expect that Scotiabank's Senior Management continuously reviews and assesses its policies and practices on Cybersecurity to guarantee that they are still appropriate and effective considering the changing threats.

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, 2019, the Bank and its subsidiaries have recognized MCh$6,382 associated with operational risk expenses (MCh$3,691 in 2018).

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 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 General Manager needs to lead the business within the current legal framework, and following the established policies, limits and procedures. The General Manager acts as the chairman of the Asset and Liability Committee, where he is actively involved in managing the liquidity risk. The General Manager 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, 2019 and 2018, the maturities of assets and liabilities are detailed as follows:

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**

As of December 31, 2018	Up to 1 month MCh$	Up to 3 months MCh$	Up to 1 year MCh$	To maturity MCh$
Cash on hand	787,472	-	-	-
Effective loans	1,236,136	1,677,925	4,037,556	18,770,527
Loans in adjustable mortgage letters of credit	2,399	4,794	21,388	185,614
Lease contracts	19,290	39,770	162,342	529,790
Agreements	184,338	-	-	-
Financial investments	1,795,804	87,003	-	15,874
Other assets	1,648,972	559	71	57
Total assets	**5,674,411**	**1,810,051**	**4,221,357**	**19,501,862**
On-demand liabilities	2,326,690	-	1,147,918	534,228
Deposits, bonds and other obligations	1,910,566	2,925,545	5,138,903	7,941,012
Agreements	579,078	-	-	-
Liabilities for adjustable mortgage letters of credit	6,620	1,268	32,513	183,115
Domestic liabilities	93,386	-	-	-
Foreign liabilities	368,374	375,871	1,339,606	434,513
Other liabilities	844,948	664	31,372	49,168
Total liabilities	**6,129,662**	**3,303,348**	**7,690,312**	**9,142,036**

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.

12/31/2019	Fair value of assets	Credit risk adjustment
	MCh$	MCh$
Total	(158,192)	(9,150)

12/31/2018	Fair value of assets	Credit risk adjustment
	MCh$	MCh$
Total	85,666	(4,056)

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.

Minimum basic capital and effective equity are detailed as follows:

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

As of December 31, 2018

Balance sheet assets (net of allowances)	Consolidated assets MCh$	Risk-weighted assets MCh$
Cash and deposits in banks	787,472	-
Transactions pending settlement	864,482	514,885
Securities held for trading	859,028	284,674
Investments sold under repurchase agreements and securities lending	217,365	217,365
Derivative instruments	2,168,455	1,148,469
Loans and advances to banks	2,789	558
Loans and advances to customers	22,330,415	18,738,841
Available-for-sale investment securities	1,212,048	76,336
Held-to-maturity investment securities	-	-
Investments in companies	18,909	18,909
Intangible assets	160,692	160,693
Property and equipment	132,352	132,352
Current tax assets	5,924	592
Deferred tax assets	271,142	27,114
Other assets	723,759	473,731
Off-balance assets		
Contingent loans	2,671,048	1,602,379
Total risk-weighted assets		**23,396,898**

	Amount MCh$	Ratio %
Basic capital	2,013,539	6.21
Effective equity	2,673,646	11.43

Note 40 Merger between Scotiabank and Scotiabank Azul (formerly BBVA)

Business combination between Scotiabank and Scotiabank Azul (Formerly BBVA)

With the purpose of reporting on the merger between Banco Scotiabank Chile and Scotiabank Azul (Formerly - BBVA) (hereinafter "Banco BBVA Chile"), which was formalized on September 1, 2018 and supplementing that indicated in Note 1 to these Consolidated Financial Statements, the sections below summarize the main aspects of this business combination.

1. Transaction general background. Events are presented in chronological order from their origin, subsequent compliance and progress made through the formalization of the merger.

2. Reasons for the acquisition. This indicates the main reasons for the transaction conducted between the banks.

3. Description of the merged entities. Summary of the organizational structures, operations and businesses of each entity prior to the acquisition transaction and subsequent to it.

4. Considerations related to the exchange rate of shares. Brief explanation of the exchange rate generated by the transaction and presentation of the new distribution of shares.

5. Analysis of the accounting standards applicable to the transaction. A general summary of the significant background and main items analyzed in the business combination between the banks.

6. Main effects of the merger on profit or loss for 2018. A detail of adjustments made because of the business combination is included the main origin of which is unifying the criteria for the estimates used for valuations in different captions.

1. Transaction general background.

a) On November 28, 2017, The Bank of Nova Scotia (hereinafter “BNS”) the indirect Parent of Scotiabank Chile, submitted a binding offer to BBVA to acquire the shares that the latter owned directly or indirectly in Banco BBVA Chile. BBVA through BBVA Inversiones Chile S.A. held 68.19% of Banco BBVA Chile.

   BNS offered acquiring interest owned by BBVA in Banco BBVA Chile and two non-banking BBVA Group companies for approximately MUS$2,200. This transaction is in line with Scotiabank Chile's strategy of becoming a major player in the Chilean financial system allowing it to increase its market share to 14% and become the third largest private bank in Chile.

b) On December 5, 2017, BBVA formally accepted the offer for the acquisition of 68.19% of the shares in Banco BBVA Chile, as well as interests in certain subsidiaries entering into a final agreement with BBVA. This transaction contemplated the merger of the operations of Scotiabank Chile with Banco BBVA Chile in the second half of 2018 with the prior approval by the regulating entities. Non-controlling interests of Banco BBVA Chile waived their Rights of first refusal and indicated their intention of continue to remain their participation in the business by investing MUS$458 to become the owners of 24.20% of the combined business.

c) On March 9, 2018, the CMF authorized BNS to indirectly acquire the shares of Banco BBVA Chile through the Chilean company Nova Scotia Inversiones Limitada (hereinafter "NSIL"), a subsidiary of BNS and controlling shareholder of Scotiabank Chile. Such authorization was granted to merge Scotiabank Chile with Banco BBVA Chile within a term of one year from the closing of the transaction for the purchase of such shares.

d) On May 31, 2018, the National Economic Prosecutor's Office ("FNE") approved the acquisition by NSIL of the control of the entities subject to the transaction that are owned by BBVA.

e) On June 6, 2018, NSIL offered acquiring up to 100% of the shares subscribed of Banco BBVA Chile through a Public Offering for Acquisition of Shares (OPA). At such date equivalent to 413,822,027 shares.

<u>Public Offering for Acquisition of Shares (OPA):</u>

The OPA submitted by NSIL on June 6, 2018 contemplated up to 100% of the shares of Banco BBVA Chile and considered a total valuation of MUS$3,099 in the event of the formalization of the acquisition of 100%. The OPA resulted in the purchase of 172,545 shares from minority shareholders representing 0.04% of the shares issued by Banco BBVA Chile.

<u>Detail of the Public Offering for Acquisition of Shares (OPA)</u>:

1. Number of shares: 413,822,027 (100%)
2. Term: 30 calendar days from June 7 through July 6, 2018, both dates inclusive.
3. Success: if at least 1 share is offered for sale and at the end date is not complied with or waived the offering revocation condition.
4. Price per share: US$7.0876 + Ch$253.1048 (approximately US$7.4891 or Ch$4,720.9829)
5. OPA price adjustments: reduced per the possible distribution of dividends during the OPA process and increases by MCh$291 for each day of extension of the term of the OPA divided by the total number of shares issued of Banco BBVA Chile.
6. Premium: 9.76% related to the market price of the shares of Banco BBVA Chile, which per the legal definition amounts to Ch$4,301.

7. Financing: own resources, capital contributions and loans granted by the parent BNS.
8. Revocation: if BBVA and its related company BBVA Inversiones Chile S.A. had not transferred all the shares issued of Banco BBVA Chile by 68.19%.
9. Valuation of the OPA: MUS$3,099 (Ch$630.38 observed U.S. dollar rate as of June 5, 2018).

f) Likewise, on July 6, 2018, NSIL formalized the purchase from BBVA becoming the new controlling shareholder of Banco BBVA Chile, the shares of which were traded in the Bolsa de Comercio de Santiago (Santiago Stock Exchange).

g) At the Extraordinary Shareholders' Meeting of Banco BBVA Chile held on July 9, 2018, the shareholders agreed the amendments to its by-laws. Such amendments consisted of the change in the name to "Scotiabank Azul", the increase in the number of Bank's directors from 9 regular directors and 2 alternate directors to 11 regular directors and 2 alternate directors, and the elimination of the casting vote of the Chairman of the Board of Directors in the event of a draw when reaching agreements. On August 13, 2018, the CMF authorized the amendments to the By-Laws of Banco BBVA Chile as approved by the aforementioned Extraordinary Shareholders' Meeting and from such date such amendments became effective.

h) At the Extraordinary Shareholders' Meeting of Scotiabank Chile held on August 2, 2018, the shareholders agreed the capitalization of the equity reserves and a capital increase in the Bank of MCh$324,341 through the issuance of 5,605,522,687 new nominative, same-series shares with no par value, which will be fully subscribed and paid with a debit to the incorporation of the equity of Banco BBVA Chile, as absorbed business, when the Merger becomes effective. For such purposes, 13.545733 shares of Scotiabank Chile will be distributed per each share of Banco BBVA Chile held by the shareholders of the latter, without considering fractions of shares.

i) Through Resolution No. 390 of August 20, 2018, the CMF approved the merger of both Banks and the amendment of the By-Laws that will regulate the Merged Bank.

   The merger would become effective on the first day of the month following the execution of the public deed of the copulative suspensive conditions agreed in the Merger Agreement, resulting in the final formalization of the merger on September 1, 2018, and as a result, Banco BBVA Chile was dissolved and Scotiabank Chile became the legal successor as the Merged Bank, Scotiabank Chile.

2. Reasons for the acquisition

a) Consolidating the Bank as a major player in the Chilean financial system, becoming a key player in the Pacific Alliance Region.

b) It supplements and strengthens the value proposition for our customers in such areas as Digital and the Securities Market.

c) It allows the Bank to improve the funding structure and achieve better efficiencies improving return.

3. Description of the merged entities

a) Description of the Banks prior to the acquisition transaction

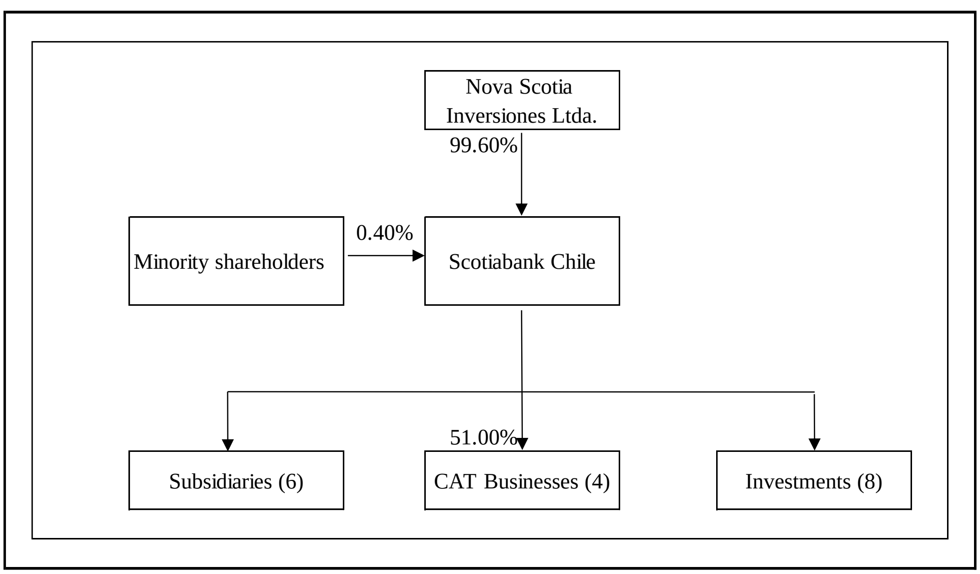
Scotiabank Chile is a subsidiary of the Canadian global financial BNS group, which offers a wide range of banking services to 23 million customers in more than 55 countries and has been operating in Chile for 28 years. Its main business areas are the following:

i. Commercial representing 41% of loans, where it provides services from SMEs to large corporations;
ii. Mortgages representing 36% of loans where it provides services mainly to real estate companies and construction companies for the financing of projects; and
iii. Consumer representing 17% of combined loans including consumer loans and credit cards where it satisfies the financial needs of the Chilean middle class, mainly through its controlling interest in CAT Businesses (CAT Administradora de Tarjetas S.A.).

Banco BBVA Chile is a subsidiary of the Spanish global financial "Banco Bilbao Vizcaya Argentaria" group, which provides services to 73 million customers in more than 30 countries and has been operating in Chile for 30 years. Its main business areas are the following:

i. Commercial representing 48% of loans;
ii. Mortgage representing 39% of loans; and
iii. Consumer representing 13% combined including consumer loans and credit cards.

<u>Scotiabank Group:</u>



✓ Nova Scotia Inversiones Ltda. (NSIL), controlling shareholder of Scotiabank Chile.

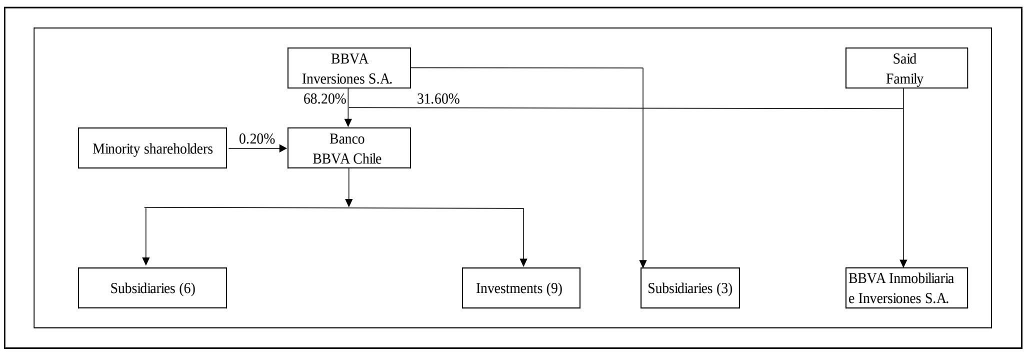
✓ Scotiabank Chile Minority shareholders are shareholders holding 0.4% of the shares.

- ✓ CAT Businesses (4), Scotiabank Chile has interest of 51% in CAT Administradora de Tarjetas S.A., CAT Corredores de Seguros y Servicios S.A., Servicios Integrales S.A., and Administradora y Procesos S.A.

- ✓ Subsidiaries of Scotiabank Chile (6), Scotia Corredora de Bolsa Chile S.A., Scotia Administradora General de Fondos Chile S.A., Scotia Corredora de Seguros Chile Ltda., Scotia Asesorías Financieras Ltda., Centro de Recuperación y Cobranza Limitada, and Bandesarrollo Sociedad de Leasing Inmobiliario S.A.

- ✓ Investments of Scotiabank Chile (8), Nexus S.A., Redbanc S.A., Transbank S.A., Combanc S.A., Sociedad Interbancaria de Depósitos de Valores, Sociedad Servicios de Infraestructura y de Mercado OTC, Bolsa de Comercio Santiago and Bolsa Electrónica de Chile.

BBVA Group:



- ✓ BBVA Inversiones Chile S.A., controlling shareholder of Banco BBVA Chile.

- ✓ Said Family, minority shareholder group of Banco BBVA Chile.

- ✓ Minority shareholders Banco BBVA Chile, shareholders holding 0.2% of the shares.

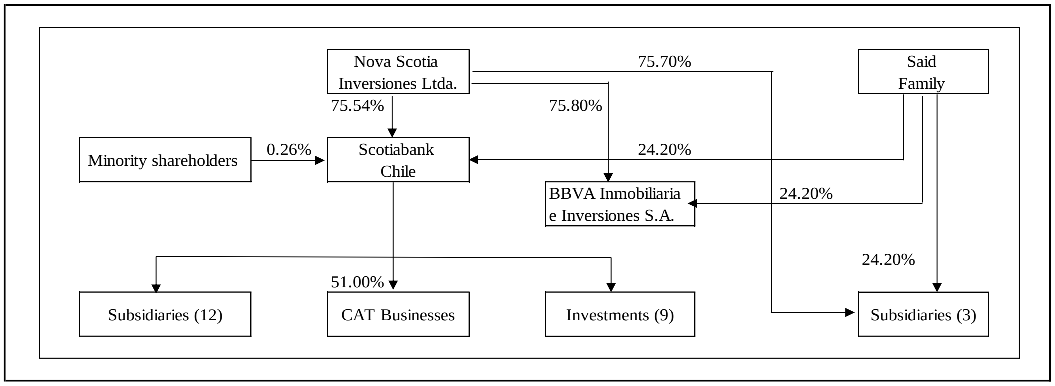
- ✓ Subsidiaries of Banco BBVA Chile (6), BBVA Corredores de Bolsa Limitada, BBVA Asset Management Administradora General de Fondos S.A., BBVA Corredora Técnica de Seguros Limitada, BBVA Asesorías Financieras S.A., BBVA Factoring Ltda. and BBVA Sociedad de Leasing Inmobiliario S.A.

- ✓ Investments of Banco BBVA Chile (9), Nexus S.A., Redbanc S.A., Transbank S.A., Combanc S.A., Sociedad Interbancaria de Depósitos de Valores, Sociedad Servicios de Infraestructura y de Mercado OTC, Bolsa de Comercio Santiago, Bolsa de Valores Valparaíso and Bolsa Electrónica de Chile.

- ✓ Subsidiaries of BBVA Inversiones S.A. (3), BBVA Seguros de Vida S.A., BBVA Servicios Corporativos S.A. and Inversiones DCV S.A.; companies considered in the transaction but not considered in the analysis as they do not consolidate profit or loss in Scotiabank Chile or in Banco BBVA Chile.

b) Company structure after the acquisition transaction

<u>New Scotiabank Group:</u>



- ✓ Nova Scotia Inversiones Ltda., controlling shareholder of Scotiabank Chile.
- ✓ Scotiabank Chile Minority shareholders are shareholders holding 0.26% of the shares.
- ✓ CAT Businesses (4), Scotiabank Chile has interest of 51% in CAT Administradora de Tarjetas S.A., CAT Corredores de Seguros y Servicios S.A., Servicios Integrales S.A., and Administradora y Procesos S.A.
- ✓ Subsidiaries of Scotiabank Chile (12), Scotia Corredora de Bolsa Chile S.A., Scotia Administradora General de Fondos Chile S.A., Scotia Corredora de Seguros Chile Ltda., Scotia Asesorías Financieras Ltda., Centro de Recuperación y Cobranza Limitada, Bandesarrollo Sociedad de Leasing Inmobiliario S.A., Scotia Azul Asset Management Administradora General de Fondos S.A., Scotia Azul Corredora Técnica de Seguros Limitada, Scotia Azul Corredores de Bolsa Limitada, Scotia Azul Asesorías Financieras S.A., Scotia Azul Sociedad de Leasing Inmobiliario S.A. and Scotia Azul Factoring Ltda.
- ✓ Investments of Scotiabank Chile (9), Nexus S.A., Redbanc S.A., Transbank S.A., Combanc S.A., Sociedad Interbancaria de Depósitos de Valores, Sociedad Servicios de Infraestructura y de Mercado OTC, Bolsa de Comercio Santiago, Bolsa de Valores Valparaíso and Bolsa Electrónica de Chile.
- ✓ Subsidiaries of Nova Scotia Inversiones Ltda. (3), Scotia Seguros de Vida S.A., Scotia Servicios Corporativos SpA. and Inversiones DCV S.A.

4. Considerations related to the exchange rate of shares

At the Extraordinary Shareholders' Meeting of Scotiabank Chile held on August 2, 2018, the shareholders approved the merger of Banco BBVA into Scotiabank Chile (the "Merger"). By virtue of the merger, Scotiabank Chile acquired all the assets and liabilities of Banco BBVA Chile and became its legal successor in all its rights and obligations incorporating all the shareholders and equity of Banco BBVA Chile. As a result, the latter was dissolved by operation of law without the need of a liquidation. In addition, the merger was approved as a transaction with related parties in conformity with the law.

On the same date, at the Extraordinary Shareholders' Meeting, the shareholders of Banco Bilbao Vizcaya Argentaria, Chile approved the merger of BBVA Chile into Scotiabank Chile. By virtue of the merger, Scotiabank Chile will acquire all the assets and liabilities of BBVA Chile and become the legal successor with respect to all its rights and obligations, incorporating in Scotiabank Chile all the shareholders and equity of BBVA Chile, which, as a result, will be dissolved by operation of law without the need of a liquidation. The merger was also approved as an intercompany transaction in accordance with the Law.

Within such context, the exchange rate of 13.545733 shares of Scotiabank Chile per each share of Banco BBVA Chile owned by its shareholders was approved without considering fractions of shares. In addition, for the purposes of the merger, a capital increase of MCh$324,341 in Scotiabank Chile was approved, through the issuance of 5,605,522,687 ordinary, nominative, same-value, same-series shares with no par value, that were entirely destined for the shareholders of Banco BBVA Chile, in the proportional amount applicable to each shareholder in accordance with the exchange rate that was agreed to formalize the merger by incorporation, expressly entitling the Board of Directors to issue new shares as a result of the aforementioned capital increase. This notwithstanding the capitalization or adjustments made to share capital in conformity with the Law.

Accordingly, the evolution of the distribution of shares expressed in number of shares of Scotiabank Chile as a result of the merger process is represented in the following tables:

✓ Share capital subscribed and fully paid of Scotiabank Chile prior to the merger distributed as follows:

	Number	%
Subscribed and fully paid shares	**5,147,416,079**	**100.00%**
Owned by NSIL	5,128,093,425	99.62%
Owned by third parties	19,322,654	0.38%

✓ The allocation of the new shares issued of Scotiabank Chile directly relates to the interest in the subscribed and paid-in capital in Banco BBVA Chile by the shareholders, distributed as follows:

	Number (i)	Exchange (ii)	Exchange allocation (iii)=(i)=*(ii)
Subscribed and fully paid shares (BBVA)	**413,822,027**	**13.545733**	**5,605,522,687**
Owned by NSIL	221,084,735	13.545733	2,994,754,790
Owned by third parties	192,737,292	13.545733	2,610,767,897

✓ The new distribution of shares considering the merged entities is distributed as follows:

	Initial interest (i)	Exchange allocation (ii)	Final interest (iii)=(i)+(ii)	%
Subscribed and fully paid shares	**5,147,416,079**	**5,605,522,687**	**10,752,938,766**	**100.00%**
Owned by NSIL	5,128,093,425	2,994,754,790	8,122,848,215	75.54%
Owned by third parties	19,322,654	2,610,767,897	2,630,090,551	24.46%

5. Analysis of the accounting standards applicable to the transaction

- International Financial Reporting Standard 3 (IFRS 3) “Business Combinations” establishes that a business combination is accounted for by applying the acquisition method, which requires the identification of the acquirer through the control concept. In addition, as established in IFRS 10 "Consolidated Financial Statements" basically the following must be evaluated:

  ✓ Power over the investee (directing relevant activities).
  ✓ Exposure, or rights, to variable returns from involvement with the investee.

- Additionally, in accordance with that established in paragraph 2 (c) and Application Guidance B1 to B4 of IFRS 3 "Business Combinations" a combination of entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

- Accordingly, among the conclusive aspects of the analysis the following must be considered:

  ✓ On July 6, 2018, BBVA through its company BBVA Inversiones Chile S.A. sold its interest in Banco BBVA Chile to NSIL (the Parent of Scotiabank Chile).

  ✓ As a result of such transaction, NSIL acquired 68.19% of the interest of Banco BBVA Chile, becoming its controlling shareholder and because of this, it appointed the majority of the directors and also the Chief Executive Officer. Accordingly, NSIL is the acquirer which has control over Banco BBVA Chile.

  ✓ The merger of Banco BBVA Chile into Scotiabank Chile of September 1, 2018 does not apply the acquisition method established in IFRS 3 because the reason for the merger of entities is the fact that both institutions are controlled by the same entity (NSIL).

  ✓ Finally, NSIL as the acquirer and controlling shareholder, applies the acquisition method established in IFRS 3 "Business Combinations", having to recognize at fair value the assets acquired and liabilities assumed, this implies also the recognition of goodwill from such transaction.

6. Main effects of the merger on profit or loss for 2018

The accounting effects from the acquisition of Banco BBVA Chile on the assets and liabilities for incorporation purposes as of December 31, 2018, are detailed as follows:

Between September and December 2018	Application of Accounting Criteria MCh$	Incorporation Expenses MCh$
Impact on provisions for common customer	26,608	-
Impairment of assets	21,372	-
Other accounting adjustments	7,670	-
Personnel expenses	-	9,894
Administrative expenses	-	8,232
Total	**55,650**	**18,126**

Additionally, between July 6 and August 31, 2018, other adjustments and costs prior to the merger were recognized such as: indemnity expenses, administrative expenses, deferred taxes and adjustments for impairment of financial instruments, among others. The effect of this amounted to MCh$28,176 and was recorded with a debit to Retained Earnings at the date of the merger.

Note 41 Subsequent events

On January 6, 2020, in conformity with the Articles Nos. 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 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.

In the Bank's Management and its subsidiaries' view, between January 1, 2020 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.

Subsidiary Scotia Administradora General de Fondos Chile S.A.

On January 3, 2020, in conformity with Article 18 of the Law No. 20,712 and Articles 9 and 10 of Law No. 18,045, the following essential information of Scotia Administradora General de Fondos Chile S.A. (the "Company") was reported to the Chilean Financial Market Commission.

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 Adminitradora General de Fondos Chile S.A. (the absorbing company) incorporation 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.

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Scotiabank Chile