

# **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

Consolidated financial statements as of and for the years  
ended December 31, 2020 and 2019 and independent  
auditors' report

## **INDEPENDENT AUDITOR'S REPORT**

To Shareholders and the Board of Directors of  
Banco de Crédito e Inversiones

We have audited the accompanying consolidated financial statements of Banco de Crédito e Inversiones and subsidiaries (the "Bank"), 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 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.

### **Auditors' 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 Bank'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 Bank'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.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco de Crédito e Inversiones 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 Financial Market Commission.

## **Emphasis of Matter**

As detailed in Note 3 and 4 to the consolidated financial statements, dated October 9, 2020, and after having complied with all the requirements and approvals in both Chile and the United States, BCI concluded the acquisition of Executive National Bank through its subsidiary City National Bank of Florida (CNB). Later that same day, the two latter companies merged, and CNB became the successor entity. The transaction price amounted to US\$62 million and it was financed with CNB's own funds. Our opinion is not modified with respect to this matter.

## **Other matter**

The accompanying financial statements have been translated into English for the convenience of readers outside Chile.

A handwritten signature in black ink, appearing to read "Deloitte", is positioned above the date and location.

January 26, 2021  
Santiago, Chile



## **Consolidated Financial Statements**

*As of and for the years ended December 31, 2020 and 2019*

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Consolidated Statements of Income  
Consolidated Statements of Other Comprehensive Income  
Consolidated Statements of Changes in Equity  
Consolidated Statements of Cash Flows  
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**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**As of December 31, 2020, and 2019**  
**(In millions of Chilean pesos - MCh\$)**

	Note	As of December, 31 2020 MCh\$	As of December, 31 2019 MCh\$
<b>ASSETS</b>			
Cash and deposits in banks	6	4,597,867	3,153,760
Items in course of collection	6	236,710	310,602
Trading portfolio financial assets	7	1,147,279	2,212,257
Investments under agreements to resell	8	190,248	196,015
Derivative financial agreements and hedge accounting	9	5,451,897	4,261,289
Loans and receivables to banks, net	10	356,669	457,640
Loans and receivables to customers, net	11	34,718,681	33,212,457
Financial investments available for sale	12	7,996,040	4,011,029
Financial investments held to maturity	12	25,144	7,369
Investments in other companies	13	26,625	27,823
Intangible assets	14	395,276	404,215
Property, plant and equipment, net	15	251,217	250,194
Right-of-use asset	15	204,807	231,344
Current income tax	16	36,270	89,495
Deferred income taxes	16	211,224	103,329
Other assets	17	1,310,345	1,407,802
<b>TOTAL ASSETS</b>		<b>57,156,299</b>	<b>50,336,620</b>
<b>LIABILITIES</b>			
Current accounts and demand deposits	18	19,726,574	14,180,699
Items in course of collection	6	201,438	200,976
Liabilities under agreements to repurchase	8	350,314	909,391
Deposits and other term loans	18	10,839,611	13,372,756
Derivative financial agreements and hedge accounting	9	5,793,354	4,412,365
Borrowings from financial institutions	19	6,270,699	3,482,261
Debt issued	20	7,431,624	7,016,742
Other financial liabilities	20	911,044	1,450,586
Lease liabilities	15	186,293	206,376
Current income tax	16	9,072	1,240
Deferred income taxes	16	22,188	23,829
Provisions	21	441,577	309,040
Other liabilities	22	1,077,806	977,839
<b>TOTAL LIABILITIES</b>		<b>53,261,594</b>	<b>46,544,100</b>
<b>SHAREHOLDERS' EQUITY</b>			
Attributable to equity holders of the Bank:			
Capital		3,655,828	3,394,799
Reserves		109	109
Accumulated other comprehensive income		22,223	114,719
Retained earnings:			
Net income from prior periods		(6,758)	-
Profit or loss for the year	24	317,454	402,645
Less: Accrual for minimum dividends	24	(95,236)	(120,794)
<b>TOTAL EQUITY OF EQUITY HOLDERS OF THE BANK</b>		<b>3,893,620</b>	<b>3,791,478</b>
Non-controlling interest		1,085	1,042
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,894,705</b>	<b>3,792,520</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>57,156,299</b>	<b>50,336,620</b>

Notes No. 1 to No. 39 are an integral part of the consolidated financial statements.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
For the years ended December 31, 2020 and 2019  
(In millions of Chilean pesos - MCh\$)

		<b>For the year ended December 31</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>MCh\$</b>	<b>MCh\$</b>
Interest income	25	2,088,604	2,206,557
Interest expense	25	(630,063)	(885,063)
<b>Net interest and indexation income</b>		<b>1,458,541</b>	<b>1,321,494</b>
Fee and commission income	26	433,887	462,313
Fee and commission expense	26	(98,303)	(110,553)
<b>Net fee and commission income</b>		<b>335,584</b>	<b>351,760</b>
Trading and investment income, net	27	148,799	183,805
Foreign exchange results, net	28	44,765	(18,334)
Other operating income	33	44,639	53,063
<b>Operating income</b>		<b>2,032,328</b>	<b>1,891,788</b>
Provision for loan losses and impairment of repossessed assets	29	(653,911)	(415,519)
<b>OPERATING INCOME, NET OF PROVISION FOR LOAN LOSSES</b>		<b>1,378,417</b>	<b>1,476,269</b>
Staff costs	30	(522,080)	(483,886)
Administrative expenses	31	(319,202)	(326,149)
Depreciation and amortization	32	(109,010)	(103,649)
Impairment of property, plant and equipment and intangible assets	32	(5,073)	(478)
Other operating expenses	33	(80,496)	(43,569)
<b>TOTAL OPERATING EXPENSES</b>		<b>(1,035,861)</b>	<b>(957,731)</b>
<b>TOTAL NET OPERATING INCOME</b>		<b>342,556</b>	<b>518,538</b>
Share of profit (loss) of investments accounted for using the equity method	13	(358)	12,638
<b>Income before income tax</b>		<b>342,198</b>	<b>531,176</b>
Income tax expense	16	(24,665)	(128,437)
<b>Net income from continuing operations</b>		<b>317,533</b>	<b>402,739</b>
Net income from discontinued operations		-	-
<b>CONSOLIDATED NET INCOME FOR THE YEAR</b>		<b>317,533</b>	<b>402,739</b>
Attributable to:			
Equity holders of the Bank		317,454	402,645
Non-controlling interest		79	94
<b>Total</b>		<b>317,533</b>	<b>402,739</b>
Earnings per share:			
(stated in Ch\$)			
Basic earnings per share		\$ 2.236	\$ 2.843
Diluted earnings per share		\$ 2.236	\$ 2.843

Notes No. 1 to No. 39 are an integral part of the consolidated financial statements.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME**  
For the years ended December 31, 2020 and 2019  
(In millions of Chilean pesos - MCh\$)

	Note	<b>For the years ended December 31</b>	
		<b>2020</b>	<b>2019</b>
		<b>MCh\$</b>	<b>MCh\$</b>
<b>CONSOLIDATED NET INCOME FOR THE YEAR</b>		<b>317,533</b>	<b>402,739</b>
<b>OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO THE STATEMENT OF INCOME</b>			
Net gain resulting on revaluation of financial investments available for sale		42,487	53,539
Net (loss) on cash flow hedge derivatives		(49,503)	(114,826)
(Loss) income - cumulative translation adjustment		(95,503)	100,778
<b>Other comprehensive income before income tax</b>		<b>(102,519)</b>	<b>39,491</b>
Income tax effect on other comprehensive income- items that may be classified to the statement of income	16	10,023	29,782
<b>Total other comprehensive income that may be reclassified to the statements of income for the year</b>		<b>(92,496)</b>	<b>69,273</b>
<b>OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO THE STATEMENT OF INCOME</b>		<b>(36)</b>	<b>94</b>
<b>TOTAL OTHER COMPREHENSIVE (LOSS) INCOME</b>		<b>(92,532)</b>	<b>69,367</b>
<b>CONSOLIDATED TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>225,001</b>	<b>472,106</b>
<b>Attributable to:</b>			
Equity holders of the Bank		224,958	471,918
Non-controlling interest		43	188
<b>Comprehensive income per share attributable to equity holders of the Bank:</b>			
Basic comprehensive income per share		\$1.585	\$3.333
Diluted comprehensive income per share		\$1.585	\$3.333

Notes No. 1 to No. 39 are an integral part of the consolidated financial statements.



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the years ended December 31, 2020 and 2019

(In millions of Chilean pesos - MCh\$)

	Accumulated Other Comprehensive Income							Retained earnings:				Total Equity		
	Paid-in Capital	Reserves	Investment instruments available for sale	Cash flows hedges	Cumulative translation adjustment	Income tax	Total	Retained earnings	Net Income for year	Minimum dividends provision	Total	Total attributable to equity holders of the Bank	Non-controlling interest	Total equity
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>As of January 1, 2020</b>	<b>3,394,799</b>	<b>109</b>	<b>35,479</b>	<b>(126,789)</b>	<b>175,490</b>	<b>30,539</b>	<b>114,719</b>	<b>-</b>	<b>402,645</b>	<b>(120,794)</b>	<b>281,851</b>	<b>3,791,478</b>	<b>1,042</b>	<b>3,792,520</b>
Transfer to retained earnings	-	-	-	-	-	-	-	402,645	(402,645)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(141,616)	-	120,794	(20,822)	(20,822)	-	(20,822)
Retained earnings	261,029	-	-	-	-	-	-	(261,029)	-	-	(261,029)	-	-	-
Other equity transactions	-	-	-	-	-	-	-	(6,758)	-	-	(6,758)	(6,758)	-	(6,758)
Other comprehensive income	-	-	42,487	(49,503)	(95,503)	10,023	(92,496)	-	-	-	-	(92,496)	(36)	(92,532)
Net income for the year 2020	-	-	-	-	-	-	-	-	317,454	-	317,454	317,454	79	317,533
Provision for minimum dividends 2020	-	-	-	-	-	-	-	-	-	(95,236)	(95,236)	(95,236)	-	(95,236)
<b>As of December 31, 2020</b>	<b>3,655,828</b>	<b>109</b>	<b>77,966</b>	<b>(176,292)</b>	<b>79,987</b>	<b>40,562</b>	<b>22,223</b>	<b>(6,758)</b>	<b>317,454</b>	<b>(95,236)</b>	<b>215,460</b>	<b>3,893,620</b>	<b>1,085</b>	<b>3,894,705</b>
<b>As of January 1, 2019</b>	<b>3,134,898</b>	<b>109</b>	<b>(18,060)</b>	<b>(11,963)</b>	<b>74,712</b>	<b>757</b>	<b>45,446</b>	<b>-</b>	<b>395,794</b>	<b>(118,738)</b>	<b>277,056</b>	<b>3,457,509</b>	<b>854</b>	<b>3,458,363</b>
Transfer to retained earnings	-	-	-	-	-	-	-	395,794	(395,794)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(135,893)	-	118,738	(17,155)	(17,155)	-	(17,155)
Capitalization of reserves	259,901	-	-	-	-	-	-	(259,901)	-	-	(259,901)	-	-	-
Other comprehensive income	-	-	53,539	(114,826)	100,778	29,782	69,273	-	-	-	-	69,273	94	69,367
Net income for the year 2019	-	-	-	-	-	-	-	-	402,645	-	402,645	402,645	94	402,739
Provision for minimum dividends 2019	-	-	-	-	-	-	-	-	-	(120,794)	(120,794)	(120,794)	-	(120,794)
<b>As of December 31, 2019</b>	<b>3,394,799</b>	<b>109</b>	<b>35,479</b>	<b>(126,789)</b>	<b>175,490</b>	<b>30,539</b>	<b>114,719</b>	<b>-</b>	<b>402,645</b>	<b>(120,794)</b>	<b>281,851</b>	<b>3,791,478</b>	<b>1,042</b>	<b>3,792,520</b>

Notes No. 1 to No. 39 are an integral part of the consolidated financial statements.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2020 and 2019  
(In millions of Chilean pesos - MCh\$)

	Note	For the years ended December 31,	
		2020	2019
		MCh\$	MCh\$
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
<b>INCOME BEFORE INCOME TAX</b>		<b>342,198</b>	<b>531,176</b>
<b>Charges (credits) to income not representing cash flows:</b>			
Depreciation and amortization	32	109,010	103,649
Impairment of property, plant and equipment and intangible assets	32	5,073	478
Provision for loan losses and impairment of repossessed assets		720,482	480,074
Adjustment to fair value of financial instruments		(2,850)	(7,654)
Share of profit on investments accounted for under the equity method	13	358	(12,638)
Net gain from sale of repossessed assets	33	(1,953)	(4,776)
Gain from sale of property, plant and equipment	33	(2,077)	(5,078)
Loss on sale of property, plant and equipment	33	32	10
Write-off of repossessed assets	33	1,487	3,934
Net interest and indexation income		(1,458,541)	(1,321,494)
Net fee and commission income		(335,584)	(351,760)
Other (credits) charges to income that do not represent cash flows		(15,881)	261,900
<b>Changes in assets and liabilities affecting operating cash flows:</b>			
Net decrease (increase) in loans and receivables to banks		97,884	(124,093)
Net (increase) in loans and receivables to customers		(2,117,990)	(4,059,050)
Net (increase) in investments		(2,328,178)	(861,571)
Net increase in current accounts and other demand deposits		5,545,687	1,957,830
Net decrease (increase) in liabilities under agreements to repurchase		(607,116)	261,538
Net (decrease) increase in term deposits and savings accounts		(2,429,858)	1,036,235
Net (decrease) increase in borrowing from financial institutions		(556,185)	221,479
Net (decrease) increase in other financial liabilities		(538,745)	694,361
Proceeds from loans from (paid to) Central Bank of Chile (long-term)		3,904,285	(10,503)
Proceeds from foreign borrowings (long-term)		1,129,610	3,029,326
Repayment of foreign borrowings (long term)		(1,671,046)	(2,516,908)
Income tax refunded (paid)	16	73,513	(128,437)
Interest and indexation received		2,017,228	2,103,333
Interest and indexation paid		(406,855)	(501,112)
Fees and commissions received	26	433,887	462,313
Fees and commissions paid	26	(98,303)	(110,553)
<b>Total cash flows provided by (used in) operating activities</b>		<b>1,809,572</b>	<b>1,132,009</b>
<b>CASH FLOW (USED IN) INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	15	(23,790)	(33,643)
Proceeds from sale of property, plant and equipment		10,155	4,098
Purchase of intangible assets		(75,517)	(80,255)
Investments in other companies	13	(392)	(98)
Acquisition of Servicios Financieros	13	-	(1,693)
Acquisition of Executive National Bank	4	57,852	-
Sale of investments in other companies	13	-	29,029
Dividends received from investments in other companies	13	388	224
Sale of repossessed assets		14,165	13,560
Net increase (decrease) in other assets and liabilities		300,395	(215,492)
<b>Total cash flows provided by (used in) investing activities</b>		<b>283,256</b>	<b>(284,270)</b>
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>			
Redemption of letters of credit		(3,679)	(4,397)
Bond issuance		405,992	1,273,626
Bond redemption		(366,126)	(789,206)
Lease interest and indexation		(4,149)	-
Dividends paid		(141,616)	(135,893)
<b>Total cash flows provided by (used in) financing activities</b>		<b>(109,578)</b>	<b>344,130</b>
<b>NET Increase IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>		<b>1,545,732</b>	<b>317,222</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>437,518</b>	<b>874,647</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>3,431,728</b>	<b>2,239,859</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	6	<b>5,414,978</b>	<b>3,431,728</b>

Notes No. 1 to No. 39 are an integral part of the consolidated financial statements.

BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2020 and 2019  
(In millions of Chilean pesos - MCh\$)

**Reconciliation of provisions for loan losses to consolidated statements of cash flows for the year**

Note	For the years ended December 31	
	2020	2019
	MCh\$	MCh\$
Provision for loan losses presented in the consolidated statements of cash flows	720,482	480,074
Recovery of loans previously written off	(66,571)	(64,555)
<b>Provision for loan losses</b>	<b>653,911</b>	<b>415,519</b>

The following table details the changes in liabilities originated from financing activities, including those changes that represent and do not represent cash flows as of December 31, 2020 and 2019.

Liabilities arising from financing activities	Beginning balance 1-1-2020 MCh\$	Cash flow from financing activities			Changes that do not represent cash flows			Ending balance 12-31-2020
		Received	Paid	Total	Acquisition	Changes in fair value	Interest and Indexation	MCh\$
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Letters of credit	9,629	-	(3,679)	(3,679)	-	-	561	6,511
Bonds	7,007,113	405,992	(366,126)	39,866	-	53,294	324,841	7,425,114
Lease interest	-	-	(4,149)	(4,149)	-	-	-	(4,149)
Dividends	-	-	(141,616)	(141,616)	-	-	-	(141,616)
<b>Total</b>	<b>7,016,742</b>	<b>405,992</b>	<b>(515,570)</b>	<b>(109,579)</b>	<b>-</b>	<b>53,294</b>	<b>325,402</b>	<b>7,285,860</b>

Liabilities arising from financing activities	Beginning balance 1-1-2019 MCh\$	Cash flow from financing activities			Changes that do not represent cash flows			Ending balance 12/31/2019
		Received	Paid	Total	Acquisition	Changes in fair value	Interest and Indexation	MCh\$
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Letters of credit	13,232	-	(4,397)	(4,397)	-	-	794	9,629
Bonds	5,964,716	1,273,626	(789,206)	484,420	-	246,937	311,040	7,007,113
Dividends	-	-	(135,893)	(135,893)	-	-	-	(135,893)
<b>Total</b>	<b>5,977,948</b>	<b>1,273,626</b>	<b>(929,496)</b>	<b>344,130</b>	<b>-</b>	<b>246,937</b>	<b>311,834</b>	<b>6,880,849</b>

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **GENERAL INFORMATION**

###### **a) The Bank**

Banco de Credito e Inversiones or Banco BCI (hereinafter the “Bank”) is a bank incorporated in Chile and regulated by the Financial Market Commission (hereinafter the “FMC”), according to the General Banking Act as amended by Act No. 21,130, which establishes the FMC as a regulator effective as of June 1, 2019 (Official Gazette No. 42,343 of May 2, 2019). The registered office of the Bank is located at 125 El Golf Avenue, Las Condes, Santiago. The consolidated financial statements as of and for the years ended December 31, 2020 and 2019, include financial information of the Bank and its subsidiaries listed below, as well as its Miami branch. The Bank’s business consists of all the businesses and transactions permitted by the General Banking Law, including retail, corporate and real estate banking, large and medium size companies’ services, private banking and asset management services.

###### **b) Basis of preparation of the consolidated financial statements**

These Consolidated Financial Statements have been prepared in accordance with the Compendium of Accounting Standards and instructions issued by the Commission for the Financial Market (hereinafter “CMF”), a regulatory body created by Act No. 21,000, which in paragraph 6, article 5, states that the CMF is entitled to “establish the standards for the preparation and presentation of annual reports, balance sheets, statements of financial position and other financial statements of the audited entities, and to determine the principles that govern their accounting. In all matters not covered by this Act, audited entities must adhere to the generally accepted accounting criteria (provided they are compatible with the CMF instructions), which are the technical standards issued by the Chilean Institute of Accountants and which match the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). In case of any discrepancy between IFRS and CMF (“The Compendium”), the latter should be followed.

Notes to the consolidated financial statements contain additional information to that presented in 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.

The Consolidated Financial Statements of the Bank and subsidiaries as of and for the year ended December 31, 2020 have been approved and authorized for issuance by the Board of Directors in a meeting held on January 26, 2021.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **c) Controlled companies (subsidiaries)**

The consolidated financial statements as of and for the years ended December 31, 2020 and 2019 include financial information of the Bank and controlled companies (subsidiaries) (hereinafter the “Group”). Control is achieved when the Bank is exposed, or is entitled, to variable returns from its involvement in the investee and could influence those returns through its power over it.

Specifically, control is achieved when the following conditions are met:

- I. Power over the investee (i.e.: consists of having the rights that give the Bank the current ability to direct relevant activities of the investee);
- II. is exposed, or has rights, to variable returns from the Bank’s involvement with the investee; and
- III. can use power over the investee to affect the amount of returns.

When the Bank has less than most voting rights of an investee, it has power over the investee when the voting rights are enough to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether the Bank’s voting rights in an investee are enough to give it power, including:

- The size of Bank’s voting rights relative to the size and dispersion of the other vote holders.
- Potential voting rights held by the Bank, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate the Bank has, or does not have, the current ability to direct relevant activities, at the time decisions need to be taken, including voting patterns at previous shareholders’ meetings.

The Bank reassesses whether it controls an investee if facts and circumstances indicate there are changes in one or more of the three elements of control listed above.

Consolidation of a subsidiary ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary disposed of during the year are included in the Consolidated Statements of Financial Position until the date when the Bank ceases to control the subsidiary.

The consolidated financial statements include financial information of the Bank and its subsidiaries, as well as adjustments and reclassifications made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Bank’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In addition, third party interest in the equity of the Bank is presented as “Non-controlling Interest” in the Consolidated Statements of Financial Position. Its share in profit or loss is presented as “Consolidated net income for the year attributable to non-controlling interest” in the Consolidated Statements of Income.

The following table represents the entities over which the Bank exercises control and therefore are included in the consolidation:

i. Entities controlled by the Bank through controlling interest:

Entity	% Interest			
	Direct		Indirect	
	2020	2019	2020	2019
	%	%	%	%
Análisis y Servicios S.A.(in liquidation)	99.00	99.00	1.00	1.00
BCI Asset Management Administradora General de Fondos S.A.	99.90	99.90	0.10	0.10
BCI Asesoría Financiera S.A.	99.00	99.00	1.00	1.00
BCI Corredor de Bolsa S.A.	99.95	99.95	0.05	0.05
BCI Corredores de Seguros S.A.	99.00	99.00	1.00	1.00
BCI Factoring S.A.	99.97	99.97	0.03	0.03
BCI Securitizadora S.A.	99.90	99.90	-	-
Banco de Crédito e Inversiones Sucursal Miami	100.00	100.00	-	-
Servicio de Normalización y Cobranza, Normaliza S.A.	99.90	99.90	0.10	0.10
BCI Securities INC.	99.90	99.90	0.10	0.10
BCI Corredores de Bolsa de Productos S.A.	99.00	99.00	1.00	1.00
BCI Financial Group, INC. and Subsidiaries	100.00	100.00	-	-
Servicios Financieros y Administración de Créditos Comerciales S.A.	99.98	99.98	0.02	- 0.02
Administradora de Tarjetas Servicios Financieros Limitada.	99.99	99.99	0.01	0.01
SSFF Corredores de Seguros y Gestión Financiera Limitada.	99.00	99.00	1.00	1.00
Sociedad de Servicios de Comercialización y Apoyo Financiero y de Gestión SSFF Limitada.	99.99	99.99	0.01	0.01
Servicios y Cobranzas SEYCO Limitada.	99.00	99.00	1.00	1.00

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Information and corporate purposes of the entities controlled by the Bank, are as follows:

**Analisis y Servicios S.A. (in liquidation)**, was established as a closely held corporation by public deed dated August 19, 1996 and started its operations on November 1, 1996. Its corporate purpose is conducting activities on behalf of financial institutions, pre-evaluation of all financial products and services these institutions are involved in and performance of all activities or operations necessary for the pursuit of its objective.

On November 15, 2019, the Financial Market Commission was requested to approve the dissolution of the company Analisis Servicios S.A. This company's shareholders are Banco de Crédito e Inversiones with a 99% interest and BCI Corredor de Bolsa, S.A. with a 1% interest, respectively. The dissolution was approved by the Board of Directors of BCI at its meeting on August 27, 2019.

On December 12, 2019, the Council of the Financial Market Commission approved the request in ordinary meeting number 161. As of December 31, 2020, the company is in a liquidation process.

**BCI Asset Management Administradora de Fondos S.A.** was incorporated by public deed dated January 7, 1988. Its corporate purpose is management of all types of mutual funds, investment funds and individual portfolios regulated by Law No, 20,712, including the development of voluntary pension savings plans "Voluntary Pension Savings" ("APV" for its acronym in Spanish) and "Collective Voluntary Pension Savings" ("APVC" for its acronym in Spanish), other complementary activities authorized by the Commission for the Financial Market (Former SVS, current CMF) through Circular No, 1,566 of 2001, and the administration of third parties' funds and portfolios, authorized by Circular No, 1,897 of 2008.

**BCI Asesoría Financiera S.A.** was established as a closely held corporation by public deed dated October 23, 1992. Its corporate purpose is provision of advice on the analysis, evaluation and search of alternative financing sources, on the restructuring of liabilities, on the negotiations to acquire, capitalize, sell or merge companies, on the issuance and placement of bonds and debentures and on the placement of equity.

**BCI Corredor de Bolsa S.A.** was incorporated by public deed dated July 24, 1987. Its corporate purpose is provision of financial instruments brokering operations, and in general, all the activities permitted to a stockbroker by the law.

**BCI Corredores de Seguros S.A.** was incorporated by public deed dated January 15, 1997. Its corporate purpose is provision of remunerated brokering operations with general and life insurance contracts with any insurance company located in the country, and the provision of advisory services and services related to the contracting of insurance.

**BCI Factoring S.A.** was incorporated by public deed dated December 13, 1994. Its corporate purpose is provision of all kinds of factoring services; acquisition and discounting of documents and commercial papers, in general, development and operation of different types of factoring businesses; investment, reinvestment and acquisition of dues, shares or rights, all types of movable, tangible or intangible property, real estate, and legal entities, civil societies, companies or associations; or realisation of takeovers, investment in all kinds of securities; management and exploitation of such property under any title; and receiving profit from them.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**BCI Securitizadora S.A.** was established as a closely held corporation by public deed dated March 1, 2001. Its corporate purpose is the acquisition of the credits referred to in Article No. 135 of Law No. 18,045 (i.e. mortgage loan, finance leases, concession rights) or the rules that replace or complement it, and the issuance of debt securities, short or long term, causing for each issuance the formation of capital separate from its own, supervised by the Commission for the Financial Market ("CMF", formerly the SVS).

**Banco de Credito e Inversiones Sucursal Miami** is a branch of Banco de Credito y Inversiones, established in the state of Florida in the United States of America. The branch was initially authorized to operate as an international banking agency by the Department of Banking and Finance of the state of Florida on May 10, 1999. The branch is not a separate legal entity, it carries out banking activities that provide a complete range of banking services to national and foreign physical persons and legal entities, mainly from Latin America.

**Servicio de Normalizacion y Cobranza, Normaliza S.A.** is closely held corporation, which was incorporated by public deed dated June 8, 1990. Its corporate purpose is the provision of extrajudicial collection services, on its own account or on behalf of others, on any document representing liability, as well as performance of the background check of physical persons or legal entities, the delivery of commercial reports and any other business that the stockholders agree to execute.

**BCI Securities INC.** was established in the state of Florida, United States of America on July 6, 2011. Its corporate purpose is to buy and sell stocks, mutual funds, corporate debt, US government bonds, sovereign debt, and call and put options for its customers, primarily residents of South America. BCI Securities Inc. may establish network agreements with banks, savings banks or credit unions. This investment was authorized by the Financial Market Commission on January 10, 2013, and by the Central Bank of Chile on February 21, 2013. It began operations on March 1, 2016.

**BCI Corredores de Bolsa de Productos S.A.** was established by public deed dated April 16, 2015. Its sole corporate purpose is to act as intermediary in operations with agricultural products, as established in Articles Four and Five of the Law No. 19,920, as broker of agricultural products, including the purchase or sale of products in the Agricultural Products Stock Exchange for its own benefit with the aim of transferring rights thereto, and the complementary activities authorized by the Commission for the Financial Market for which it may execute all actions and enter into all contracts and act as intermediary in operations of the Agricultural Products Stock Exchange, according to the regulation in force.

**BCI Financial Group, INC. and Subsidiaries**, a parent company of City National Bank (CNB), was acquired in 2015. CNB is a banking financial institution established in 1946 with headquarters in Miami, offering a wide range of financial products (including real estate, commercial and consumer banking) to more than 22,000 customers, with 26 branches in four Florida counties. On March 10, 2017, the FMC issued Letter No. 02751, which granted approval to carry out leasing transactions through a new subsidiary of CNB. The new subsidiary of CNB is a corporation that began operations on June 28, 2017 under the corporate name of City National Capital Finance, Inc. (CNCF). On August 1, 2018, the subsidiary City National Capital Finance, Inc. (CNCF) changed its name to BCI CAPITAL, INC.



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Servicios Financieros y Administración de Créditos Comerciales S.A.**, acquired on December 2018, was established as a limited liability company by public deed on November 4, 1997; and has undergone several changes. According to its current corporate purpose, it issues credit cards and conducts complementary activities authorized by the FMC through the general regulations of credit card issuance; granting of loans as a subsidiary of the Bank on an enhanced basis.

**Administradora de Tarjetas Servicios Financieros Limitada**; acquired on December 2018, was established as a closely held corporation by public deed on August 6, 1998 and has undergone several modifications. Its current corporate purpose is service and development of all kinds of activities related to debit, credit and prepaid cards in accordance with Central Bank of Chile's Compendium of Financial Standards and other applicable norms including but not limited to the following: (i) service of supply of physical payments cards; (ii) service, maintenance and management of computer systems for operations and issuance of cards and; (iii) any other activities connected and complementary to the operation and issuance of payment cards, on condition that said services and activities do not involve the payment of benefits owed to subsidiaries for the use of said instruments.

**Sociedad de Servicios de Comercialización y Apoyo Financiero y de Gestión SSFF Limitada**, acquired on December 2018, was established as a limited liability company by public deed on April 6, 2005 and has had several modifications. Its current corporate purpose is /i/ service of supply of management and aftermarket and customer support, related to allocation, performance and maintenance of arranged products with banks, subsidiaries and support companies, and /ii/ promotions and distributions services of banking products, subsidiaries and support companies. The previously described activities could be performed by the entity or delegated to third parties acting on their behalf. In general, the entity could develop any other commercial activities that members decide to either complement the objective or result in a better performance.

**Servicios y Cobranzas SEYCO Limitada**, also acquired on December 2018 and established as a limited liability company by public deed on March 31, 2010 has had several amendments. Its corporate purpose is framed in: (a) provision of preliminary and judicial collection services for all types of payment obligations, regardless of their cause or origin; (b) debt collection services; including but not limited to debt collection services by third parties for the payment of all kind of payment obligations (c) document custody and administrative proceedings;(d) the rendering of marketing services, programming or execution of campaigns, database preparation, necessary or recommended for debt collection services; (e) collection, storage, custody, administration, processing, studies and data analysis, background and information for debt collection services; (f) acquiring or participating in other companies, subject to the requirements and limitations established in current regulations. The previously described activities could be performed by the entity or delegated to third parties acting on their behalf. The entity may execute all necessary contracts with respect thereto.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

**SSFF Corredores de Seguros y Gestión Financiera Limitada.** Acquired on December 2018 and established as a limited liability company by public deed on November 17, 2004 has had several amendments. Its current corporate purpose is: (a) supply the intermediation and advisory services between general and life insurance of any national insurance company and natural and legal persons. Notwithstanding the foregoing, the entity could develop activities such as home, roadside, legal and medical assistance regarding goods and services supplied by third parties; (b) pension advisory services in accordance with Executive Order number 3500 subject to the provisions of Article 70 bis of the General Banking Law, its modifications or replacements. The entity may execute all necessary contracts for the given purpose or business development or related to the investment of the available funds of the company.

ii. Entities controlled by the Bank through other considerations:

Although the Bank holds less than most voting rights in the following companies, they are considered subsidiaries since the Bank exercises control through ability to direct the relevant activities and oversight of financial and operational policy decisions:

Entity	%Interest			
	Direct		Indirect	
	2020	2019	2020	2019
	%	%	%	%
BCI Activos Inmobiliarios Fondo de Inversión Privado (1)	40.00	40.00	-	-
Fondo de Inversión Privado BCI LMV II (2)	100.00	100.00	-	-
Incentivos y Promociones Limitada (3)	SE	SE	SE	SE

- (1) Fund over which BCI Asset Management Administradora General de Fondos S.A. subsidiary, has control.
- (2) This Fund has been organized and established by the subsidiary BCI Asset Management Administradora General de Fondos S.A., who manages it in its entirety.
- (3) Structured Entity ("SE") is responsible for the promotion of credit and debit card products. The Bank does not hold any ownership interest in that company and does not exercise control, however its revenue depends on the Bank.

#### d) Associates and Joint Ventures

An associate is an entity over which the Bank has significant influence but over which the Bank does not have control. Significant influence is the power to participate in the financial and operational policy decisions of the investee but is not control or joint control.

Joint venture is an entity over which there is joint control, which occurs only when the strategic decisions regarding both financial and operating activities require the unanimous consent of the parties that are sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control over the agreement (that is, the joint operators) have rights derived from the assets and obligations derived from the liabilities, related to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control over the arrangement (that is, the participants in a joint venture) have rights over the net assets related to the arrangement.

Joint ventures and those over which significant influence is exercised are accounted for under the equity method and initially recognized at cost; their carrying amount is increased or decreased to recognize the corresponding proportion in net income and other comprehensive income. Dividends received are recognized by decreasing the investment carrying amount.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

If the acquisition cost is lower than the fair value of the net assets of the acquired associate, the difference is recognized directly in profit or loss and is presented in the line “Other Income (Loss)”. Investments in associates and joint ventures are presented in the Consolidated Statements of Financial Position in the line “Investments accounted for using the equity method.” Only if the investor has incurred legal or constructive obligations, or has made payments on behalf of the associate or the joint venture, should they recognize a negative carrying amount, otherwise the investment alternatively would be recognized at zero until such time as it generates profits that reverse the negative equity.

The following entities are considered associates:

<u>Company</u>	<u>Interest</u>	
	<u>2020</u>	<u>2019</u>
	%	%
Centro de Compensación Automatizado S.A.	33.33	33.33
AFT S.A.	20.00	20.00
Nexus S.A.	14.81	14.81
Redbanc S.A.	12.71	12.71
Servicio de Infraestructura de Mercado OTC S.A.	13.61	13.61
Combanc S.A.	11.74	11.74
Transbank S.A.	8.72	8.72
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	7.03
Pagos y Servicios S.A.	49.9	-

The following entities are considered joint ventures:

<u>Company</u>	<u>Interest</u>	
	<u>2020</u>	<u>2019</u>
	%	%
Artikos Chile S.A.	50.00	50.00
Servipag Ltda.	50.00	50.00

Entities in the table above, in which the Bank holds less than 20%, are still considered associates given the Bank’s ability to appoint a member to their Board of Directors, one consideration in determining significant influence over such associates.

#### e) Investments in other companies

In this category are presented those entities over which the Bank has neither control nor significant influence. It includes interests in local and foreign companies, which according to FMC regulations, are recorded at cost and subject to impairment tests when indicators have been identified.

As of December 31, 2020, and 2019, the Bank has investments in the following companies: SWIFT, BLADEX and others.

#### f) Basis of consolidation

The consolidated financial statements comprise financial information of the Bank and its subsidiaries as of December 31, 2020 and 2019, and for the years then ended.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The subsidiaries' financial statements (including the structured entity controlled by the Bank), were aligned with the financial statements of the Bank according to the rules set in the Compendium of Accounting Standards and Instructions issued by the FMC.

The intercompany balances and any income or expense arising from intercompany transactions between Group entities are eliminated in full in the consolidation process. The unrealized income or expense arising from transactions with associates are eliminated to the extent of the Group's interest in these companies.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the foreign consolidated entities whose functional currencies are other than the Chilean Peso are translated into the presentation currency as follows:

- a. Assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position.
- b. Income and expenses for each statement presenting profit or loss shall be translated at the average rate for the year.
- c. Share capital and other components of equity are translated at the historical exchange rate at the date of acquisition or approval.
- d. The exchange differences that arise in the translation of the financial statements are recorded in the caption "Cumulative translation adjustment" within the consolidated statement of other comprehensive income for the period.

#### **g) Non-controlling interest**

Non-controlling interest represents the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank. Non-controlling interests are presented separately in the consolidated statements of income, the consolidated statements of other comprehensive income and consolidated statements of financial position.

#### **h) Functional currency**

The Bank has determined its functional currency and presentation currency as the Chilean Peso (Ch\$). Likewise, all the entities of the Group have determined the Chilean Peso as the functional currency, except for BCI Financial Group, Inc. and subsidiaries and BCI Securities, Inc. which have determined the US dollar as their functional currency.

All the information presented in Chilean Pesos has been rounded to the closest millions of Chilean Pesos.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **i) Transactions in foreign currency**

Transactions denominated in currencies different from the Chilean peso are considered as denominated in “foreign currency.” Transactions carried out by each entity in currencies other than its functional currency are recognized using the exchange rates prevailing at the date of the transaction. During the year, the differences that arise between the prevailing exchange rate at the date of the transaction and those that arise from such date to the date of collection or payment are recognized in the consolidated statements of income.

The differences that arise from translation of transactions denominated in foreign currency into functional currency are recognized as “Foreign exchange gains, net” in the consolidated statements of income.

As of December 30, 2020, the Bank's assets and liabilities in foreign currency are shown at their equivalent value in Chilean pesos, calculated using the exchange rate of Ch\$711.78 (Ch\$751.88 per US\$ 1 in 2019).

##### **j) Operating segments**

Operating segments are determined by the Bank based on its different business units:

- (i) That engage in business activities from which the Bank may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Bank);
- (ii) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make Decisions about resources to be allocated to the segment and assess its performance and;
- (iii) For which discrete financial information is available.

These operating segments deliver products and services subject to different risks and returns and therefore the chief operating decision makers of the Bank separately evaluate their individual performance.

##### **k) Measurement of financial assets and liabilities**

Measurement criteria of financial assets and liabilities used in the consolidated statements of financial position are the following:

- i. Assets and liabilities measured at amortized cost:

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In the case of financial assets, the amortized cost also includes adjustments to their value due to the impairment they have experienced.

In the case of financial instruments, the portion systematically charged (credited) to the profit and loss accounts is accounted for under the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

ii. Assets and liabilities measured at fair value:

For financial instruments traded in active markets, the determination of fair values is based on their listed or recent transaction prices. This includes instruments traded in domestic or international stock markets, brokers quotation or “Over-the-counter transactions” (OTC).

A financial instrument is considered quoted on an active market, if prices are regularly and freely available on a stock exchange or index by a broker or dealer, through supplier prices or regulatory agencies and those prices represent current and regular market transactions. If the market does not meet that condition, it is considered inactive. The lack of recent transactions or a too widespread between bid-offer prices, are indications that the market is inactive.

For all other financial instruments, fair value is determined using valuation techniques. The valuation techniques used should maximize the use of relevant observable inputs with respect to similar financing instruments. The fair value is estimated using models to estimate the present value of the expected cash flows or other valuation techniques, using inputs observable at the date of the consolidated financial statements.

As of the dates of the consolidated financial statements, the Bank has instruments whose fair value had been determined based on significant unobservable data. For this type of instruments, the Bank has models developed internally. When the data used in the models is unobservable, the Bank must develop assumptions in order to estimate the fair values. These valuations are known as Level 3 valuations: Instruments classified according to their valuation level are detailed in Note 35 to the consolidated financial statements.

The results of the models are always an estimate or approximation of the value and cannot be determined with certainty. Therefore, the valuation techniques used may not reflect all the factors relevant to the Bank's positions. Valuations are adjusted, when applicable, in order to reflect additional factors, such as liquidity or credit risks of the counterparty based on the model and the credit risk policies of the Bank. Management estimates that these adjustments to the valuations are necessary and appropriate in order to reasonably present the fair values of the financial instruments in the consolidated financial statements. The information, prices and parameters used in the valuations are carefully and regularly checked and adjusted if necessary.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

iii. Assets and liabilities measured at historic cost:

Historic cost measurement is the recognition of the asset at the consideration paid for the purchase of the asset, less impairment losses if applicable.

The consolidated financial statements have been prepared based on a historic cost, except for (among others):

- Derivative financial assets/liabilities measured at their fair value.
- Repossessed assets measured at the lower of carrying amount or fair value less costs to sell.
- Trading portfolio financial assets measured at their fair value.

iv. Derecognition of financial assets and liabilities:

The accounting treatment of transfers of financial assets depends on the extent and the way the risks and rewards associated with the financial assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards of ownership to third parties, as in the case of unconditional sales of financial assets, sales under repurchase agreements at fair value at the date of repurchase, sales of financial assets with a purchased call option or written put option deeply out of the money, utilization of assets in which the transferor does not retain subordinated debt nor grants any credit enhancement to the new holders, and other similar cases, the transferred financial asset is derecognized from the consolidated statement of financial position and any rights or obligations retained or created in the transfer are simultaneously recorded.
2. If substantially all the risks and rewards of the transferred financial asset are retained, such as the financial assets sale with a resale agreement at a fixed price or at sale price plus interest, the contracts for securities in which the borrower has the obligation to return the same or similar assets, among other similar cases, the transferred financial asset is not derecognized from the consolidated statements of financial position and continuously measured under the same criteria which were applied before the transfer, Consequently, it recognizes:
  - a) A financial liability for an amount equivalent to the consideration received that is subsequently measured at amortized cost.
  - b) Any income on the transferred (but not derecognized) financial asset and any expenses incurred with respect to the recorded financial liability.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

3. If the Bank neither transfers nor retains substantially all the risks and rewards of the financial asset transferred, such as the sale of financial assets with the option to buy or sell issued with a high or low probability of exercising it, the use of assets where the grantor does not retain subordinated financing or give up a credit improvement for a portion of the transferred asset among other similar cases, it makes determinations as follows:
  - a) If the Bank does not maintain control of the transferred financial asset: then it derecognizes the asset in the consolidated statements of financial position and recognizes any financial right or liability resulting from the transfer.
  - b) If the Bank maintains control of the transferred financial asset, then it continues recognizing the asset in the in the consolidated statements of financial position at an amount equal to its exposure to the changes in value that it may experience and recognizes a financial liability associated with the transferred financial asset. Accordingly, financial assets are derecognized from the consolidated statements of financial position when, and only when, the contractual rights to the cash flows from the financial asset expire; or when the Bank transfers the financial assets and substantially all the risks and rewards of ownership of the assets to third parties.

In accordance with the foregoing, financial assets are only derecognized from the Consolidated Statements of Financial Position when the rights to the generated cash flows have been extinguished or when the risks and benefits carried have been substantially transferred to third parties.

Similarly, financial liabilities are derecognized from the consolidated statements of financial position when, as applicable, the obligations these generate are extinguished.

#### **1) Investment instruments**

Investment instruments are classified into two categories: held to maturity and available for sale. The category of financial assets held to maturity includes only those instruments which the Bank has the capacity and intention of holding until their maturity. The rest of the investment instruments are considered as available for sale.

Investment instruments are initially recognized at their fair value, including transaction costs directly attributable to acquisition. The available for sale instruments are then marked to market at their fair value according to market prices or valuations obtained from models. The unrealized gains or losses originated by the change in their fair value are recognized in other comprehensive income. When these investments are sold, the available for sale investment instrument's reserve accumulated in other comprehensive income associated with these instruments is reclassified to the consolidated statements of income and recognized under "Trading and investment income, net" heading as well as any realized gain/loss on disposal. In the case of a significant or prolonged decline in the fair value of any of these debt instruments or other objective evidence of impairment, an impairment is recognized by a reclassification of the cumulative loss recognized in other comprehensive income to the line item "Impairment" in the statements of income.



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The investments in held to maturity financial assets are subsequently measured at their amortized cost plus interest and indexation for inflation, less impairment recorded when their carrying amount exceeds the estimated recovery value.

The interest and indexation for inflation of held to maturity and available for sale investments are included in the "Interest income" line in the consolidated statements of income for the year.

The purchases and sales of investment instruments that must be submitted within the period established by the market's regulations or conventions are recognized at their trade date, on which the purchase or sale of the asset is agreed. All other purchases and sales are recognized at their settlement date.

##### **m) Trading investments**

The trading investments correspond to securities acquired with the intention to generate profits from the price fluctuation in the short-term or through gross earnings' margins, or that are included in a portfolio in which there is a short-term profit taking strategy.

Trading investments are measured at their fair value in accordance with the market prices at the reporting date of the consolidated statements of financial position. The transaction costs are recognized directly in the consolidated statements of income. The mark to market adjustments, as well as the realized income/loss from trading activities, are included under the "Trading and investment income, net" heading in the consolidated statements of income.

The interest and indexation for inflation income are recognized in "Trading and investment income (loss), net" line in the consolidated statements of income.

All the purchases and sales of trading investments that must be delivered within the period established by the market's regulations or conventions are recognized at the trade date, on which the purchase or sale of the asset is agreed. Any other purchase or sale is recognized on its settlement date.

##### **n) Transactions with resell, repurchase agreements and securities lending**

Reverse repurchase agreement is an agreement to receive a financial asset from another party in exchange for cash or other consideration and a concurrent obligation to resell the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as operating transactions. Assets purchased under reverse repurchase agreements are recognized in the consolidated financial statements as "Investments under agreements to resell" and are measured at amortized cost.

The operation of repurchase agreement are also carried out as a form of financing. Financial assets sold under repurchase agreements are retained in the consolidated financial statements in "Trading portfolio financial assets" or "Financial investments available for sale" categories, and consideration received under these agreements is recognized as a collateralized liability within "Liabilities under agreements to repurchase" line, and measured at amortized cost.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **o) Financial derivative instruments**

The financial derivative instruments, which include foreign currency and Unidades de Fomento (UF) forwards, interest rate futures, currency and interest rate swaps, currency and interest rate options and other financial derivative instruments are initially recognized in the consolidated statements of financial position at their fair value (including transaction costs), except for those classified in hierarchy level 3 (when applicable), and subsequently measured at their fair value. The fair value is obtained from corresponding market pricings, discounted cash flow models and pricing valuation models. The derivative instruments are recognized as an asset when their fair value is positive and as a liability when they are negative in "Derivative financial assets" or "Derivative financial liabilities" lines, respectively, of the consolidated statements of financial position.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risks and rewards are not closely related with those of the host contract and when such host contracts are not measured at fair value through profit or loss. Upon the contracting of a derivative agreement, the Bank must designate it either as a derivative instrument for trading or for hedge accounting purposes or speculative.

The changes in the fair value of those instruments defined as speculative are included in "Trading and investment income, net" line of the consolidated statements of income.

If the derivative instrument is classified for hedge accounting purposes, the hedge can be: (1) a fair value hedge of existing assets or liabilities or firm commitments or (2) a cash flow hedge of existing assets or liabilities or forecast transactions. A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met: (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reliably measured and; (d) the hedge is assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting periods for which the hedge was designated.

Certain transactions with derivatives that do not qualify for being classified as hedging derivatives are treated and recognized as trading derivatives, even when they provide effective economic hedges of the risk positions.

When a derivative designated as a fair value hedge hedges the exposure to changes in the fair value of an existing item of the asset or liability, such hedged item is measured at fair value from the designation of the fair value hedge until its expiration, termination, etc. The mark to market adjustments for both the hedged item and the hedging instrument are recognized in the consolidated statements of income.

If the item hedged in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment regarding the covered risk are recognized as assets or liabilities with effects on the income for the year. When a new asset or liability is acquired as a result of the firm commitment, the initial recognition of the acquired asset or liability is adjusted to incorporate the accumulated effect of the fair value valuation of the firm commitment recognized in the consolidated statements of financial position.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

When a derivative hedges exposure to changes in the cash flows of existing assets or liabilities (cash flow hedge), or forecast transactions, the effective portion of changes in fair value related to the hedged risk is recognized in other comprehensive income and accumulated in equity. Any ineffective portion is recognized directly in the consolidated statements of income for the year.

The amounts recorded directly in equity are reclassified to p & l in the same periods in which hedged cash flows affect results.

In case of fair value hedge of interest rate risk of a portfolio with the hedged item representing currency value instead of individual assets or liabilities, gains or losses from the fair value measurement for both the hedged item and the hedging instrument, are recognized in the consolidated statements of income. The fair value adjustment of the hedged instrument is presented in the consolidated statements of financial position the “Other assets” or “Other liabilities” lines, depending on the hedged item position as of reporting date.

The adjustment for counterparty credit risk in derivatives (Credit Valuation Adjustment “CVA”) represents the expected losses from counterparty risk. The CVA of a derivative is defined as the difference between the value of free derivative counterparty risk (equivalent to the original derivative but without the risk of default of either party) or the value of the derivative considering the possibility of counterparty default. In this way, a customer CVA can be obtained from the expected exposure (EE) to counterparty risk and the expected loss rate (“PE” for its acronym in Spanish) associated with the potential default of the counterparty.

The valuation adjustment for the existence of the spread bid/ask on financial instruments (which applies to all financial instruments recognized at market value, both in normal market conditions and financial stress conditions), is based on best practices, the recommendations of the Basel Committee and the requirements of the FMC and the Central Bank of Chile.

In order to make the bid/ask adjustment to financial instruments of Banco de Credito e Inversiones portfolios, the following methodology was established:

i. Define market makers or BCI customer condition:

On an annual basis the Bank condition will be defined as to whether the Bank is market makers (the Bank must be within the 4 main market operators) or customers in each of the financial products it operates. This will be done with the information provided by the two main brokers in the national market: TRADITION e ICAP.

ii. Marketmakers condition

For products (markets) where the Bank is considered to be a liquidity provider, they will be valued at midprice and there will be no bid-offer adjustment to their valuation.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

iii. Customer status

For products (markets) where BCI is considered the debtor, the instrument shall be valued at mid-price and adjusted for bid/ask, or, in case of high liquidity, valued at bid price.

**p) Hedge of a net investment in a foreign operation**

According to current applicable standards, the requirements to recognize hedge accounting are the following:

IAS 21 requires that an entity should determine the functional currency of each of its foreign operations as the currency of the primary economic environment in which it operates. When a hedge of a net investment in a foreign operation qualifies for hedge accounting, the statement of financial position and results of a foreign operation are translated from a currency different from the reporting currency of the parent, the entity will recognize the exchange differences through other comprehensive income in equity as well as the effects of hedging such net investment, under cumulative translation adjustment reserve, until the sale or disposal by other means of the foreign operation. The accumulated difference is to be transferred to the consolidated statements of income at the date on which such sale or disposal occurs.

The hedge of a net investment in a foreign operation seeks to mitigate the foreign exchange rate risk associated with the valuation of the foreign operation.

IAS 39 establishes the following conditions in order to apply hedge accounting:

- a) At the inception of the hedge there is formal designation and documentation of the hedging relationship
- b) The hedge is expected to be highly effective.
- c) The effectiveness of the hedge can be reliably measured.
- d) The accumulated difference is to be transferred to the consolidated statements of income at the date on which such sale or disposal occurs.

**q) Loans and receivables from customers**

Loans receivable are non-derivative financial assets with fixed or determined payments that are not quoted in an active market and which the Bank does not intend to sell immediately or in the short-term.

Loans receivable are initially recognized at their fair value plus direct transaction costs and subsequently measured at their amortized cost using the effective interest method.

i. Financial lease contracts

Accounts receivable from lease contracts, included under “Loans and receivables to customers” heading, correspond to the sum of periodic instalments of lease contracts that comply with the requirements to be qualified as financial leases and are measured at present value.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

ii. Factoring Operations:

The Bank and its subsidiary BCI Factoring S.A. perform operations with their clients, in which they receive invoices and other credit representative trading instruments with or without recourse to the transferor, anticipating a percentage of the total amount receivable of the borrower upon collection.

**r) Allowances for loan losses and others**

The allowances required to cover the expected losses of certain financial assets have been recognized in accordance with the regulations and instructions of the FMC.

The assets are presented net of such allowances, or at a new cost basis in the case of investments. The allowance for credit commitments is presented as a liability under "Provisions" in the statement of financial position.

The Bank and subsidiaries use models and methodologies based on individual and collective analysis of the borrowers, approved by the Board of Directors, to recognize the allowance for loan losses as indicated in the Accounting Standards Compendium issued by the FMC.

i. Individual assessment:

Individual assessment of borrowers is performed when the customer, due to its size, complexity or exposure, is required to be identified and analyzed on an individual basis.

Naturally, the analysis of the borrowers should be focused on their capacity and ability to comply with their credit obligations, evaluated based on sufficient and reliable information. Analysis should consider collateral, terms, interest rates, currency, indexation for inflation related to the loan, etc.

The need for an allowance is assessed based on the classification of the borrowers and their related loans and credit commitments in their corresponding risk category, after being assigned to one of the following portfolio categories: normal, substandard and non-compliant.

- Normal and substandard portfolios:

The normal portfolio includes those borrowers, whose payment capacity allows them to comply with their obligations and commitments, and, according to the evaluation of their economic and financial situation, is not expected to change. The classifications assigned to this portfolio are categories A1 to A6.

The substandard portfolio includes the borrowers which have financial difficulties, or whose payment capacity worsened significantly, presenting reasonable doubt regarding the probability of reimbursement of total principal and interest under the contractually agreed terms, indicating that they are less likely to comply with their financial obligations in the short term.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In addition, borrowers that recently held loans in default for over 30 days also form the part of the substandard portfolio. The classifications assigned to this portfolio are categories B1 to B4.

As a result of an individual analysis of these borrowers, the banks must classify them under the following categories, assigning to them, subsequently, the probability percentages of probability of default and loss given default, resulting in the consequent percentage of expected loss:

Type of portfolio	Borrower Category	Probability of Default (PD) (%)	Loss given default (PDI )(%)	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

Collective assessment of normal and substandard portfolios:

In order to determine the amount of allowance to be established for the normal and substandard portfolios, the first step is that the exposure must be estimated, to which the respective loss percentages (expressed in decimals) will be applied. This expected loss percentage is comprised of the probability of default (PD) and loss given default (LGD) established for the category in which the borrower and/or guarantor is classified, as applicable.

The exposure subject to allowances corresponds to the loans and receivables plus loan commitments (recorded as a provision), less the amount to be recovered by collateral execution. Likewise, loans and receivables are understood as the carrying value of loans and receivables to the respective borrower, while loan commitments are understood as the amount resulting from applying the clause indicated in No, 3 of Chapter B-3 of the Accounting Standards Compendium.

- Non-compliant portfolio:

Non-compliant portfolio includes the loans to borrowers for which recovery is considered remote, given that they have suffered a loss event resulting in impairment. This portfolio includes borrowers with evident signs of possible bankruptcy, as well as those in which a forced debt renegotiation is required, and also includes any borrower with loans in default for equal to or greater than 90 days in the payment of interest or principal of any loan. This portfolio includes borrowers classified under categories C1 to C6 in the classification scale established below and classification is assigned for all a debtor's portfolio at the classification at the riskiest level, including 100% of the loan commitments that those borrowers maintain.

For the effects of allocating allowances on the non-compliant portfolio, loss rate percentages are used, which must be applied to the exposure, corresponding to the sum of loans

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

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#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

and receivables and loan commitments held. In order to apply this percentage, an expected loss rate must be estimated first, deducting from the exposure the amounts expected to be recovered by execution of collateral and, in the case of having solid data that justifies them, deducting also the net present value of expected recoveries that can be obtained by execution of collection actions, net of expenses associated with them.

That loss rate must be classified into one of the six categories defined according to the range of losses effectively expected by the Bank for all the operations of an individual borrower.

These categories and the loss rates which must be applied on the exposures are indicated in the following table:

Type of portfolio	Risk Scale	Expected Loss Range	Allowance (%)
More than 90 days overdue	C1	Up to 3 %	2
	C2	More than 3% up to 20%	10
	C3	More than 20% up to 30%	25
	C4	More than 30 % up to 50%	40
	C5	More than 50% up to 80%	65
	C6	More than 80%	90

ii. Collective assessment:

Collective evaluation is focused on the following portfolios: Commercial Loans, Consumer Loans and Mortgage Loans.

For the determination of the collective allowance, loan portfolios with homogeneous features, such as the type of borrower and loan terms, are analyzed. Thus, allowances are based on expected losses based on a certain probability of default (PD) and a loss given default (LGD); both parameters are based on historical information and technically substantiated estimates.

Allowances are established by multiplying the exposure of the respective portfolio by the estimated percentages of PD and LGD.

**a. Group Portfolio Trade Credits:**

In accordance with General Rulings No.3,638 and No.3,647, as of July 1, 2019, the Bank has begun to apply the standard model of provisions for commercial credits of the group portfolio, as applicable to commercial lease operations, student loans or other types of commercial loans. Prior to the implementation of the standard model, the Bank used its internal models for the determination of group portfolio commercial provisions.

i. Commercial Lease Operations

For these operations, the provision factor must be applied to the present value of commercial leasing operations (including the purchase option) and will depend on the delinquency of each operation, the type of leased asset and the ratio, at closing of each month, between the present value of each operation versus the value of the leased asset (PVB), as indicated in the following tables:

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Probability of Default (PD) applicable according to delinquency and type of good (%)		
Days of default of the operation at the end of the month	Type of good	
	Real estate	Non-real estate
0	0.79	1.61
1- 29	7.94	12.02
30-59	28.76	40.88
60-89	58.76	69.38
Default portfolio	100	100

Loss Given Default (LGD) applicable according to PVB tranche and type of good %		
PVB = Current value of the operation / Value of the leased asset		
PVB Tranche	Real estate	Non-real estate
PVB ≤ 40%	0.05	18.2
40% < PVB ≤ 50%	0.05	57
50% < PVB ≤ 80%	5.1	68.4
80% < PVB ≤ 90%	23.2	75.1
<PVB > 90%	36.2	78.9

PVB= Present value of the operation/Value of the leased asset

Allowance determination is based on statistical models of expected loss, which estimates the probability of default for each customer (PD) and loss give default (LGD) for each operation. Both parameters are defined in terms of customer behavior and characteristics of each loan, including delinquencies (internal and/or external), loan/collateral ratio (loan-to-value), non-compliant portfolio, customer seniority and type of product, among others.

#### ii. Student Loans

For these operations, the provisioning factor should be applied to the student loan placement and contingent credit exposure, when applicable. The calculation of this factor depends on the type of student loan and the repayment of principal or interest at each month-end. When payment is due, the factor will also depend on its delinquency.

For loan classification purposes, a distinction is made between those granted for the financing of higher education in accordance with Law No. 20,027 (CAE, Spanish acronym for State-secured loan) and, on the other hand, loans secured by CORFO or other student loans.



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

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### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Probability of Default (PD) applicable according to enforceability of payment, delinquency and type of loan			
Exigency of the payment of principal or interest at the end of the month	Days of default of the operation at the end of the month	Type of student loan	
		CAE	CORFO or other
Yes	0	5.2	2.9
	ene-29	37.2	15
	30-59	59	43.4
	60-89	72.8	71.9
	Default portfolio	100	100
No	n/a	41.6	16.5

Loss given Default (LGD) applicable according to enforceability of payment and type of loan		
Exigency of the payment of principal or interest at the end of the month	Type of student loan	
	CAE	CORFO or other
Yes	70.9	
No	50.3	45.8

#### iii. Generic Commercial Loans and Factoring

For factoring operations and other commercial loans, the provisioning factor applicable to the amount of the placement and the contingent credit exposure will depend on the delinquency of each operation and the relationship that exists at each month-end between the debtor's obligations to the bank and the value of the actual guarantees that protect them (PTVG), as shown in the following tables:

Probability of default (PD) applicable according to delinquency and PTVG(%) tranche			
Days of default of the operation at the end of the month	With guarantee		Without guarantee
	PTVG ≤ 100%	PTVG > 100%	
0	1.86	2.68	4.91
1-29	11.6	13.45	22.93
30-59	25.33	26.92	45.3
60-89	41.31	41.31	61.63
Default portfolio	100	100	100
Loss given Default (LgD) applicable according to PTVG (%) tranche			
Guarantees (with/without)	PTVG	Factoring without the responsibility of the assigner	Factoring with the responsibility of the assigner
With guarantee	PTVG ≤ 60%	5	3.2
	60% < PTVG ≤ 75%	20.3	12.8
	75% PTVG ≤ 90%	32.2	20.3
	90% < PTVG	43	27.1
Without guarantees		56.9	35.9

The guarantees used for the purposes of calculating the PTVG ratio of this method may be specific or general, including those that are simultaneously specific and general.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

A guarantee can only be considered if, according to the respective coverage clauses, it was furnished in the first degree of preference on behalf of the bank and only guarantees the credits of the debtor in respect of which it is recorded (not shared with other debtors). In the calculation, the invoices assigned in factoring operations will not be considered, nor will the guarantees associated with the housing loans of the mortgage portfolio, regardless of their coverage clause.

The following considerations must be considered when calculating PTVG ratio:

- I. Operations with specific guarantees: when the debtor provided specific guarantees for generic commercial loans and factoring, the PTVG ratio is calculated separately for each transaction guaranteed, such as the difference between the amount of the loan and the contingent credit exposure and the value of the collateral covering it.
- II. Operations with general guarantees: when the debtor granted general guarantees or general and specific guarantees, the Bank calculates the respective PTVG, jointly for all generic commercial loans and factoring and loans not included in i) above, as the difference between the sum of the amounts of the loans and exposures of contingent credits and the general guarantees, or general and specific guarantees that, according to the scope of the remaining coverage clauses, safeguard the credits considered in the numerator of the aforementioned ratio.

The amounts of the guarantees used in the PTVG ratio in (i) and (ii) must be calculated in accordance with:

- The last valuation of the collateral, whether appraised or fair value, depending on the type of collateral in question. For the calculation of fair value, the criteria stated in Chapter 7-12 of the Revised Updated Compendium of Regulations should be considered.
  - Possible situations that could be resulting in temporary increases in the values of the guarantees.
  - Limitations on the amount of coverage set forth in their respective clauses.
- iv. Provisions for deductible of FOGAPE Covid-19 guarantee

To determine the specific provisions for the loans secured by the FOGAPE Covid-19 guarantee, the expected losses must be determined by estimating the risk of each operation, without considering the substitution of the credit rating of the guarantor, according to the corresponding individual or group analysis method, in accordance with the provisions of Chapter B-1 of the Compendium of Accounting Standards.

The amounts associated with such operations that have been written off in accordance with the provisions established in Chapter B-2 of the Compendium of Accounting Standards, must be added to the previously mentioned expected losses.

Therefore, the total amount of expected losses resulting from the aggregated calculation of each group of operations, including the written-off amounts in that group as indicated in the preceding paragraph, must be compared with the respective total amount of deductible that is applicable to them, and then one should proceed as indicated below:

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

- Expected losses less than the deductible

When the expected losses from the operations of a group to which the same deductible percentage should be applied, determined according to the procedure indicated above, are less than or equal to the aggregate amount of the deductible, the provisions are determined without considering the coverage of FOGAPE Covid-19, that is, without replacing the credit rating of the direct debtor with that of the guarantor.

- Expected losses greater than the deductible

When the expected losses from the operations of a group to which the same deductible percentage should be applied, determined according to the procedure indicated above, are greater than the aggregate amount of the deductible, the provisions are determined using the substitution method set forth in paragraph 4.1 a) of Chapter B-1 of the Compendium of Accounting Standards.

For these purposes, the proportion to be replaced will be that defined by the limits established in article 13 of the Administration Regulations of the FOGAPE, applicable to the COVID-19 Guarantee Lines.

Additionally, one must determine the provisions associated with the deductible resulting from multiplying the guaranteed amount of the corresponding group by the percentage of the applicable deductible.

#### **b. Consumer Loans:**

This portfolio includes receivables from loans granted to natural persons, as well as loans resulting from the use of overdraft credit lines, emergency credit lines, credit cards, and consumer loans granted to this type of customer.

Allowance determination is based on statistical models of expected loss, which estimates the probability of default (PD) and loss given default (LGD) for each customer. Both parameters are defined in terms of customer behavior, highlighting delinquencies (internal and/or external), indebtedness level, non-compliant portfolio, renegotiations, customer seniority, overdrafts not agreed and protests, among others.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

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#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### c. Mortgage Loans:

This portfolio includes loans, which have the following characteristics: the objective is the financing of the acquisition, extension, repair or construction of housing; the borrower is a physical person who is buying or owns the housing, and the value of the mortgage collateral covers the total amount of loan.

Beginning January 1, 2016, the Bank adopted the “Standard Method for Provisioning the Residential Mortgage Loan” established by FMC in its Circular No, 3,573. This circular establishes provisioning factors, representing expected losses over the amount of the loan, applied based on the level of delinquency of each loan, and the loan/collateral ratio (Loan-to-Value or LtV) at the end of each month, as shown in the following table:

Provisioning Factor according to delinquency status and LtV						
LtV (loan-to-value)	Concept	Days in default as of the end of the month				More than 90 days overdue
		Current	1-29	30-59	60-89	
LtV ≤ 40%	PD (%)	1.0916	21.3407	46.0536	75.1614	100.0000
	PDI (%)	0.0225	0.0441	0.0482	0.0482	0.0537
	PE (%)	0.0002	0.0094	0.0222	0.0362	0.0537
40% < LtV ≤ 80%	PD (%)	1.9158	27.4332	52.0824	78.9511	100.0000
	PDI (%)	2.1955	2.8233	2.9192	2.9192	3.0413
	PE (%)	0.0421	0.7745	1.5204	2.3047	3.0413
80% < LtV ≤ 90%	PD (%)	2.5150	27.9300	52.5800	79.6952	100.0000
	PDI (%)	21.5527	21.6600	21.9200	22.1331	22.2310
	PE (%)	0.5421	6.0496	11.5255	17.6390	22.2310
LtV > 90%	PD (%)	2.7400	28.4300	53.0800	80.3677	100.0000
	PDI (%)	27.2000	29.0300	29.5900	30.1558	30.2436
	PE (%)	0.7453	8.2532	15.7064	24.2355	30.2436

Where:

PD = Probability of default  
LGD = Loss given default  
EL = Expected loss  
LtV = Outstanding principal/Value of the collateral

In cases where the same client has more than one mortgage loan outstanding and one of them is past-due 90 days or more, all such loans will be classified as “Non-Compliant” and the allowance for each one of them will be calculated in accordance with their respective level of Loan-to-Value.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **iii. Write-off of loans:**

Generally, when contractual rights expire over cash flows, assets must be written off. In the case of loans, even if this does not happen, respective asset balances are written off in accordance with the requirements established by Title II of Chapter B-2 of the Compendium of Accounting Standards and Instructions issued by the FMC.

The write-offs in question refer to the write-offs of the assets previously recognized in the consolidated statements of financial position corresponding to the respective transaction, including, therefore, the portion that may be not overdue if a loan is to be repaid in installments, or in case of a leasing operation.

Write-offs are always recognized against allowances for loan losses, according to Chapter B-1 of the Compendium of Accounting Standards, regardless of the reason. Subsequent repayments of the assets previously written off are recognized in the consolidated statements of income, as recoveries of loans written-off.

Write-offs of loans and receivables are made in accordance with the following deadlines after any default:

<b>Type of loan</b>	<b>Period</b>
Consumer loans secured and unsecured	6 months
Other unsecured operations	24 months
Commercial loans secured	36 months
Mortgage loans	48 months
Consumer leasing	6 months
Other non-property leasing operations	12 months
Property leasing (commercial or residential)	36 months

##### **iv. Recovery of written off loans:**

The recoveries of loans that were written-off are recognized directly as income, as recoveries of previously written off loans.

##### **s) Fee and commission income and expense**

Fee and commission income and expense are recognized in the consolidated statements of income using different criteria according to their nature.

The revenue recognition criteria depend on the execution of the following steps:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **t) Impairment**

###### **I. Financial Assets:**

A financial asset is assessed on each reporting date to determine if objective evidence of impairment exists. A financial asset is impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets recognized at amortized cost, impairment is calculated as the difference between the carrying value of the asset and the net present value of the estimated future cash flows, discounted using the effective interest rate.

An impairment of financial investments available for sale is calculated in relation to their fair value.

Financial assets that are individually significant are individually assessed for impairment. The remaining financial assets are assessed on the collective basis in groups of assets that share similar credit risk characteristics.

Impairment is recognized in the consolidated statements of income for the year. Any impairment of financial investments available for sale previously accumulated as negative revaluation reserve in equity is transferred to the consolidated statements of income for the year.

The previously recognized impairment is reversed only if in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized. The reversal of an impairment loss cannot exceed an asset's carrying amount that could have been obtained if an impairment loss had not been recognized for that asset in previous years. The reversal is recognized in the result of the fiscal year.

For loans and receivables to customers, the impaired loans are defined according to Chapter B-2 of the Accounting Standards Compendium of the FMC as "borrower loans on which there is evidence they will not meet any of their obligations under the agreed-upon payment conditions, without the possibility of recovering the loan by repossessing collateral, by means of judicial collection actions or by renegotiation."

Impairment policies indicate that impairment is measured monthly, and consider the following criteria:

###### **i. Impaired Portfolio:**

Impaired portfolio includes loans individually assessed by the Bank which have a credit risk classified as substandard in categories B3 and B4 and loans in the non-compliant portfolio.

The collectively assessed loans are classified as impaired loans when they present at least one of the following conditions:

- Loans in default more than or equal to 90 days.
- Renegotiated loans.
- 100% of the loans associated with the client, when any of its loans is classified as impaired, are reclassified to the impaired portfolio.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Operations related to residential mortgage loans or student loans for higher education under Law No. 20,027 are excluded from the requirements of this classification as long as non-compliance conditions as established in Circular No. 3,454 dated December 10, 2008 are not presented.

The behavior of the client in the financial system is not considered determinative as to whether the loan should be included in the impaired portfolio.

##### Exit Conditions

- Individual assessment: improvement in risk rating, movement to B3 and above category of the individual classification.
- Collective assessment:
  - a) Non-renegotiated loans: loans of the impaired portfolio may be reclassified back to the normal portfolio only upon compliance with the following conditions:
    - Receipt of at least six consecutive installments of principal and interest, paid on time in accordance with the schedule of payments or with a maximum delay of 30 days.
    - All obligations up to date and no other loan operations of the borrower in the impaired portfolio.
    - In any case, there must not be any installments in default with other banks in the Chilean financial system in the last 90 days (last three periods informed to the FMC at the date of inquiry).
  - b) Renegotiated loans: loans of the impaired portfolio may be reclassified back to the normal portfolio only upon compliance with the following conditions:
    - Receipt of at least six consecutive installments of principal and interest, paid on time in accordance with the schedule of payments or with a maximum delay of 30 days.
    - All obligations up to date and no other loan operations of the borrower in the impaired portfolio.
    - No other renegotiations of the borrower's loans within the last six months.
    - In any case, there must not be any installments in default with other banks in the Chilean financial system in the last 90 days (last three periods informed to the FMC at the date of inquiry).
  - c) Collectively renegotiated portfolio written-off: written-off loans that had been renegotiated may be reclassified back to the normal portfolio only upon compliance with the following conditions:
    - Payment of 30% of the originally renegotiated balance or payment of the first nine payments agreed for the renegotiated loan.
    - Principal and interests' payments up to date.
    - No other loans of the borrower in the impaired portfolio.
    - No instalments in default in the Chilean financial system in the last 90 days.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **II. Non-financial assets:**

Non-financial assets of the Bank, except for goodwill, intangible assets with an indefinite useful life and assets not yet available for use and excluding investment property and deferred taxes are evaluated at least annually or more frequently, should circumstances warrant, in order to determine if indicators of impairment exist. If such indicators exist, then the recoverable amount of the asset is calculated. Additionally, goodwill and intangible assets with indefinite useful lives or not yet available for use are tested for impairment on each reporting date.

According to IAS 36 "Impairment of Assets", the entity must evaluate at the end of each reporting year, if there is any impairment of its intangible assets with indefinite useful lives, as well as of the goodwill generated in a business combination. On the other hand, the Financial Market Commission (CMF in Spanish) requires that "the valuations of goodwill and other intangible non-amortizable assets must be supported by two reports issued by independent professionals of the bank and its external auditors. These reports support the initial value of intangible assets and valuations as of December 31 of each year.

An impairment loss related to goodwill is not reversed. Impairment losses of other non-financial assets recognized in previous periods are evaluated to determine if events or circumstances indicate the need for reversal of the impairment loss. A loss from impairment is reversed if a change in the estimate has occurred. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The Bank carries out quarterly monitoring of intangible assets and goodwill generated in the business combination of its subsidiaries BCI Servicios Financieros in Chile and City National Bank in the United States. On December 31, 2020, the Bank assessed if any asset impairment had occurred, concluding that there are no impairments to be recorded in the indefinite useful life intangibles and goodwill of said investments. Regarding the assessment of amortizable intangible assets acquired on the merging of BCI Servicios Financieros' businesses, an impairment loss of MCh\$4,994 was determined, corresponding to the following intangibles: MCh\$2,636 for Client Relations, and MCh\$2,358 for Rights acquired under cross-sales agreement. These recorded impairments represent 9% and 59% over book value, respectively. For further information, see Note 32.

##### **u) Interest and indexation for inflation income and expenses:**

Income and expenses from interest and indexation for inflation are recognized in the consolidated statements of income based on the accrual principle using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all fees and points paid or received between parties to the contract that



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition or issuance of a financial asset or liability.

However, in the case of past-due loans which correspond to installments overdue for 90 days or more or the current loans with high credit risk, a prudent criteria is followed to suspend the accrual of interest and indexation for inflation. Such items are recognized only when they are received.

- Amounts to suspend:

The amount of suspended income on an accrual basis posted to memo accounts corresponds to the amount calculated between the date of suspension and the consolidated statements of financial position reporting date.

- Date of suspension:

Individually assessed loans:

Case a) Loans classified as C5 and C6: the accrual is suspended when the loan is classified as non-compliant.

Case b) Loans classified as C3 and C4: the accrual is suspended when the loan has been classified as non-compliant for more than three months.

Collectively assessed loans:

For the loans with collateral whose fair value of collateral is less than 80% of the loan balance, accrual of interest income is suspended when the loan or one of the installments has not been paid for six months.

The 80% percent of collateral refers to the value of the collateral and the estimated value of all obligations covered by the same collateral, including credit commitments.

#### **v) Intangible assets**

##### **I) Software**

The software acquired by the Bank is recognized at cost less the accumulated amortization and impairment, if any.

The expenses in software developed internally are recorded as assets when the Bank can prove its intention and ability to complete development, when internal use will generate future economic benefits, and when the cost of completing its development can be reliably measured. The capitalized costs of the software developed internally include all the direct costs attributable to the development of the software, and it is amortized over the course of its useful life. Software developed internally is recorded at cost less the accumulated amortization and losses from impairment.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The subsequent expenditures associated with any software are capitalized only when the Bank may derive future economic benefits from them. All other expenses are recognized in the consolidated statements of income for the year.

Amortization is recorded in the income statement using the straight-line method according to the estimated useful life of the software, starting on the date it is ready for use and it is usually six years.

##### **ii) Intangibles acquired in a business combination**

As a consequence of the purchase process of BCI Financial Group, INC. and Subsidiaries, agreed upon in October 2015, the acquisition of Total Bank by City National Bank of Florida was consummated (simultaneously merging with CNB) on June 15, 2018 and the acquisition of the credit card business from Walmart (Servicios Financieros) was consummated on 4 December 2018. Amortized intangible assets were recognized with an indefinite useful life were recognized, which originated in the process of distributing the price paid for the acquisition or Purchase Price Allocation (PPA). The Bank is constantly evaluating for impairment its intangible assets in accordance with the CMF regulations of the Compendium of Accounting Standards, Chapter A-2 number 7; two independent consultants opine upon the purchase price allocation.

For the acquisition of TotalBank the value of the assets acquired, and liabilities assumed was provisionally determined, and the Bank adjusted the provisionally determined values to their final values within the term established in IFRS 3, "Business Combinations" on December 31, 2018.

For the acquisition of BCI Servicios Financieros, the value of the assets acquired, and liabilities assumed was provisionally determined, and the Bank adjusted the provisionally determined values to their final values within the term established in IFRS 3, "Business Combinations" on December 4, 2019 as at December 31, 2019 without retrospective restatement due to the immaterial nature of the adjustments to the provisional amounts.

The amortizable intangibles will be subject to straight-line amortization, according to the estimated useful life.

##### **iii) Goodwill**

The goodwill generated in a business combination will be distributed from the date of acquisition, between each of the cash generating unit (CGU) or the acquired entity CGU group, when applicable, which are expected to benefit from the synergies of the business combination, regardless of whether other assets or liabilities of the acquired entity are assigned to those units or groups of units.

The goodwill is subject to tests to determine if there is an impairment of value, on an annual basis, or more frequently, when the circumstances indicate that the carrying amount may be impaired.

Impairment losses related to goodwill cannot be reversed in future periods.

Intangible assets, including goodwill, were subject to the impairment tests indicated by IAS 36.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

As of December 31, 2020, and 2019, there were no significant changes between the book value and the recoverable value of cash generating units containing goodwill and intangibles with indefinite useful lives.

##### **w) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in the consolidated statements of income as incurred.

In a business combination, an independent expert is used to decide of fair value of assets acquired and liabilities assumed including intangible assets identified. For the estimation of recovery of these intangibles identified in a business combination, cash flow projections are used based on yield estimates of acquired businesses.

At the acquisition date, the identifiable assets acquired, and liabilities assumed are recognized at their fair value, except for the following:

- The deferred tax assets or liabilities, and assets or liabilities related to agreements of employee benefits are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits”, respectively;
- Liabilities or equity instruments related to share-based arrangements of the acquiree or share-based company agreements entered into agreements to replace share-based payments of the acquired payment transactions, are measured in accordance with IFRS 2 “Share-based Payment” at acquisition date; and
- Assets (or group of assets for disposal) that are classified as held for sale .
- in accordance with IFRS 5 “Non- current Assets Held for Sale and Discontinued Operations” are measured in accordance with that Standard.

The goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non- controlling interest in the acquiree and the fair value of the acquirer’s previously held interest in acquiree (if any) over the net amounts (at fair value) of the acquisition-date fair value amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair value amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in statements of income as a bargain purchase gain.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Non-controlling interests that represent ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

The choice of measurement basis is made on a transaction-by-transaction basis.

The measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which may not exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

#### x) Property, plant and equipment

The items of property, plant and equipment, excluding real estate, are measured at acquisition cost, net of accumulated depreciation and impairment.

The capitalized cost includes expenses attributed directly to the asset acquisition and any other costs directly attributable to the process of placing the asset in conditions to be used.

When some part of an item of the property, plant and equipment has a different useful life to that property, plant and equipment, it is recognized as a separate component (i.e., real estate remodeling).

Depreciation is recognized in the consolidated statements of income on the straight-line basis over the useful life of the item or each component of an item of the property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life, unless it is certain that the Bank will retain the property at the end of the leasing period.

The estimated useful lives for the property, plant and equipment, as of December 31, 2020 and 2019, are the following:

	As of December 31, As of December 31	
	2020	2019
Buildings	50 years	50 years
Machinery and equipment	3 - 10 years	3 - 10 years
Facilities	7 - 10 years	7 - 10 years
Furniture and fixtures	7 years	7 years
Computing equipment	3 - 6 years	3 - 6 years
Real estate improvements	10 years	10 years
Other property, plant and equipment	3 - 6 years	3 - 6 years

#### y) Repossessed assets

Repossessed assets are classified under "Other assets" heading and recognized at the lesser of their adjudicated- in-court value and net realizable value, net of regulatory write-offs required by the FMC.

Repossessed assets are presented net of impairment. Assets not sold within 18 months the adjudication date must be written off.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED**

##### **z) Staff benefits**

###### **i. Unused Vacations:**

The annual cost of staff vacations and benefits are recognized on an accrual basis.

###### **ii. Short-term benefits:**

The entity provides for its employees an annual incentive plan for meeting certain objectives. The incentive is defined as a determined number or portion of monthly remuneration.

A corresponding provision is recognized based on the estimated amount to be distributed.

###### **iii. Severance indemnities:**

The Bank and its subsidiaries have no agreements with their employees with respect to severance payments, except for the subsidiaries BCI Servicios Financieros y Administración de Créditos Comerciales S.A. and BCI Administradora de Tarjetas Servicios Financieros Limitada, which have certain severance plans defined in a collective agreement with a portion of their employees; these plans provide severance payments regardless of the reason for terminating the employment, and the obligation is accounted for at actuarial value.

These companies recognize a provision (see note 21) to reflect the obligation to pay severance indemnities to employees who are entitled to receive these payments regardless of the reason for terminating the employment. This provision has been calculated using an actuarial methodology that considers estimates of staff turnover, discount rate, salary increase rate and mortality. The employee benefits liability is recognized at present value using the projected unit credit method, in accordance with the provisions of "IAS 19 — Employee Benefits". Actuarial gains or losses related to experience adjustments and changes in variables are recognized as Other comprehensive income and form part of the balance of Other Equity Reserves.

The cost of services for the current year is the increase in the present value of the defined benefit obligations, which occurs because of the services provided by employees in the current year.

The financial cost is the increase during a year in the present value of the defined benefit obligations because such benefits are a year closer to their due date.

There is a present obligation when, and only when, the Entity has no other more realistic alternative than to make the corresponding payments.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The following are the assumptions used:

Detail	Source
Mortality	"RV-2014" Mortality tables established by the Commission for the Financial Market (CMF) were used.
Worker turnover	The historical turnover for executives, considering the collective bargaining agreement, voluntary resignation or termination of employment due to company needs, is 0% for key executives and 15% for non-key executives.
Discount rate	The discount rate used to discount the benefit payment flows for severance indemnities was an actual 0.58% a year. This rate corresponds to the 20-year BCU (Central Bank of Chile bond rate for bonds denominated in U.F.) as of December 27, 2020. (Source: Banco Central de Chile).
Salary Growth Rate	The salary growth used for the projections, both for base salary growth and for total salaries, is an actual 2.0% a year.
Retirement	The retirement ages used to make the payment projections are the minimum statutory ages for retirement in Chile (according to Decree Law 3500). These ages are widely used in the market, except when the reality of the company indicates otherwise. These ages are 65 years for men and 60 years for women.

As of December 31, 2020, and December 31, 2019, there are no experience adjustments or changes in variables. Therefore, no adjustments have been made against other reserves.

#### aa) Leases

On the start date of a lease the bank recognizes a right of use asset and a lease liability in accordance with the provisions of IFRS 16.

##### (i) Right of use assets

The Bank has lease contracts through which it has offices and branches, which are necessary to carry out its activities. Contract terms are negotiated individually and include a wide range of terms and conditions.

Leases are recognized, measured and disclosed in accordance with IFRS 16 "Leases." This requires that a right of use asset be determined and its corresponding lease liability at the date that the asset is available for use. Each rent payment consists of principal and interest. Financial interest is charged to the interest expense over the term of the lease agreement; the right-of-use asset is depreciated on a straight-line basis over the term of the contract.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The term of the lease includes the non-cancelable period established in the lease agreements, and generally has an automatic renewal clause, which is not included in the calculation of the financial liability. Additionally, each party can terminate the contract before expiration, upon notice. For both concepts, only the current contractual year has been considered for the calculation.

The present value of the lease payments is determined using the discount rate that represents the incremental rate of the Bank at the start date of the contracts.

In the initial measurement, the Bank measures the right of use asset at cost. The rent of the lease agreements is agreed in UF and paid in Chilean pesos. In accordance with the provisions of Circular No. 3,649 by the Financial Market Commission, the monthly variation in UF that affects the contracts established in said monetary unit must

be treated as a new measurement; therefore, the adjustments must be recognized as a modification to the obligation and at the same time the amount of the asset must be adjusted for the right to use leased assets.

Contracts whose non-cancellable year is equal or less than 12 months are treated as short-term leases. Therefore, the associated payments are recorded as a straight-line expense. Any modification (as defined in the standard) in the terms or rental fee is treated according to IFRS 16.

The Bank has not entered into lease agreements with residual value guarantee clauses or variable lease payments.

The Bank applies IAS 36 "Impairment of assets" to determine if the right-of-use asset shows impairment and recognizes the identified impairment losses.

As of December 31, 2020, and 2019 the Bank has not identified impairment in the value of right-to-use assets.

#### **(ii) Lease liability**

The Bank measures the lease liability at the present value of the lease payments that have not been made as of that date. Lease payments are discounted using the interest rate implicit in the lease, if that rate can be easily determined. If that rate cannot be easily determined, the Bank will use the incremental rate. The lease payments included in the measurement of the lease liability include payments for the right to use the underlying asset during the term of the lease not made at the measurement date, which include (a) fixed payments, less any collectible lease incentive; (b) variable lease payments, which depend on an index or a rate, initially measured using the index or rate on the start date; (c) amounts expected by the lessee to pay as residual value guarantees; (d) the exercise price of a purchase option if the lessee is reasonably sure to exercise that option; and (e) payments for penalties arising from the termination of the lease, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

After the initial recognition date, the Bank measures the lease liability in order to recognize (a) the interest on the lease liability; (b) the lease payments made; and (c) the new lease measurements or modifications, and also to reflect the essentially fixed lease payments that have been modified.

The Bank makes new measurements of the lease liability, discounting the modified lease payments, if, among other things, (a) there is a change in the expected amounts payable related to a residual value guarantee. A lessee will determine the lease payments to reflect the change in the amounts expected to be paid under the residual value guarantee; (b) there is a change in future lease payments from a change in an index or rate used to determine those payments.

The Bank measures the lease liability again to reflect modified lease payments only when there is a change in cash flows. The Bank will determine the revised lease payments, for the remainder of the lease term, based on the revised contractual payments.

As of January 1, 2019, the Bank measured the lease liability at the present value of the lease payments discounted using the incremental interest rate.

#### **ab) Cash flow statement**

The indirect method was applied for presentation of the consolidated statements of cash flows. This method is has a starting point of profit before tax. . Revenues and expenses associated with cash flows from investing or financing activities are presented in such categories.

The following concepts are applied for the consolidated statements of cash flows:

- Cash flows: the inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in their maturity value equal or less to 90 days, such as: deposits with the Central Bank of Chile, with domestic and foreign banks.
- Operating activities: are the principal revenue-producing activities of the Bank and other activities that are not investing or financing activities.
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: are activities that result in changes in size and composition of net equity and borrowings and that do not form part of the operating and investing activities.



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **ac) Provisions and contingent assets and liabilities**

Provisions are liabilities for which there is uncertainty regarding their amount or maturity. Provisions are recognized in the consolidated statements of financial position when they comply with all the following requirements:

- It is a present obligation as a result of a past event, and at the date of the consolidated financial statements, it is probable that an outflow of economic benefits will be required by the Bank or its subsidiaries to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A contingent asset is an 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 entity.

Provisions (which are measured considering the best available information regarding the consequences of the related event and are reviewed at the end of each reporting period and adjusted to reflect the current best estimate) are used to cover specific obligations for which they were originally recognized which are reversed or utilized upon non-occurrence or occurrence of the event.

Provisions are recognized for the following categories:

- Provisions for staff benefits and remunerations.
- Provisions for minimum dividends.
- Provisions for contingent credit risk.
- Provisions for contingencies (include additional provisions).

##### **i. Additional provisions:**

The FMC has defined that the additional provisions are those not deriving from the application of valuation models to the portfolio in order to compensate deficiencies in them, and that their establishment must be justified by assumed risk as defined in unpredictable economic fluctuations.

The Bank has formal criteria and procedures for the use and constitution for the determination of additional provisions, which are approved by the Board of Directors.

As of December 31, 2020, MCh\$160,176 in additional provisions have been recorded. The Board of Directors of Bank in Chile has approved the constitution of additional provisions during 2020 for MCh\$104,000, MCh\$59,300 related to the Consumer Portfolio, MCh\$41,900 related to the Commercial Portfolio, and MCh\$2,800 related to the Real Estate Portfolio, and MCh\$47,263 for the City National Bank branch (see Note 11 c) and 21). These provisions were established to anticipate the potential impairment of the placement portfolio due to the crisis produced by the COVID-19 pandemic.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

In no case have the additional provisions been established to compensate issues in the provision models used by the Bank, but to anticipate any potential impairment of the placement portfolio due to the crisis produced by the COVID-19 pandemic.

These provisions are established as set forth on Number 10 of Chapter B-1 of Accounting Regulations Compendium of the Commission for the Financial Market, which will be reported in liabilities (see Note 21 of Provisions).

ii. Minimum provisions required for the normal individual portfolio:

The FMC has determined that the Bank must maintain a percentage of minimum provision of 0.50% on loans and credit commitments from the normal individual portfolio in accordance with Chapter 2,1,3 of the number B-1 Compendium of Accounting Standards.

#### **ad) Use of estimates and judgments**

In the application of the Bank's accounting policies, Bank management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Modifications to accounting estimates are recognized in the period in which the estimate is revised if the modification affects only that period, or in the period of the modification and future periods if the modification affects both current and future periods.

In particular, the information regarding the most significant areas of uncertainties and critical judgments in the application of accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in the following notes:

- Allowances for loan losses (Notes 10, 11 y 29).
- Impairment of certain assets (Note 32).
- Valuation of financial instruments (Notes 7, 9 and 12).
- Useful life of property, plant and equipment and intangible assets (Notes 14 and 15).
- Use of tax loss carry-forward (Note 16).
- Contingencies and commitments (Note 23).
- Impairment test and intangible (Note 14).
- Employee benefits (note 19).

#### **af) Income tax and deferred tax**

The corporate income tax expense is calculated in accordance with IAS 12 and the Chilean Income Tax Act, which has a statutory rate of 27% for the default tax system under article 14 section A, which is the rate applied to both BCI and its subsidiaries in Chile.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The effects of changes in the tax regulations or in tax rates are recognized in deferred taxes as of the date of the law enactment or substantial law enactment.

As of December 31, 2020, and 2019, the Bank recognized deferred tax assets for which Management has assessed that it is probable that taxable profits will be available against which tax loss carryforwards can be utilized.

Deferred tax assets and deferred tax liabilities are offset in the consolidated financial statement, if you have the legally enforceable right to offset assets for current taxes against current tax liabilities, and only if these deferred taxes are related to taxes on the corresponding profits of the same taxable entity levied by the same tax authority.

In accordance with the Law 20,780 published in the Official Gazette on September 29, 2014, as amended by Law 20,899 published in the Official Gazette on February 8, 2016, the Bank as of the 2018 business year must apply a permanent rate of 27% for First Category tax. In addition, and temporarily, the Bank applied a rate of 24% for tax profits received or accrued in the 2016 business year and 25,5% was applied for tax profits received or accrued in the 2017 business year. In 2017, the tax reform law was published in the United States, which reduced the federal tax rate from 35% to 21%, as a result of which the subsidiaries domiciled in that country recalculated their deferred tax assets.

#### **ag) Dividends on common shares**

Dividends on ordinary shares are recognized in equity in the year in which they were approved by the Shareholders' Meeting of the Bank.

The Bank recognizes a liability for the portion of the period profit that must be distributed among the shareholders in compliance with Corporate Law, establishing that a minimum of 30% of net income for the period, or more, must be distributed as dividend, or according to the dividends policy.

#### **ah) Earnings per share**

Basic earnings per share are determined by dividing the consolidated net income for the year attributable to the Bank by the weighted average number of shares during that year.

Diluted earnings per share is calculated similarly to basic earnings, but the weighted average number of shares outstanding is adjusted to consider the potential dilutive effect of stock options, warrants and convertible debt.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **ai) Collection operations and Protected Assets No, 27 formed by the direct subsidiary BCI Securitizadora S.A.**

###### **i) Collection Operations:**

BCI Securitizadora S.A. may acquire assets in order to form a separate fund (“Protected Assets Fund”) that supports the issuance of securitized bonds. These assets must have similar characteristics in order to be securitized and a separate fund must be formed for each separate issuance.

These assets may represent future cash flows (a “business plan” or future cash flows to be obtained from a specific asset or group of assets or entity) or existing asset (a portfolio of receivables, mortgage loans, etc.).

The above distinction is relevant when it comes to accounting for the debt at the Bank; in the first case, future cash flows should be accounted for at the Protected Assets Fund and also at the originator, and in the case of existing assets they should be accounted for only at the Protected Assets Fund.

Collection operations form part of the securitization process. In fact, the Securities Market Law itself, foreseeing the practical difficulty of forming a Protected Assets Fund, contemplates the possibility of acquiring assets that represent Protected Assets Fund underlying even before the placement of the respective bonds.

Since there is a possibility that the respective Protected Assets Fund never will be created or the securitized bond not be issued for any reason (legal, market, etc.), these transactions contract a put option where BCI Securitizadora S.A. may put the asset back under certain circumstances (mainly in the case when an entity cannot issue securitized bonds for the reasons discussed above).

###### **ii) Protected Assets Fund No, 27:**

The Consolidated Financial Statements through the subsidiary BCI Securitizadora S.A., as of December 31, 2020 and 2019, maintains a balance amounted to MCh\$18,028 and MCh\$20,609, respectively, corresponding to loan receivables being the underlying of the Protected Assets Fund No. 27.

##### **aj) Reclassifications**

As of December 31,2020, and December 31, 2019, no material reclassifications have been made.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### ak) Accounting pronouncements by the International Accounting Standards Board (IASB)

##### a.- Application of new and revised International Financial Reporting Standards (IFRS).

Amendments and Improvements to IFRS	Effective date
Definition of a Business (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2020
IASB finalizes amendments to IAS 1 and IAS 8 regarding the definition of materiality	Annual periods beginning on or after January 1, 2020
Amendments to References to the Conceptual Framework in IFRS Standards	Annual periods beginning on or after January 1, 2020
Average Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Annual periods beginning on or after January 1, 2020
Covid-19-Related Rent Concessions (amendments to IFRS 16)	Annual periods beginning on or after June 1, 2020

##### Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB published the document “Definition of a business (amendment to IFRS 3)” to resolve difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- 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;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants can replace any missing inputs or processes and continuing to produce outputs; 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 amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020 and for asset acquisitions that occur on or after the beginning of that year. Earlier application is permitted.

The Management of the Bank believes that the implementation of these amendments had no effect on the Bank's Consolidated Financial Statements.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### IASB finalizes amendments to IAS 1 and IAS 8 regarding the definition of materiality

On October 31, 2018 the International Accounting Standards Board (IASB) issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments: *"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."*

Three new aspects of the new definition should especially be noted:

**Obscuring:** The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term "obscuring" is new in the definition, it was already part of IAS 1 (IAS 1.30A).

**Reasonably be expected to influence:** The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

**Primary users:** The existing definition referred only to 'users' which again the IASB feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The new definition of material and the accompanying explanatory paragraphs are contained in IAS 1 Presentation of Financial Statements. The definition of material in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors has been replaced with a reference to IAS 1.

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

The Management of the Bank believes that the implementation of these amendments did not have significant effects on the Bank's Consolidated Financial Statements.

##### Revised Conceptual Framework for Financial Reporting

On March 29, 2018, IASB published its revised "Conceptual Framework for Financial Reporting" (the "Conceptual Framework"). The Conceptual Framework is not a standard, and none of its provisions prevails over any standard nor over any of the requirements of a standard. The purpose of the Conceptual Framework is to assist the IASB when developing International Financial Reporting Standards. The Conceptual Framework also assists financial statement preparers in developing consistent accounting policies if there is no applicable or specific standard to address a particular issue. The new Conceptual Framework has an introduction, eight chapters and a glossary. Five of the chapters are new, or have been substantially modified.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The new Conceptual Framework:

- Introduces a new definition of assets focused on rights and a new definition of liabilities that is likely to be broader than the replaced definition but does not change the distinction between a liability and an equity instrument.
- Eliminates references to expected flows of economic benefits from asset and liability definitions. This reduces the obstacles to identifying the existence of an asset or liability and places more emphasis on reflecting uncertainty in measurement.
- Analyzes historical cost and present value measurements and provides some guidance on the considerations that the IASB would apply when selecting a measurement base for a specific asset or liability.
- Establishes that the main measurement of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use the other comprehensive income and only for income or expenses arising from a change in the present value of an asset or liability.
- Analyzes uncertainty, derecognitions, unit of account, the reporting entity and combined financial statements.

The new Conceptual Framework is effective immediately since its publication on March 29, 2018, The Bank has already considered this. Additionally, the IASB published a separate document "Updating a Reference to the Conceptual Framework" which contains revisions to the affected Standards in such a way that they now refer to the new Conceptual Framework. These modifications are effective for annual periods beginning on or after January 1, 2020. Earlier implementation is permitted.

The Bank's Management believes that the implementation of these changes to the Conceptual Framework had no effect on the Bank's Consolidated Financial Statements.

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

The amendments cover the issues that affect the financial reporting in the year prior to the replacement of an existing benchmark interest rate with an alternative interest rate and addresses the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which requires prospective analysis. (IAS 39 was modified, as well as IFRS 9, since entities have an accounting policy choice when they first apply IFRS 9, which allows entities to continue applying the hedge accounting requirements of IAS 39). Amendments were also made to IFRS 7 Financial Instruments: Disclosures related to additional disclosures of the uncertainty caused by the interest rate benchmark reform.

Changes in the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7): i) they modify specific hedge accounting requirements so that entities may apply those hedge accounting requirements assuming that the benchmark interest rate on which the hedged cash flows and the cash flows of the hedging instrument are based will be altered as a result of the reform in the benchmark interest rate; (ii) they are mandatory for all hedging relationships that are directly affected by the benchmark interest rate reform; (iii) they do not

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

intend to provide a solution to any other consequence caused by the benchmark interest rate reform (if a hedging relationship no longer meets the hedge accounting requirements for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and (iv) they require specific disclosures about the extent to which the hedging relationships of the entities are affected by the amendments.

The amendments are effective for annual periods beginning on or after January 1, 2020 and must be applied retrospectively. Earlier application is permitted.

The Management of the Bank believes that the implementation of these amendments had no significant effects on the Bank's Consolidated Financial Statements. IFRS 9 will be applied by the Bank from January 2022 except for Chapter 5.5 on impairment of loans classified as "financial assets at amortized cost."

#### **Lease concessions related to COVID-19 (amendments to IFRS 16)**

The COVID-19 pandemic has led some lessors to provide relief to lessees by deferring, or releasing them from, amounts they would otherwise have to pay. In some cases, this is accomplished through negotiation between the parties, but it may be the consequence of measures taken by a government that encourage or require that such relief be provided. This relief is taking place in many jurisdictions in which entities that apply IFRS operate.

When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which IFRS 16 defines as "a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. (For example, a lease modification includes adding or terminating the right to use one or more underlying assets or extending or shortening the contractual lease term)".

The amendments to IFRS 16:

1. Provide an exception for lessees to assess whether the COVID 19-related lease concession is a lease modification;
2. Require lessees to apply the exception to account for the COVID 19-related lease concession as if it were not a modification to the lease.
3. Require lessees applying the exception to disclose that fact; and
4. Require lessees to apply the exception retrospectively in accordance with IAS 8, but do not require that figures from prior years be restated.

The amendments do not provide additional relief to lessors since the current situation is not as challenging for them, and the required accounting is not as complex.

The amendments are effective for annual periods beginning on or after June 1, 2020. Early application is allowed, including financial statements that have not yet been authorized for issuance as of May 28, 2020. The amendment is also available for interim periods.



## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Management of the Bank believes that the implementation of these amendments had no significant effects on the Bank's Consolidated Financial Statements.

##### b.- New and revised IFRS issued but not yet effective:

New Standards	Effective date
IFRS 17 Insurance contracts	Annual periods beginning on or after Sunday, January 1, 2023
<b>Amendments and Improvements to IFRS</b>	
Classification of liabilities as current or non-current (amendments to IAS 1).	Annual periods beginning on or after Sunday, January 1, 2023
References to the Conceptual Framework (amendments to IFRS 3)	Annual periods beginning on or after Saturday, January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Annual periods beginning on or after Saturday, January 1, 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Annual periods beginning on or after Saturday, January 1, 2022
Annual improvements to IFRS, cycle 2018-2020 (Amendments to IFRS 1 Business Combinations, IFRS 9 Joint Arrangements, IAS 16 Income Taxes)	Annual periods beginning on or after Saturday, January 1, 2022
Extension of temporary exemption from the application of IFRS 9 (Amendments to IFRS 4).	Annual periods beginning on or after Sunday, January 1, 2023
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 Friday, January 1, 2021

##### IFRS 17 Insurance contracts

On May 18, 2017 the IASB issued IFRS 17 “Insurance Contracts.” This new standard establishes principles for recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 “Insurance Contracts.” The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 establishes a general model, which is modified for insurance contracts with discretionary participation described as the variable fee approach. An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. The simplified measurement approach allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period.

The general model requires the use of assumptions to estimate the amount, timing and uncertainty of the future cash flows and will explicitly measure the cost of the uncertainty; considering market interest rates and the impact of policyholder’s options and guarantees.

Policy sales income is deferred as a liability component segregated at day 1 and aggregated in groups of insurance contracts, which is subsequently systematically reported through profit & loss during the year for which the policyholders are insured after making adjustments arising from changes in the assumptions related to the future coverage.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

IFRS 17 is effective for periods beginning on or after January 1, 2021. Earlier application is permitted, an entity shall apply IFRS 17 retrospectively unless impracticable, in which case the entity shall apply the modified retrospective approach or the fair value approach.

Management does not anticipate that this new standard will have an impact on the consolidated financial statements, as neither the Bank nor any of the consolidated entities issue insurance contracts.

#### **IAS 1 (amendments), classification of liabilities as current or non-current.**

On January 23, 2020, amendments were published in regards to the classification of liabilities as current or non-current (amendments to IAS 1) which will affect only the presentation of liabilities in the statement of financial position, not the amount nor the timing for recognition of any asset, income or liability expense, or information that entities disclose about these items. The purpose of the amendment is:

- clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting year and align the wording in all amended paragraphs so that they refer to the "right" to defer the settlement by at least twelve months; and make it explicit that only the rights in force "at the end of the reporting period" should affect the classification of a liability;
- clarify that the classification is not affected by expectations about whether an entity will exercise its right to defer the settlement of a liability; and
- clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Therefore, the amendment aims to promote consistency in the application of the requirements, helping companies to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (past due or potentially to be settled in one year) or non-current.

The Management of the Bank is evaluating the possible impact that this amendment may generate. However, Management considers that the application of this amendment will not have any effect on the Bank's Consolidated Financial Statements.

#### **References to the Conceptual Framework (amendments to IFRS 3)**

Changes to the References to the Conceptual Framework (amendments to IFRS 3) update IFRS 3 for the reference to the 2018 Conceptual Framework instead of 1989 Conceptual Framework. Additionally, this adds to IFRS 3 a requirement for transactions or other events within the scope of IAS 37 or IFRIC 21 that an acquirer applies IAS 37 or IFRIC 1 (instead of the Conceptual Framework) to identify liabilities assumed in a business combination. Finally, it adds an explicit statement in IFRS 3 that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted, if an entity also applies all other updated references (published in conjunction with the updated Conceptual Framework) on or before the same date.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Management of the Bank is evaluating the possible impact that this amendment may generate. However, Management considers that the application of this amendment will not have any effect on the Bank's Consolidated Financial Statements.

##### **Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit the deduction of the cost of an item of property, plant and equipment from proceeds derived from the sale of items produced while the asset is placed in the location and in the necessary condition to operate in the manner intended by management. Instead, an entity recognizes the income from the sale of such items, and the cost of producing those items, in the statements of income.

The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that were placed on the location and in the necessary condition for it to operate in the manner intended by management on or after the beginning of the most recent year in the financial statements in which the entity applies the modifications for the first time.

The Management of the Bank is evaluating the possible impact that this amendment may generate. However, Management considers that the application of this amendment will not have any effect on the Bank's Consolidated Financial Statements.

##### **Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments specify that the "cost of fulfilling" a contract includes the "costs that are directly related to the contract." The costs directly related to the contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that are directly related to fulfilling the contracts (an example would be the allocation of the depreciation expense for an item of property, plant and equipment used to fulfill the contract).

The amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity applies the amendments for the first time. Comparative years are not restated.

The Management of the Bank is evaluating the possible impact that this amendment may generate. However, Management considers that the application of this amendment will not have any effect on the Bank's Consolidated Financial Statements.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

##### **Annual improvements to IFRS, cycle 2018-2020 (Amendments to IFRS 1 Business Combinations, IFRS 9 Joint Arrangements, IAS 16 Income Taxes, and IAS 41)**

The annual improvements contain amendments to the following standards:

##### **IFRS 1 First Time Adoption of IFRS**

The amendment allows a subsidiary that applies paragraph D16 (a) of IFRS 1 to measure accumulated translation differences using the amounts reported by its parent, based on the date of transition to IFRS of its parent.

##### **IFRS 9 Financial Instruments**

The amendment clarifies what fees an entity includes when it applies the "10 percent" test under paragraph B3.3.6 of IFRS 9 when evaluating whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid by the entity or the lender on behalf of one another.

##### **IFRS 16, Leases**

The amendment to illustrative Example 13 attached in IFRS 16 removes from the example the illustration of the reimbursement of improvements to the leased asset made by the lessor to resolve any potential confusion in the treatment of lease incentives that could arise due to how lease incentives are illustrated in that example.

The Management of the Bank is evaluating the possible impact that this amendment may generate. However, Management considers that the application of this reform will not have any effect on the Bank's Consolidated Financial Statements. IFRS 9 will be applied by the Bank from January 2022 except for Chapter 5.5 on impairment of loans classified as "financial assets at amortized cost."

##### **Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)**

On June 25, 2020, the IASB issued amendments to IFRS 17 to address the concerns and implementation challenges that were identified after IFRS 17 'Insurance contracts' was published in 2017. The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The IASB has also issued 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to postpone the set expiration date of the amendment also to annual periods beginning on or after January 1, 2023.

The main changes resulting from the Amendments to IFRS 17 and the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) are:

- Postponement of the initial application date of IFRS 17 by two years to annual periods beginning on or after January 1, 2023 and changing the set expiration date for the temporary exemption in IFRS 4 Insurance Contracts to apply IFRS 9 Financial instruments, so that entities are required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage, as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of cash flows from insurance acquisition related to expected contract renewals, including transition and guidance provisions for cash flows from insurance acquisition recognized in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements that allows a choice of accounting policy at the reporting entity level.
- Clarification of the application of the contractual service margin (CSM) attributable to the return on investment service and the investment-related service and changes in the corresponding disclosure requirements.
- Expansion of the risk mitigation option to include held reinsurance contracts and non-financial derivatives.
- Amendments to require that an entity that on initial recognition recognizes losses on onerous insurance contracts issued, also recognizes a gain on held reinsurance contracts.
- Simplified presentation of insurance contracts in the statement of financial position so that entities present the insurance contracts' assets and liabilities in the statement of financial position calculated using portfolios of insurance contracts instead of groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the application date of the risk mitigation option and the use of the fair value transition approach.
- Several small amendments related to minor implementation issues.

The Management of the Bank is evaluating the possible impact that this amendment may generate. However, Management considers that the application of this amendment will not have any effect on the Bank's Consolidated Financial Statements. IFRS 9 will be applied by the Bank from January 2022 except for Chapter 5.5 on impairment of loans classified as "financial assets at amortized cost."

#### **Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

On August 27, 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with modifications that address issues that could affect the financial information after the reform off an interest rate benchmark, including its replacement with alternative interest rate benchmarks. These modifications are effective for annual periods beginning on January 1, 2021. Earlier implementation is permitted.

The IASB addressed the issues in a project divided into two phases: Phase 1 addressed the issues arising prior to replacement (issues that affect financial reporting in the period prior to the replacement of an existing interest rate benchmark). This part of the project concluded on September 26, 2019

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

with the issuance of the Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

Phase 2 of the project addressed replacement issues; therefore, the amendments issued address issues that could affect financial reporting when an existing interest rate benchmark is replaced. This part of the project has concluded with the issuance of these modifications.

The changes in the Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) are as follows:

- Modification of financial assets, financial liabilities and lease liabilities: the IASB introduces a practical expedient for the modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other amendments are accounted for using current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
- Hedge Accounting Requirements: As amended, hedge accounting is not discontinued solely due to the IBOR reform. Hedging relationships (and related documentation) should be modified to reflect changes to the hedged item, the hedging instrument, and the hedged risk. Amended hedge relationships must meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.
- Disclosures: in order to enable users to understand the nature and scope of the risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks, as well as the entity's progress in the transition from IBORs to alternative interest rate benchmarks, and how the entity is managing this transition, the amendments require an entity to disclose information about:
  - ✓ how the transition from interest rate benchmarks to alternative interest rate benchmarks is managed, the progress made as of the reporting date, and the risks arising from the transition;
  - ✓ quantitative information on non-derivative financial assets, non-derivative financial liabilities, and derivatives that continue to refer to interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmarks;
  - ✓ to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how the entity manages those risks.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The IASB also amended IFRS 4 to require insurers applying the temporary exemption from IFRS 9 to apply the amendments in accounting for the amendments directly required by the IBOR reform.

The Management of the Bank is evaluating the possible impact that this amendment may generate. However, Management considers that the application of this reform will not have any significant effect on the Bank's Consolidated Financial Statements.

##### **aj) Standards and instructions issued by the Financial Market Commission (CMF).**

**Circular No. 2.247:** On March 25, 2020, this Circular update the RAN (Updated Compilation of Standards) chapter 10-1, concerning repossessed assets or assets awarded in payment, exceptionally authorizing an 18-month extension in the term that banks have for selling repossessed assets.

The Bank's Management implemented these changes in the Consolidated Financial Statements in March 2020.

**Circular No. 2.249:** Compendium of Accounting Standards for Banks. On April 20, 2020, the CMF amended Chapter E "Transitional Provisions" and postponed the period of first application of the new provisions of the Compendium of Accounting Standards, with the purpose that banks have more leeway to reallocate their technical and human resources during the duration of the Covid-19 pandemic. Therefore, the wording of Chapter E of the aforementioned compendium is replaced with the following wording: "The first application of this updated version of the Compendium of Accounting Standards for Banks will be effective as of January 1, 2022; the transition date will be January 1, 2021 for purposes of the comparative financial statements to be published beginning in March 2022."

The Bank's Management will implement these changes in the Consolidated Financial Statements as of January 1, 2022.

**CMF statement:** On March 23, 2020, the CMF reported that its Council approved new measures aimed at granting greater flexibility to the financial system in the context of the global pandemic caused by Covid-19. These measures are as follows:

- Regulatory treatment that makes it possible to postpone up to three mortgage payments.
- Measures have been implemented allowing banks to give SME debtors up to 6 months to repay their loans, without this being considered a renegotiation.
- Possibility of using excess mortgage guarantee as collateral for loans to SMEs.
- Extension of terms for the sale of repossessed assets.
- Treatment of the variation margin of derivatives.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Bank's Management implemented these measures gradually in the Interim Consolidated Financial Statements beginning on April 1, 2020.

**CMF statement:** On March 30, 2020, CMF reports flexibility in the implementation deadlines for Basel III. In coordination with the Central Bank of Chile, the CMF resolved to postpone by one year the implementation of the capital requirements required by the regulation and to maintain the general regulatory framework in force for bank capital requirements until December 2021.

The Bank's Management will implement these changes in the Consolidated Financial Statements as of December 31, 2021.

**CMF statement:** On April 2, 2020, the CMF reported flexibility in the treatment of provisions required from banks in rescheduling payments of mortgage, consumer and commercial loans, within the context of the Covid-19 pandemic. These measures will be temporary and are intended to avoid the recognition of an increased amount of provisions since payments of the installments corresponding to the flexibilities granted may not be made or may not be made timely.

The exceptional period for the treatment of provisions for collective portfolios takes effect on March 18, 2020 and ends on July 31, 2020, including both dates. As a necessary requirement to apply flexibility regarding provisions, banks must assess thoroughly the financial and credit conditions of the borrowers who will be eligible for the flexibility. In no case may the treatment include borrowers in default in accordance with the regulations applicable to provisions. In addition, borrowers eligible for the special treatment regarding provisions will be those who are up to date or are in default for no more than 30 days in the month in which the rescheduling takes place, during the period the flexibility measures are in force.

The Bank's Management implemented these changes in the Interim Consolidated Financial Statements effective as of the close of April 2020.

**Circular No. 2,250:** On April 20, 2020, this Circular updates the RAN (Updated Compilation of Standards), chapter 12-1 concerning Equity, for statutory and regulatory purposes; as a result, it incorporated an extraordinary clause that will allow to treat as part of the voluntary provisions recognized in effective equity a proportion of the collateral given by the Chilean Treasury, CORFO and FOGAPE to secure loans provided by banks.

The Bank's Management implemented these changes in its Basel regulatory report beginning on April 30, 2020.

**Circular No. 2.253:** On May 4, 2020, it provides guidance on aspects related to the COVID-19 guarantee lines of the Guarantee Fund for Small and Medium-sized Entrepreneurs (FOGAPE in Spanish), as regards provisions and other regulatory matters.



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Bank's Management implemented these measures in the Interim Consolidated Financial Statements beginning on Sunday, May 31, 2020.

**Letter from Management No. 92020036** On July 17, 2020, the CMF issued instructions for recording provisions related to financing with FOGAPE Covid-19 guarantee. The letter provides instructions on how banking institutions should consider the effect of the deductible in the calculation of provisions, as well as instructions on how the conditions under which the direct borrower's credit risk can be replaced with FOGAPE credit quality. On July 29, 2020, the CMF, through the Association of Banks, decided to extend the application until September 2020, allowing financial institutions to recognize the largest provisions on a monthly basis, and these provisions must be completely established by the end of 2020 at the latest.

The Bank's Management implemented these changes in the Interim Consolidated Financial Statements beginning on Wednesday, September 30, 2020.

Circular 2,272: dated September 25, 2020, through the provisions contained in article 66 bis and 66 term of the Chilean General Banking Act, Act 21.1230, which modernizes banking legislation, introduced additional capital requirements to banking regulation, in accordance with the principles of the latest Agreement of the Basel Committee on Banking Supervision (hereinafter Basel III). These requirements, commonly known as "buffers", constitute an additional capital requirement above the statutory minimum set in the Chilean General Banking Act and are divided into 2 types: a capital conservation buffer (CCoB) and a countercyclical capital buffer (CCyB). The capital conservation buffer, according to article 66 bis of the Chilean General Banking Act, corresponds to an additional basic capital equivalent to 2.5% of the risk-weighted assets, net of required provisions, above the minimum effective equity required as per Article 66 of the Act. For its part, the calculation of the countercyclical capital buffer, referred to in article 66 term, is made by the Central Bank of Chile (BCCh), provided it receives a favorable report from this Commission for the Financial Market, and may vary between 0% and 2.5% of the risk-weighted assets, net of required provisions.

The Bank's Management will implement these changes in its regulatory reports beginning on December 31, 2021.

#### **ak) Standards and instructions issued by Central Bank of Chile (BCCh)**

**Statement BCCh:** On March 23, 2020, the Central Bank announced the creation of a Credit Facility Conditional on the Increase of Loans program (FCIC in its Spanish acronym) and the Liquidity Credit Line (LCL) was activated in local currency. These are lines for banks, with funds and incentives for them to continue financing and refinancing loans to households and companies, especially those that do not have access to the capital market. The initial amount is equivalent to US\$4.8 billion and may increase, as loans increase. In turn, the additional line has a growth margin four times the initial line, equivalent to US\$19.2 billion, which would bring the total closer to US\$24 billion. This measure at the same time considers the expansion of the collateral in order to allow borrowers to access this facility and includes a portfolio of commercial loans individually evaluated for high credit quality, categories A1 to A3.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 1 - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

The Bank's Management implemented these measures beginning on April 1, 2020.

##### **al) Instructions issued by the Ministry of Finance**

**Act 21,234:** On May 29, 2020, the Ministry of Finance published Act 21,234 that limits the liability of holders or users of payment cards and electronic transactions in the event of loss, theft, or fraud, establishing a new liability regime in cases of loss, theft, or fraud associated with credit cards, debit cards, payment with provision of funds or any other similar system ("Payment Cards"), as well as in connection with fraudulent operations that are generated in electronic transactions carried out by electronic means that originate charges and payments or money transfers involving checking accounts, demand deposit accounts, fund provision accounts, payment cards or any other similar system. The new liability regime establishes the responsibility of issuers of payment systems, exempting users from the burden of proving operations and/or transactions unknown to them, both for those operations carried out before (up to 120 consecutive previous days) and after a notice concerning such unknown operations is submitted to the Bank, with the Bank having the burden of proving that said operations were authorized by the user and that they are recorded in the users' name. The new liability regime also establishes strict deadlines to annul charges and make refunds, as appropriate, regarding operations regarding which users are unaware of having granted their authorization or consent.

The Bank's Management implemented these measures effective May 2020.

**CMF Statement** on October 5, 2020, the Commission published a regulation for calculating the ratio between Tier 1 capital and total assets, or leverage ratio, as part of the process of adoption of Basel III standards. This regulation features improvements in the measurement of both Tier 1 capital (numerator) and the Bank's total assets (denominator). In the numerator, deductions are made from entries that do not have the capacity to absorb unexpected losses (in line with Chapter 21-1 on Equity for legal and regulatory purposes). For the denominator, a wider exposition spectra is used, in line with Chapter 21-6 (on weighted asset determination by credit risk). The regulation shall enter into force starting on December 1, 2020.

The Bank's Management implemented these changes in its Basel regulatory report beginning on December 31, 2020.

**CMF Statement:** on November 2, 2020, the Commission issued the regulation for the identification of system-relevant banks, and the determination of additional requirements for said institutions. The new regulation contemplates the building of a system-relevance index, per institution, from four elements reflecting the local impact of their financial impairment or default. These elements are size, interconnectedness, replaceability, and institution complexity. The requirements related to the first application may be implemented gradually from December 2021 to December 2025, with an additional 25% each year.

The Bank Management is assessing the potential impact of this regulation in the Basel normative report.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 2 - ACCOUNTING CHANGES

During the year ended December 31, 2020, there have been no accounting changes with respect to the prior year that affect these Consolidated Financial Statements.

#### NOTE 3 - SIGNIFICANT EVENTS

##### a) Agreement to distribute year 2019 profits

A Board meeting held on February 25, 2020 agreed to distribute the net profits of the Bank in 2019, which was approved at the Ordinary Shareholders' Meeting held on April 8, 2020. The Board approved the following matters:

- Distribute the net income for the year 2019, amounting to Ch\$402,645,431,356 (MCh\$402,645), as follows:

-Distribute a dividend of Ch\$1,000 per share among the total of 141,616,409 shares issued and registered in the Shareholder Registry, which involves allocating for this purpose the sum of Ch\$ 141.616.409.000 (MCh\$ 141.616), that is, 35.17% of the Bank's profits, and;

-Allocate the remaining balance of profits of the year, to the fund of reserves from profits, that is, the sum of Ch\$ 261,029,022,356 (MCh\$ 261,029).

The Extraordinary Shareholders Meeting, held on Wednesday, April 8, 2020, approved :

- Capitalize reserves from profits of Ch\$ 261,029,022,356 (MCh\$ 261,029) as follows:

-The sum of Ch\$261,028,993,054 (MCh\$ 261,029) through the issuance of 7,151,531 no-payment no par value shares.

-The sum of Ch\$29,302 (MCh\$ 0), to issued capital, without issuance of shares.

The Bank's subscribed and paid-in capital would be Ch\$ 3,655,827,696,002 (MCh\$3,655,828) divided into 148,767,940 single series, nominative, no par value shares.

The by-law amendment related to this capital increase was approved by the CMF through Resolution No. 3058 dated June 10, 2020 and the capital increase was registered in the public registry of securities on July 20, 2020.

#### NOTE 3 - SIGNIFICANT EVENTS, CONTINUED

##### b) Issuance and placement of bonds

During 2020, the following issue of ordinary bonds took place in Swiss Francs:

Series	Issuance date	CHF	TIR* rate	Maturity date
CH0506071239	03.18.2020	125,000,000	0.10%	09.18.2026

During 2020, the following placement of ordinary bonds took place in Swiss Francs:

Series	Issuance date	CHF	TIR*rate	Maturity date
CH00506071239	03.18.2020	125,000,000	0.10%	09.18.2026

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**During 2020, the following issue of subordinated bonds took place in UF:**

Series	Issuance date	UF	TIR* rate	Maturity date
UBCIB11219	06.11.2020	3,000,000	1.32%	12.01.2039
UBCIB21219	06.22.2020	1,000,000	1.30%	12.01.2044
UBCIB21219	06.22.2020	1,000,000	1.30%	12.01.2044
UBCIB21219	06.22.2020	1,000,000	1.30%	12.01.2044
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28 %	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049

**During 2020, the following issue of subordinated bonds took place in UF:**

Series	Issuance date	UF	TIR* rate	Maturity date
UBCIB11219	06.11.2020	3,000,000	1.32%	12.01.2039
UBCIB21219	06.22.2020	1,000,000	1.30%	12.01.2044
UBCIB21219	06.22.2020	1,000,000	1.30%	12.01.2044
UBCIB21219	06.22.2020	1,000,000	1.30%	12.01.2044
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28 %	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049
UBCIB31219	06.24.2020	500,000	1.28%	12.01.2049

\*TIR – internal rate of return

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 3 - SIGNIFICANT EVENTS, CONTINUED**

##### **c) Incorporation of Banco BCI Perú**

The Bank's Board of Directors has authorized BCI's management to incorporate a bank in the city of Lima, Peru, which will become a subsidiary of BCI (hereinafter "Banco BCI Peru") subject to the conditions set forth below. Banco BCI Peru will have the nature of a corporation under the regulations of the Republic of Peru. This corporation will be registered with the National Superintendency of Public Registries of Peru and its shares will be registered with the Public Registry of the Securities Market and the Registry of the Lima Stock Exchange. 99.9% of the shares of Banco BCI Peru will be owned by BCI and the remaining 0.1% will be owned by Empresas JY S.A. Banco BCI Peru will be subject to the supervision of the appropriate Chilean and Peruvian regulatory entities. The incorporation and operation of Banco BCI Peru is subject, among other conditions, to approval by the Commission for the Financial Market and the Central Bank of Chile, in accordance with the provisions of Article 76 of the General Banking Law and Chapter 11-7 of the Commission's Updated Compendium of Regulations, as well as to obtaining the regulatory authorizations, and registrations required under Peruvian law.

As of December 31, 2020, the authorization processes before CMF in Chile and Superintendencia de Banca, Seguros y AFP (SBS) in Peru continue progressing.

##### **d) Acquisition of Executive Banking Corporation**

On September 24, 2019, the "Agreement and Plan of Merger" was entered into by BCI Financial Group, Inc. ("BCI Financial") and City National Bank of Florida ("CNB"), both subsidiaries of BCI, and Executive Banking Corporation ("Executive Corporation") and Executive National Bank ("Executive Bank"), both incorporated and effective under the laws of Florida, USA. Through the Merger Agreement, the parties agreed to merge Executive Corporation into BCI Financial and, simultaneously or immediately after such merger is implemented, Executive Bank into CNB, succeeding and assuming BCI Financial and CNB, respectively, all rights and obligations of Executive Corporation and Executive Bank, and becoming legal successors of the latter (the "Transaction"). This transaction involves an investment of US\$ 75 million and will be financed with BCI Financial Groups' own resources.

A subsequent December 18, 2019 amendment to the "Agreement and Plan of Merger" established that Executive Corporation would modify its ownership structure, and that the Executive Bank would be the successor entity; then BCI Financial would acquire all the shares in Executive Bank, and finally Executive Bank merges with CNB, with the latter becoming the successor entity (the "Transaction").

The closing of the Transaction is subject, among other conditions that are customary in operations of this nature, to obtaining of the authorizations of the competent authorities required pursuant to the laws and regulations of Chile and the United States of America.

As of June 30, 2020, Executive Bank had assets worth US\$ 524 million, the Transaction had already been approved by the FDIC and the OCC in the United States and the remaining authorization processes continued to advance.

On July 30, 2020, a second amendment to the "Agreement and Plan of Merger" was signed that, among other matters, adjusted the investment to US\$62 million (previously, it was US\$ 75 million) and, on August 6, 2020, this received the authorization from the CMF. In this regard, in order to conclude the Transaction, the approvals of the Transaction by the Central Bank of Chile and the FED are required (the latter would ultimately be conditional upon the necessary approvals in Chile).

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 3 - SIGNIFICANT EVENTS, CONTINUED**

On October 9, 2020, and after having complied with all the requirements and approvals in both Chile and the United States, BCI concluded the acquisition of Executive National Bank through its subsidiary City National Bank of Florida (CNB). Later that same day, the two latter companies merged, and CNB became the successor entity. This acquisition immediately increased the assets by more than US\$ 536 million and enabled the combined entity to reach approximately US\$ 18 million in assets. The transaction price amounted to US\$62 million and it was financed with CNB's own funds. See detail in note 4 Business combination

##### **e) Dissolution of the Subsidiary Análisis y Servicios S.A.**

On November 15, 2019, the Financial Market Commission was requested to approve the dissolution of the company Analisis Servicios S.A. This company's shareholders are Banco de Crédito e Inversiones with a 99% interest and BCI Corredor de Bolsa, S.A. with a 1% interest, respectively. The dissolution was approved by the Board of Directors of BCI at its meeting on August 27, 2019.

On December 12, 2019, the Council of the Financial Market Commission approved the request in ordinary meeting number 161. As of December 31, 2020, the company is in a liquidation process.

##### **f) Servicios Financieros y Administración de Créditos Comerciales S.A.**

On December 30, 2019, written authorization was received from the FMC to carry out a capital increase of MCh\$ 22,500, divided into 37,815,126 nominatives, no par value shares.

On December 30, 2019, an Extraordinary Shareholder Meeting was held in which the shareholders approved the capital increase of MCh\$ 22,500, In the same meeting, 13,447,563 shares are subscribed and paid in, pro rata of the current shareholding. The involved amount is MCh\$ 8,001.

On September 16, 2020, a total of 24,367,563 shares were subscribed and paid in, pro rata of the current shareholding. The involved amount is MCh\$ 14,499.

On July 24, 2020, a request to Comisión para el Mercado Financiero was made to merge the companies Servicios Financieros y Administración de Créditos Comerciales S.A and Sociedad de Servicios de Comercialización y de Apoyo Financiero y de Gestión SSFF Limitada, in order to boost their efficiency and profitability, facilitate supervision and vigilance of support societies, achieve a higher organizational alignment, and an integrated management of the credit card business, simplifying the business management, among others. To date, Management is currently waiting for a response from CMF.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 3 - SIGNIFICANT EVENTS, CONTINUED**

##### **g) Election of Directors**

At a Board Meeting on June 23, 2020, the Director Lionel Olavarria Leyton resigned from his position as Director and Vice Chairman of the Board. As a result, the Board appointed Mr. Jorge Becerra Urbano as his replacement until the next Ordinary Shareholders' Meeting, which must make the final appointment of the person who will take up the position of Director.

In the same Board meeting, the Director Mr. Juan Edgardo Goldenberg Peñafiel was appointed as Vice Chairman of the Board.

##### **h) Covid-19**

On March 23, 2020, the Central Bank of Chile announced the creation of the Conditional Credit Facility to Increase Bank Loans (FCIC for its acronym in Spanish). This is a special financial facility for banking entities and provides funds and incentives so that they continue to finance and refinance loans for households and companies, especially for those companies that do not have access to the capital market. In addition, the Liquidity Credit Line (LCL) in local currency was created, which provides funds under the same conditions as the FCIC line. As of December 31, 2020, the Bank has requested MCh\$ 3,122,400 from FCIC line and MCh\$ 781,885 from the LCL.

- On March 23, 2020, as indicated in Note 1, section aj), the CMF published a package of measures aimed at giving greater flexibility to the financial system: chief among them is the postponement of 3 mortgage payments (the Bank granted a 6-month delay on mortgage payments) and measures for banks to postpone by up to 6 months the repayment of loans owed by SMEs. As of December 31, 2020, the Bank has agreed that the payments of 64,291 mortgage loans, amounting to MCh\$194,691, be postponed; and has agreed to the postponements of 4,393 repayments of loans, amounting to MCh\$ 91,391, by SMEs, as a result of the Covid funding for working capital.
- On April 8, 2020, the State of Chile, promoted by the Ministry of Finance, proposed to expand significantly the Guarantee Fund for Small Entrepreneurs (FOGAPE for its acronym in Spanish). The State guarantees were increased up to US\$ 3 billion, allowing the financing of companies with up to UF 1 million in annual sales. This measure consists in providing partial collateral to banks so that they can make working capital available to customers. This measure will be in force for 6 months until, December 31, 2020. The loans have a term of up to 48 months and there is a 6-month grace period. As of December 31, 2020, the Bank has granted 21,853 loans under a FOGAPE guarantee to the SME and Companies segment, totaling MCh\$ 1,826,263.

On the other hand, in the United States the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress with overwhelming, bipartisan support and signed into law by President Trump on March 27th, 2020. This is the largest single economic relief package signed into law in the history of the United States and will provide relief to almost every person in that country. This economic relief package amounts to over US \$2 trillion. The CARES Act will allocate US\$ 376 billion to help workers and small businesses through the Federal Small Business Administration (SBA). This financing package has been implemented by BCI Financial Group, INC and Subsidiaries, and as of December 31, 2020, a total of 8,668 operations, worth US\$ 1,653 million, have been conducted.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

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#### **NOTE 3 - SIGNIFICANT EVENTS, CONTINUED**

Additionally, on July 21, 2020, another program called Main Street Lending Program (MSLP) was implemented, which is part of the CARES Act. This program is a new offering created by the Federal Reserve to assist businesses during the current COVID-19 crisis and associated economic recession. This program is aimed at companies with fewer than 15,000 employees or with annual revenue less than US\$ 5 billion. This program is designed to help banks give money more freely to companies that need a loan by purchasing a large portion of the bank loan, thus relieving banks of most of the risk. In other words, once a company obtains the loan, the Federal Reserve buys 95% of the loan from the bank, leaving only 5% with the bank that provided the loan. As of, December 31, 2020, 371 operations amounting to 100 million dollars have been processed.

The Bank is in the process of determining additional effects going forward. Given the current level of uncertainty, it is not possible to have an estimate of such effects as of the date of these consolidated financial statements.

#### **I) Pagos y Servicios S.A.**

On March 25, 2020, through resolution No. 2450, the Financial Market Commission authorized Banco de Crédito e Inversiones to make an investment, as a non-controlling interest, in the special stock company called Pagos y Servicios S.A., which operates under the commercial name “BCI Pagos”, and which will have as single line of business to act as a payment card operator. The Bank has contributed the amount of MCh\$ 356 to this entity, divided into 499 shares, which is equivalent to a 49.9% interest.

To the date of these financial statements, the company Pagos y Servicios S.A. is in the process of obtaining authorization from the CMF to start operations.

#### **j) Constitution of additional provisions**

To December 31, 2020, the Bank constituted additional provisions for MM \$104,000, as set forth on Chapter B1 of Compendio de Normas Contables de la Comisión para el Mercado Financiero [Accounting Regulations Compendium of the Commission for the Financial Market] (see Note 1, letter ac)). The detail of approvals by the Directory of said provisions is the following:

On April 7, 2020, the Bank’s Management approved the creation of additional voluntary provisions for MM \$10,000, in order to mitigate potential future consequences of the health crisis on the Bank’s placement portfolio.

On May 7, 2020, the Bank’s Management approved the creation of additional voluntary provisions for MM \$9,000, in order to mitigate potential future consequences of the health crisis on the Bank’s placement portfolio.

On June 4, 2020, the Bank’s Management approved the creation of additional voluntary provisions for MM \$7,000, in order to mitigate potential future consequences of the health crisis on the Bank’s placement portfolio.



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 3 - SIGNIFICANT EVENTS, CONTINUED**

On July 7, 2020, the Bank's Management approved the creation of additional voluntary provisions for MCh\$12,000, in order to mitigate potential future consequences of the health crisis on the Bank's placement portfolio.

On August 6, 2020, the Bank's Management approved the creation of additional voluntary provisions for MCh\$16,000, in order to mitigate potential future consequences of the health crisis on the Bank's placement portfolio.

On September 8, 2020, the Bank's Management approved the creation of additional voluntary provisions for MCh\$30,000, in order to mitigate potential future consequences of the health crisis on the Bank's placement portfolio.

On December 10, 2020, the Bank's Management approved the creation of additional voluntary provisions for MCh\$20,000, in order to mitigate potential future consequences of the health crisis on the Bank's placement portfolio.

#### **k) Impairment Recognition**

Due to the application of the requirements set forth in the International Accounting Standards 36, "Impairment of Asset Value", the Bank performs the assessment of impairment indicators affecting the determining of the recoverable value of its assets on the end of each reported fiscal year.

Consistently with the aforementioned requirements, since the issuance of the Consolidated Financial Statements on December 31, 2019, the Bank stated that it was monitoring the possible effects of the social and economic consequences on significant estimates and judgments to be made as part of the preparation of the Consolidated Financial Statements, where it concluded there was no concrete evidence of impairment.

Consequently, on the Consolidated Financial Statements reported for the fiscal year 2020, considering the evolution of the economic and sanitary conditions, the Bank reported it continued to monitor and assess continuously the impact of the COVID-19 pandemic to its results, as well as their effect on significant estimates and judgments, including loan loss and asset impairment provisions in general, concluding these events did not have an impact on the results of the fiscal year, or its financial position on said dates.

Considering the evolution of the impacts on Chile and the United States economies (main operating markets for the Bank), and the different elements, such as the COVID-19 pandemic, and according to the constant monitoring performed by the bank, the indicators for interim tests of impairment of goodwill and intangibles made in the business combination assigned to BCI Servicios Financieros and City National Bank CGUs were triggered.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 3 - SIGNIFICANT EVENTS, CONTINUED**

Once the corresponding calculations are made, the following conclusions were made:

- I. There is no goodwill impairment for BCI Servicios Financieros and City National Bank's CGUs (businesses in Chile and the United States, respectively).
- II. Regarding the assessment of intangible amortizable assets acquired on the merging of BCI Servicios Financieros' businesses, an impairment loss of MCh\$ 4,994 was determined, corresponding to MCh\$ 2,636 for Client Relations, and MCh\$ 2,358, for Rights acquired under cross-selling agreement. These recorded impairments represent a 9% and 59% over book value, respectively. For further information see Note 32.

#### **NOTE 4 – BUSINESS COMBINATION**

##### **Acquisition of National Bank acquisition**

###### **i. General aspects**

On October 9, 2020, Banco de Crédito e Inversiones, through its indirect subsidiary City National Bank of Florida (hereinafter "CNB") acquired Executive National Bank by buying a 100% interest.

With this transaction, BCI reinforces its strategy of consolidating its presence in the market of the State of Florida, in the United States of America, expanding CNB's presence in this State through the growth of its customer base, offering exceptional service and a personalized experience. The Bank paid a total of US\$62 million, equivalent in Chilean pesos to MCh\$ 49,930, for this acquisition.

###### **ii. Description of Acquired Bank**

Executive National Bank is the investment company that merges with CNB, with the latter becoming the absorbing and legal successor to Executive National Bank

Executive National Bank is a leading retail and commercial banking financial institution in South Florida and has more than 40 years of presence in Miami, where its headquarters are located, offering a wide range of financial services, to small businesses and individuals.

At the time of acquisition, Executive National Bank had a loan portfolio of MCh\$ 270,881, deposits of MCh\$ 365,903 and equity of MCh\$ 36,062, equivalent to 0.75%, 1.24% and 0.91% of the consolidated respective balances of such accounts in consolidation as of September 30, 2020.

###### **iii. Main reasons for the purchase**

This operation is another step in BCI's decision of increasing its presence in Florida, an attractive market because of its size and growth; therefore, the Bank plans to become a platform with regional coverage, to accompany its clients as they expand their operations outside of Chile, through BCI Miami Branch, BCI Securities, City National Bank of Florida and representative offices.

This represents an advance of BCI's strategic objective of generating new sources of income; having a geographic diversification that allows the company not only to diversify risks, but also having access to new markets and clients; and serving current clients seeking solutions at a regional level. Therefore, the Bank is able to expand in Latin America.

With this transaction, City National Bank of Florida reached the consolidated assets for US\$ 18 million. This growth will improve the position of the Bank as a leading competitor in the Miami market.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 4 – BUSINESS COMBINATION, CONTINUED

##### i. Detail of assets acquired, and liabilities assumed at fair value

The following is detail of assets and liabilities assumed at fair value of Executive National Bank at the acquisition date, as of October 9, 2020:

	Fair value recognized on date of acquisition (Provisional)	Reference
	MCh\$	MCh\$
<b>ASSETS</b>		
Cash and deposits in banks	107,282	
Items in course of collection	-	
Trading portfolio financial assets	22,282	a
Liabilities under agreements to repurchase	-	
Derivative financial liabilities	6,113	
Loans and receivables to banks, net	-	
Loans and receivables from customers, net	267,439	b
Financial investments available for sale	-	
Financial investments held to maturity	-	
Investments in other companies	-	
Intangible assets	4,482	c
Property, plant and equipment	2,664	d
Current and deferred taxes	384	e
Other assets	3,243	f
<b>TOTAL ASSETS</b>	<b>413,889</b>	
<b>LIABILITIES</b>		
Current accounts and demand deposits	356,702	g
Items in course of collection	-	
Liabilities under agreements to repurchase	-	
Deposits and other term loans	8,904	g
Derivative financial liabilities	6,113	
Borrowings from financial institutions	-	
Debt issued	-	
Other financial liabilities	4,210	h
Current and deferred taxes	-	
Provisions	-	
Other liabilities	2,617	i.
<b>TOTAL LIABILITIES</b>	<b>378,546</b>	
<b>Total net identifiable assets at fair value</b>	<b>35,343</b>	
Goodwill arising from acquisition	14,087	j
<b>Consideration transferred in exchange for the acquire</b>	<b>49,430</b>	
Net cash received with subsidiary (including cash flow from investing activities)	107,282	
Payment in cash	(49,430)	
<b>Net cash difference</b>	<b>57,852</b>	

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 4 – BUSINESS COMBINATION, CONTINUED

The fair value adjustments presented have been determined on a provisional basis. The valuation process was carried out by qualified professionals independent from BCI Management and their external auditors.

Fair value is defined as the price that would be received for selling an asset or that would be paid for transferring a liability in an orderly transaction between market participants at the valuation date, or acquisition in the case of BCI.

The way to determine the fair values at the date of purchase of the assets acquired and liabilities assumed is as follows:

- a) Instruments for trading are valued at fair value in accordance with market prices on the date of the transaction.
- b) Loans and accounts receivable from customers are presented net of provisions, unearned income and unaccreted amounts. The client portfolio is not impaired in value and the contractual cash flows are expected to be received in full.
- c) Intangibles, this valuation corresponds to two concepts:
  - a. Derecognition of goodwill generated in the previous acquisition or business combination which is present in the Executive National Bank financial statements,
  - b. Assets identified through business combination, which will be detailed in the following table, and

#### Summary of intangibles identified in the business combination

Detail	Amount MCh\$	Type	Useful life
Core deposits	3,667	Amortizable	8 years

#### *Core deposits*

Executive National Bank 's term deposits available to finance the placement of loans placed at a rate below the current market placement rates.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 4 – BUSINESS COMBINATION, CONTINUED**

- d) Adjustment related to Property, plant and equipment, corresponds to revaluation of Executive National Bank 's buildings.
- e) Deferred tax asset corresponds to the tax effect associated with loans and intangibles recorded in the acquisition.
- f) Other assets was adjusted to fair value based on the the derecognition of low value and brand assets.
- g) Deposits and other term deposits corresponds to valuations at market rates to recognize the deposits at fair value.
- h) Other financial liabilities correspond to the valuations at market rates of Banco Federal de Préstamos Hipotecarios. (Federal Home Loan Bank)
- i) Other liabilities correspond to severance indemnities payment obligations.

Intangible assets will be subject to an impairment test according to the definitions and terms of IAS 36 for the asset value impairment.

#### **iv. Other considerations**

- a) In the business combination, no contingent assets and liabilities were identified, nor contingent consideration.
- b) Transaction costs related to the acquisition amounted to approximately US\$900,000, which mainly corresponds to external legal advice and due diligence costs.

#### **NOTE 5 - INFORMATION BY SEGMENTS**

##### **Segment structure**

In accordance with IFRS 8, the Bank has aggregated operating segments with similar economic characteristics based on the aggregation criteria specified in the standard. Thus, a reporting segment comprises clients to whom differentiated products are addressed, which are homogeneous and whose performance is measured in a similar way, thus part of the same reporting segment. In general, this aggregation does not have any significant impact for understanding the nature and effects of the Bank's business activities and the economic environment in which it operates.

Segment reporting is presented by the Bank based on a defined business structure, which is focused on optimizing assistance to clients with products and service, according to relevant commercial characteristics.

The allocation of the results of asset and liability management of the reporting segments is performed according to the composition of assets of each business.

1. A proportion of corporate expenses is allocated to the reporting segments, under the same allocation methodology that is used for other expenses or support staff.
2. A higher proportion of corporate expenses is allocated to the reporting segments, under the same allocation methodology that is used for other support expenses or staff expenses (see next page).

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 5 – INFORMATION BY SEGMENTS, CONTINUED**

3. Results for recognition or reversal of additional provisions and minimum provision adjustments were allocated to the segments in accordance with the proportion of customers for which these results were tabulated.

Following is the Bank's commercial structure with its reporting segments:

**Retail Banking Segment:** This segment includes individuals and entities with sales and incomes up to UF80,000, annual.

Retail Banking: Individuals. Individuals, Preferential, and Nova.

Small and Medium Enterprises: This operating segment includes entrepreneurs and enterprising entities (with sales of between UF2,400 and UF80,000) and includes microenterprises (with sales of less than UF2,400).

**Wholesale Banking Segment:** This segment is composed of companies whose annual sales exceed UF80,000, with the following operating segments:

This segment is composed mainly of companies whose annual sales exceed UF80,000, with the following operating segments: Commercial Banking: This operating segment includes mainly companies whose annual sales exceed UF80,000. The operating units in this operating segment are: Real Estate and Companies.

Corporate & Investment Banking Commercial Division: This operating segment includes large corporations, financial institutions and high net worth investors with financial needs of high value-added financial services. The operating units in this operating segment are: Wholesale Banks, Corporate and Private.

**Corporate & Investment Banking Finance Division Segment:** This segment manages the Bank's own investment portfolio.

**Segment BCI Financial Group, INC. and Subsidiaries** corresponds to business and operations carried out in the United States through the City National Bank of Florida (CNB), which operates as an independent unit, under the senior management supervision in Chile.

**Financial Services:** corresponds to the businesses associated with the issuance and operation of BCI Lider Mastercard and Presto credit cards, the origination of advances and brokerage of personal insurance, among others, which operates as an independent unit, under the supervision of BCI's top management.

In "Others" are included those expenses and/or income, which by their nature are not directly identifiable within the reportable segments and therefore are not assigned.

#### **Income from subsidiaries allocation by client:**

Certain subsidiaries' revenue and expenses are allocated to the segments to which the Bank customer is assigned.

#### **Investment management results allocation:**

In order to allocate in each segment all, the benefits and costs associated with services provided to clients, the results of investment management services are allocated to the segments in proportion to total income for assets in each segment less average cost of funding.

#### **Allocation of expenses to reporting segments:**

Direct expenses: correspond to the costs directly attributable to each cost center of each segment which are clearly recognizable and assignable. For example, personnel expenses, materials and inventory, and depreciation.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 5 – INFORMATION BY SEGMENTS, CONTINUED**

Indirect expenses (centralized allocation of expenses): expenses recognized in general cost centers, according to Bank policy, are allocated to different segments.

Management support expenses: these expenses are allocated depending on the time and resources consumed by different segments, based on the need. These expenses are preliminarily defined and agreed to by the areas involved (user and support area).

These criteria have been applied for the years ended December 31, 2020 and 2019.

The management of the above-mentioned commercial areas is measured with the concepts presented in this note, which is based on the accounting principles applied to the Bank's Consolidated Statements of Income.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 5 – INFORMATION BY SEGMENTS, CONTINUED

a) Profit or loss 2020:

Profit or loss 2020:

For the year ended December 31, 2020									
	Retail Banking		Wholesale Banking						
	Bank Retail	Small & Medium Enterprise	Commercial Banking	C&IB Commercial Division	C&IB Finance Division	BCI Financial Group, INC, and Subsidiaries (BCIFG):	Financial Services	Other	Consolidated balances
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Net interest and indexation income	430,551	162,292	245,139	144,278	1,212	369,743	125,392	(20,066)	1,458,541
Net fee and commission income	154,713	35,944	38,174	24,666	3,458	45,908	27,892	4,829	335,584
Other operating income	36,310	6,214	4,240	6,261	159,303	4,965	25,444	(4,534)	238,203
Operating income	621,574	204,450	287,553	175,205	163,973	420,616	178,728	(19,771)	2,032,328
Provision for loan losses Impairment of repossessed assets	(215,311)	(77,562)	(82,622)	(23,438)	9,213	(84,065)	(76,127)	(103,999)	(653,911)
Operating income, net	406,263	126,888	204,931	151,767	173,186	336,551	102,601	(123,770)	1,378,417
Total operating expenses	(403,765)	(100,248)	(96,766)	(64,742)	(38,007)	(204,433)	(84,245)	(43,655)	(1,035,861)
TOTAL NET OPERATING INCOME	2,498	26,640	108,165	87,025	135,179	132,118	18,356	(167,425)	342,556
Share of profits of investments accounted for using the equity method									(358)
Income before income tax									342,198
Income tax paid									(24,665)
CONSOLIDATED NET INCOME FOR THE YEAR									317,533

### NOTE 5 – INFORMATION BY SEGMENTS, CONTINUED

b) Business volume 2020:

	As of December 31, 2020							
	Retail Banking		Wholesale Banking					
	Bank Retail	Bank Small & Medium Enterprise	Bank Commercial	C&IB Commercial Division C&IB	C&IB Finance Division	BCI Financial Group, INC, and Subsidiaries (BCIFG):	Financial Services	Total Segments
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
ASSETS	11,429,385	3,057,285	7,046,234	5,532,529	16,168,991	13,288,182	633,693	57,156,299
LIABILITIES	6,495,243	2,188,707	4,577,169	9,477,103	18,090,205	11,876,009	557,158	53,261,594
SHAREHOLDERS' EQUITY								3,894,705



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 5 – INFORMATION BY SEGMENTS, CONTINUED

c) Profit or loss 2019:

	For the year ended December 31, 2019								
	Retail Banking		Wholesale Banking						
	Bank Retail	Small & Medium Enterprise	Commercial Banking	C&IB Commercial Division	C&IB Finance Division	BCI Financial Group INC. and Subsidiaries	Financial Services	Other	Consolidated balances
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Net interest and indexation income	454,713	162,840	237,970	123,572	(30,329)	277,867	113,523	(18,662)	1,321,494
Net fee and commission income	170,554	32,783	24,644	21,130	10,841	27,339	66,688	(2,219)	351,760
Other operating income	25,230	5,632	7,174	5,749	137,209	19,034	12,840	5,666	218,534
Operating income	650,497	201,255	269,788	150,451	117,721	324,240	193,051	(15,215)	1,891,788
Provision for loan losses Impairment of repossessed assets	(193,600)	(66,556)	(34,795)	(3,120)	(33)	(19,655)	(97,760)	-	(415,519)
Operating income, net	456,897	134,699	234,993	147,331	117,688	304,585	95,291	(15,215)	1,476,269
Total operating expenses	(398,775)	(100,975)	(99,784)	(61,745)	(48,777)	(148,756)	(88,009)	(10,910)	(957,731)
TOTAL NET OPERATING INCOME	58,122	33,724	135,209	85,586	68,911	155,829	7,282	(26,125)	518,538
Share of profits of investments accounted for using the equity method									12,638
Income before income tax									531,176
Income tax paid									(128,437)
CONSOLIDATED NET INCOME FOR THE YEAR									402,739

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

d) Business volume 2019:

	As of December 31, 2019							
	Retail Banking		Wholesale Banking					
	Bank Retail	Bank Small & Medium Enterprise	Bank Commercial	C&IB Commercial Division C&IB	C&IB Finance Division	BCI Financial Group INC. and Subsidiaries	Financial Services	Total Segments
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
ASSETS	11,027,083	2,387,656	6,604,359	5,547,872	12,146,955	11,927,385	695,310	50,336,620
LIABILITIES	4,874,161	1,699,964	3,983,645	9,318,381	15,457,063	10,567,897	642,989	46,544,100
SHAREHOLDERS' EQUITY								3,792,520

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 6 - CASH AND CASH EQUIVALENTS

- a) Details of balances included within cash and cash equivalents, and their reconciliation with the consolidated statements of cash flows, are as follows:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Cash and deposits in banks		
Cash	608,987	530,345
Deposits in Central Bank of Chile (*)	1,708,329	917,204
Deposits in domestic banks	20,945	23,422
Deposits in foreign banks	2,259,606	1,682,789
Subtotal cash and deposits in banks	<u>4,597,867</u>	<u>3,153,760</u>
Items in course of collection, net	35,272	109,626
Highly liquid financial instruments	625,391	12,035
Repurchase agreements	156,448	156,307
<b>Total cash and cash equivalents</b>	<u><b>5,414,978</b></u>	<u><b>3,431,728</b></u>

(\*) Deposits in Central Bank of Chile reflects the monthly average that the Bank must maintain in accordance with the regulations governing minimum reserves although the balance can be withdrawn on demand.

- b) Items in course of collection

Items during collection correspond to those transactions pending settlement which will increase or decrease deposits in Central Bank of Chile or in foreign banks, usually within 12 or 24 hours. At the end of each fiscal year, these operations are presented according to the following detail:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
<b>Assets</b>		
Outstanding notes from other Banks	71,092	136,326
Funds receivable	165,618	174,276
Subtotal assets	<u>236,710</u>	<u>310,602</u>
<b>Liabilities</b>		
Funds payable	201,438	200,976
Subtotal liabilities	<u>201,438</u>	<u>200,976</u>
<b>Items in course of collection, net</b>	<u><b>35,272</b></u>	<u><b>109,626</b></u>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 7 - TRADING PORTFOLIO FINANCIAL ASSETS**

The following is the detail of trading portfolio financial assets as of December 31, 2019 and 2018:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
<b>Instruments of the state and Central Bank of Chile (*)</b>		
Bonds of the Central Bank of Chile	5,239	518,073
Promissory notes of the Central Bank of Chile	189,001	29
Other instruments of the State and Central Bank of Chile	242,844	876,977
<b>Instruments of other domestic institutions:</b>		
Bonds	397,541	230,626
Term deposits	119,599	300,375
Letters of credit	4,160	2,106
Documents issued by other financial institutions	68,613	133,147
Other instruments	19,388	78,107
<b>Instruments of other foreign institutions:</b>		
Other instruments	3,463	1,940
<b>Investments in mutual funds:</b>		
Funds administered by related parties	61,441	34,591
Funds administered by third parties	35,990	36,286
<b>Total</b>	<b>1,147,279</b>	<b>2,212,257</b>

(\*) As of December 31, 2020, and 2019, the Bank holds instruments issued by the Central Bank of Chile, classified under “Instruments of the State and Central Bank of Chile” for MCh\$44,684 and MCh\$591,476, respectively.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 8 - INVESTMENTS UNDER AGREEMENTS TO RESELL AND LIABILITIES UNDER AGREEMENTS TO REPURCHASE

a) Securities purchased under agreements to resell:

Type of entity	Maturity of the agreement							
	Up to 3 months		Between 3 months and 1 year		Over 1 year		As of December 31	
	Average rate		Average rate		Average rate			
	MCh\$	%	MCh\$	%	MCh\$	%	MCh\$	
Related party (individuals or entities)	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Securities brokers	4,955	0.14	895	0.12	-	-	-	5,850
Other domestic financial institutions	-	-	-	-	-	-	-	-
Foreign financial institutions	-	-	-	-	-	-	-	-
Related party (individuals or entities)	151,493	0.08	32,905	0.11	-	-	-	184,398
<b>Total</b>	<b>156,448</b>		<b>33,800</b>		<b>-</b>		<b>-</b>	<b>190,248</b>

Type of entity	Maturity of the agreement							
	Up to 3 months		Between 3 months and 1 year		Over 1 year		As of December 31, 2019	
	Average rate		Average rate		Average rate			
	MCh\$	%	MCh\$	%	MCh\$	%	MCh\$	
Related party (individuals or entities)	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-
Securities brokers	49,766	0.26	9,332	0.26	-	-	-	59,098
Other domestic financial institutions	-	-	-	-	-	-	-	-
Foreign financial institutions	-	-	-	-	-	-	-	-
Related party (individuals or entities)	106,541	0.21	30,376	0.25	-	-	-	136,917
<b>Total</b>	<b>156,307</b>		<b>39,708</b>		<b>-</b>		<b>-</b>	<b>196,015</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 8 - INVESTMENTS UNDER AGREEMENTS TO RESELL AND LIABILITIES UNDER AGREEMENTS TO REPURCHASE, CONTINUED

b) Securities sold under repurchase agreements:

Type of entity	Maturity of the agreement						As of December 31
	Up to 3 months		Between 3 months and 1 year		Over 1 year		
	Average rate		Average rate		Average rate		
	MCh\$	%	MCh\$	%	MCh\$	%	2020 MCh\$
Related party (individuals or entities)	-	-	-	-	-	-	-
Domestic banks	52,018	0.04	-	-	-	-	52,018
Securities brokers	-	-	-	-	-	-	-
Other domestic financial institutions	79,997	0.03	-	-	-	-	79,997
Foreign financial institutions	-	-	-	-	-	-	-
Related party (individuals or entities)	218,222	0.07	77	0.06	-	-	218,299
<b>Total</b>	<b>350,237</b>		<b>77</b>		<b>-</b>		<b>350,314</b>

Type of entity	Maturity of the agreement						As of December 31, 2019 MCh\$
	Up to 3 months		Between 3 months and 1 year		Over 1 year		
	Average rate		Average rate		Average rate		
	MCh\$	%	MCh\$	%	MCh\$	%	
Related party (individuals or entities)	-	-	-	-	-	-	-
Domestic banks	9,992	0.21	-	-	-	-	9,992
Securities brokers	-	-	-	-	-	-	-
Other domestic financial institutions	99,988	0.16	-	-	-	-	99,988
Foreign financial institutions	-	-	-	-	-	-	-
Related party (individuals or entities)	799,411	0.44	-	-	-	-	799,411
<b>Total</b>	<b>909,391</b>		<b>-</b>		<b>-</b>		<b>909,391</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING**

- a) As of December 31, 2020, and 2019, the Bank and its subsidiaries held the following portfolio of derivative instruments:

As of December 31, 2020

	Notional Amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Trading Derivatives</b>				
Forwards	29,425,884	28,023,386	527,822	562,464
Swaps	121,459,609	119,407,296	3,887,843	3,960,328
Call Options	112,745	125,696	664	518
Put Options	114,710	120,516	3,846	4,868
Futures	3	3	-	238
Other	-	-	-	-
<b>Subtotal</b>	<b>151,112,951</b>	<b>147,676,897</b>	<b>4,420,175</b>	<b>4,528,416</b>
<b>Fair Value Hedge Derivatives</b>				
Forwards	-	-	-	-
Swaps	1,455,209	1,057,972	208,858	78,803
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Other	-	-	-	-
<b>Subtotal</b>	<b>1,455,209</b>	<b>1,057,972</b>	<b>208,858</b>	<b>78,803</b>
<b>Cash Flow Hedge Derivatives</b>				
Forwards	-	287,380	3,573	4,106
Swaps	2,116,451	2,970,952	819,291	1,182,029
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Other	-	-	-	-
<b>Subtotal</b>	<b>2,116,451</b>	<b>3,258,332</b>	<b>822,864</b>	<b>1,186,135</b>
<b>Total</b>	<b>154,684,611</b>	<b>151,993,201</b>	<b>5,451,897</b>	<b>5,793,354</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, CONTINUED**

As of December 31, 2019

	Notional Amount		Fair value	
	Assets	Liabilities	Assets	Liabilities
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Trading Derivatives</b>				
Forwards	36,073,995	35,799,440	527,888	474,302
Swaps	129,467,616	127,855,131	3,011,080	3,242,642
Call Options	476,791	471,764	13,353	6,283
Put Options	426,560	396,365	1,599	3,131
Futures	67,672	67,672	53	312
Other	-	-	-	-
<b>Subtotal</b>	<b>166,512,634</b>	<b>164,590,372</b>	<b>3,553,973</b>	<b>3,726,670</b>
<b>Fair Value Hedge Derivatives</b>				
Forwards	-	-	-	-
Swaps	1,823,607	991,011	363,648	153,479
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Other	-	-	-	-
<b>Subtotal</b>	<b>1,823,607</b>	<b>991,011</b>	<b>363,648</b>	<b>153,479</b>
<b>Cash Flow Hedge Derivatives</b>				
Forwards	-	523,734	19,687	16,496
Swaps	1,614,887	2,161,192	323,981	515,720
Call Options	-	-	-	-
Put Options	-	-	-	-
Futures	-	-	-	-
Other	-	-	-	-
<b>Subtotal</b>	<b>1,614,887</b>	<b>2,684,926</b>	<b>343,668</b>	<b>532,216</b>
<b>Total</b>	<b>169,951,128</b>	<b>168,266,309</b>	<b>4,261,289</b>	<b>4,412,365</b>



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, CONTINUED**

## b) Types of derivatives

The Bank uses hedge accounting to manage its exposure to fair value risk and risk of changes in cash flows.

**Fair value hedges:**

For hedged items in both foreign currency and local currency, the fair value of the hedged item is hedged to protect against changes in the base interest rate. These hedges reduce the risk related to fair value changes due to changes in the interest rate or foreign exchange rates, among others.

The following tables provide a summary of the hedged items and hedging instruments for fair value hedge accounting as of, December 31, 2020 and 2019:

<u>Hedged item</u>	<u>As of December 31, 2020</u>		<u>As of December 31, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>
Bonds issued MX/MN	-	976,348	-	1,368,186
Term deposits	-	219,061	-	87,000
Investment MX	514,357	-	274,770	-
Macro hedge MN, MX	543,615	-	716,241	-
Obligations MN	-	259,800	-	368,421
<b>Total</b>	<b>1,057,972</b>	<b>1,455,209</b>	<b>991,011</b>	<b>1,823,607</b>

<u>Hedging instrument</u>	<u>As of, December 31, 2020</u>		<u>As of December 31, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>
Cross Currency Swaps	396,601	591,271	913,788	769,721
Interest rate Swap MN	219,061	-	87,000	-
Interest rate Swap MX	839,547	466,701	822,819	221,290
<b>Total</b>	<b>1,455,209</b>	<b>1,057,972</b>	<b>1,823,607</b>	<b>991,011</b>

MX: Foreign currency  
MN: Domestic currency

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, CONTINUED

#### Cash flow hedges:

The Bank uses cash flow hedging instruments such as cross currency swaps, forwards (inflation and exchange rate) and UF rate swaps to hedge the assets and liabilities exposed to variations in interest rates, exchange rates and/or inflation.

The following tables provide a summary of the hedged items and hedging instruments for fair value hedge accounting as of December 31, 2020 and 2019:

Hedged item	As of December 31, 2020		As of December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	MCh\$	MCh\$	MCh\$	MCh\$
Assets UF > 1Y	1,992,524	-	1,761,728	-
Future obligations USD	-	64,060	-	67,669
Term deposits Ch\$	-	1,853,524	-	978,392
Assets UF	313,183	-	330,827	-
Credits MX	480,451	-	488,722	-
Bond MN/MX	427,068	198,867	75,188	568,826
Assets USD	45,106	-	28,461	-
<b>Total</b>	<b>3,258,332</b>	<b>2,116,451</b>	<b>2,684,926</b>	<b>1,614,887</b>

Hedging instrument	As of, December 31, 2020		As of December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	MCh\$	MCh\$	MCh\$	MCh\$
Cross Currency Swaps	262,927	2,047,163	636,496	1,510,103
Forward UF	-	284,889	-	523,734
Swap MX	-	480,451	-	-
Forward USD	-	2,491	-	-
Swap rate	1,853,524	443,338	978,391	651,089
<b>Total</b>	<b>2,116,451</b>	<b>3,258,332</b>	<b>1,614,887</b>	<b>2,684,926</b>

MX: Foreign currency  
MN: Domestic currency

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, CONTINUED**

**Hedge of a net investment in a foreign operation:**

The hedge of a net investment in a foreign operation seeks to mitigate the foreign exchange rate risk applied to the net assets of the foreign business, the detail is as follows in notional amounts:

	<u>As of December 31, 2020</u>		<u>As of December 31, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
<b>Hedged item</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Net investment in a foreign operation	-	-	114,224	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>114,224</b>	<b>-</b>

	<u>As of December 31, 2020</u>		<u>As of Tuesday, December 31, 2019</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
<b>Hedging instrument</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Bonds in foreign currency	-	-	-	114,224
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114,224</b>

MX: Foreign currency

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 9 - DERIVATIVE FINANCIAL AGREEMENTS AND HEDGE ACCOUNTING, CONTINUED**

The following table provides details of the expected future cash flows related to cash flow hedges:

Periods of expected future cash flows					
As of December 31, 2020					
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
Hedged item	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Cash inflows	633,123	3,353,185	2,235,947	79,268	6,301,523
Cash outflows	(641,547)	(3,184,154)	(1,935,290)	(94,781)	(5,855,772)
<b>Net cash flows</b>	<b>(8,424)</b>	<b>169,031</b>	<b>300,657</b>	<b>(15,513)</b>	<b>445,751</b>
<b>Hedging instrument</b>					
Cash inflows	641,547	3,184,154	1,935,290	94,781	5,855,772
Cash outflows	(633,123)	(3,353,185)	(2,235,947)	(79,268)	(6,301,523)
<b>Net cash flows</b>	<b>8,424</b>	<b>(169,031)</b>	<b>(300,657)</b>	<b>15,513</b>	<b>(445,751)</b>

Periods of expected future cash flows					
As of December 31, 2019					
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years	Total
Hedged item	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Cash inflows	990,675	2,024,860	1,367,582	55,230	4,438,347
Cash outflows	(753,431)	(1,810,551)	(1,428,555)	(62,456)	(4,054,993)
<b>Net cash flows</b>	<b>237,244</b>	<b>214,309</b>	<b>(60,973)</b>	<b>(7,226)</b>	<b>383,354</b>
<b>Hedging instrument</b>					
Cash inflows	753,431	1,810,551	1,428,555	62,456	4,054,993
Cash outflows	(990,675)	(2,024,860)	(1,367,582)	(55,230)	(4,438,347)
<b>Net cash flows</b>	<b>(237,244)</b>	<b>(214,309)</b>	<b>60,973</b>	<b>7,226</b>	<b>(383,354)</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 10 - LOANS AND RECEIVABLES FROM BANKS, NET**

a) As of December 31, 2020, and 2019, balances for this concept are the following:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
<b>Domestic banks</b>		
Highly liquid interbank loans	-	-
Allowance for loan losses of domestic banks	-	-
<b>Foreign banks</b>		
Highly liquid interbank loans	357,032	458,145
Allowance for loan losses of foreign banks	(363)	(505)
<b>Total</b>	<b>356,669</b>	<b>457,640</b>

b) The rollforward as of December 31, 2020 and 2019 of provisions and impairment is as follows:

<u>Detail</u>	As of December 31, 2020			As of December 31, 2019		
	Domestic banks	Foreign banks	Total	Domestic banks	Foreign banks	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Balance as of January 1,</b>	-	505	505	-	606	606
Write-offs	-	-	-	-	-	-
Allowances established	-	-	-	-	1,360	1,360
Reversal of provisions	-	(142)	(142)	-	(1,461)	(1,461)
Reversal of impairment	-	-	-	-	-	-
<b>Ending balance</b>	<b>-</b>	<b>363</b>	<b>363</b>	<b>-</b>	<b>505</b>	<b>505</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 11 – LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET

a) Loans and receivables from customers, net

As of December 31, 2020, and 2019, the composition of the loan portfolio was as follows:

As of December 31, 2020	Assets before allowances				Allowances established			Net assets
	Normal portfolio	Substandard portfolio	Non-compliant portfolio	Total	Individual allowance	Collective allowance	Total	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
<b>Commercial loans:</b>								
Commercial loans (*)	17,504,282	1,582,279	680,960	19,767,521	(233,967)	(170,030)	(403,997)	19,363,524
Foreign trade loans	666,961	33,733	279	700,973	(11,935)	(633)	(12,568)	688,405
Checking accounts	121,036	1,969	10,806	133,811	(1,560)	(6,652)	(8,212)	125,599
Factoring operations	907,285	14,026	2,305	923,616	(6,832)	(1,830)	(8,662)	914,954
Student Loans	125,148	-	21,082	146,230	-	(5,339)	(5,339)	140,891
Consumer leasing transactions	1,337,162	79,192	27,675	1,444,029	(14,089)	(7,028)	(21,117)	1,422,912
Other loans	47,615	366	9,566	57,547	(1,115)	(5,600)	(6,715)	50,832
<b>Subtotal</b>	<b>20,709,489</b>	<b>1,711,565</b>	<b>752,673</b>	<b>23,173,727</b>	<b>(269,498)</b>	<b>(197,112)</b>	<b>(466,610)</b>	<b>22,707,117</b>
<b>Mortgage loans:</b>								
Letters of credit	5,190	-	379	5,569	-	(9)	(9)	5,560
Negotiable mortgage loans	1,509,776	-	23,314	1,533,090	-	(10)	(10)	1,533,080
Other mortgage loans	7,056,103	-	214,884	7,270,987	-	(47,758)	(47,758)	7,223,229
Consumer leasing transactions	-	-	-	-	-	-	-	-
Other loans	132,021	-	4,034	136,055	-	(453)	(453)	135,602
<b>Subtotal</b>	<b>8,703,090</b>	<b>-</b>	<b>242,611</b>	<b>8,945,701</b>	<b>-</b>	<b>(48,230)</b>	<b>(48,230)</b>	<b>8,897,471</b>
<b>Consumer loans:</b>								
Consumer loans in installments	1,839,122	-	251,056	2,090,178	-	(176,326)	(176,326)	1,913,852
Checking accounts	56,790	-	8,595	65,385	-	(9,349)	(9,349)	56,036
Credit card borrowers	1,161,662	-	63,265	1,224,927	-	(89,010)	(89,010)	1,135,917
Consumer leasing transactions	728	-	34	762	-	(21)	(21)	741
Other loans	7,866	-	167	8,033	-	(486)	(486)	7,547
<b>Subtotal</b>	<b>3,066,168</b>	<b>-</b>	<b>323,117</b>	<b>3,389,285</b>	<b>-</b>	<b>(275,192)</b>	<b>(275,192)</b>	<b>3,114,093</b>
<b>TOTAL</b>	<b>32,478,747</b>	<b>1,711,565</b>	<b>1,318,401</b>	<b>35,508,713</b>	<b>(269,498)</b>	<b>(520,534)</b>	<b>(790,032)</b>	<b>34,718,681</b>

(\*) Includes loans corresponding to Protected Assets Fund No. 27 as stated in Note 1, ag.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 11 - LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET, CONTINUED

As of December 31, 2019	Assets before allowances				Allowances established			Net assets
	Normal portfolio	Substandard portfolio	Non-compliant portfolio	Total	Individual allowance	Collective allowance	Total	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
<b>Commercial loans:</b>								
Commercial loans (*)	16,331,627	604,568	512,985	17,449,180	(152,415)	(133,887)	(286,302)	17,162,878
Foreign trade loans	1,070,690	25,063	574	1,096,327	(9,591)	(1,955)	(11,546)	1,084,781
Checking accounts	170,938	3,139	12,851	186,928	(1,582)	(9,157)	(10,739)	176,189
Factoring operations	1,028,924	5,370	3,236	1,037,530	(4,158)	(2,666)	(6,824)	1,030,706
Student Loans	142,155	-	13,357	155,512	-	(4,370)	(4,370)	151,142
Consumer leasing transactions	1,509,647	49,780	52,062	1,611,489	(19,917)	(9,045)	(28,962)	1,582,527
Other loans	61,412	339	11,455	73,206	(1,618)	(6,734)	(8,352)	64,854
<b>Subtotal</b>	<b>20,315,393</b>	<b>688,259</b>	<b>606,520</b>	<b>21,610,172</b>	<b>(189,281)</b>	<b>(167,814)</b>	<b>(357,095)</b>	<b>21,253,077</b>
<b>Mortgage loans:</b>								
Letters of credit	7,653	-	581	8,234	-	(60)	(60)	8,174
Negotiable mortgage loans	1,697,093	-	16,799	1,713,892	-	(10,097)	(10,097)	1,703,795
Other mortgage loans	6,385,596	-	226,251	6,611,847	-	(31,477)	(31,477)	6,580,370
Consumer leasing transactions	-	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>8,090,342</b>	<b>-</b>	<b>243,631</b>	<b>8,333,973</b>	<b>-</b>	<b>(41,634)</b>	<b>(41,634)</b>	<b>8,292,339</b>
<b>Consumer loans:</b>								
Consumer loans in installments	2,151,324	-	265,823	2,417,147	-	(154,773)	(154,773)	2,262,374
Checking accounts	105,790	-	12,320	118,110	-	(9,340)	(9,340)	108,770
Credit card borrowers	1,289,210	-	74,110	1,363,320	-	(105,432)	(105,432)	1,257,888
Consumer leasing transactions	1,247	-	41	1,288	-	(47)	(47)	1,241
Other loans	36,355	-	413	36,768	-	-	-	36,768
<b>Subtotal</b>	<b>3,583,926</b>	<b>-</b>	<b>352,707</b>	<b>3,936,633</b>	<b>-</b>	<b>(269,592)</b>	<b>(269,592)</b>	<b>3,667,041</b>
<b>Total</b>	<b>31,989,661</b>	<b>688,259</b>	<b>1,202,858</b>	<b>33,880,778</b>	<b>(189,281)</b>	<b>(479,040)</b>	<b>(668,321)</b>	<b>33,212,457</b>

(\*) Includes loans corresponding to Protected Assets Fund No. 27 as stated in Note 1, ag.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 11 - LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET, CONTINUED

The collateral received by the Bank with respect to the mortgage loan portfolio consists of cash, securities, accounts receivable, property and real estate assets, and guarantees, among others.

The Bank uses finance lease agreements for terms from 1 to 10 years, depending on the contract, to finance acquisition of property, both movable and immovable, for its clients. Those are presented in the heading of leasing operations. As of December 31, 2020, and 2019, the Bank held approximately MCh\$575,648 and MCh\$616,757, respectively, of financial leases on movable assets, and MCh\$ 869,143 and MCh\$ 996,020, respectively, of financial leases on property.

The following tables provide a reconciliation between gross investment in and present value of minimum payments as of December 31, 2020 and 2019 as well as a maturity analysis at such dates:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Gross investments in lease	1,612,395	1,812,480
Unearned income from financial lease	(167,604)	(199,703)
<b>Net financial leases</b>	<b>1,444,791</b>	<b>1,612,777</b>

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Less than 1 year	350,850	345,138
Between 1 and 5 years	633,074	755,004
Over 5 years	460,867	512,635
<b>Total</b>	<b>1,444,791</b>	<b>1,612,777</b>

There is no evidence of impairment of the financial lease contracts that the Bank holds.

The Bank has obtained repossessed assets for an amount of MCh\$ 6,037 as of December 31, 2020 and MCh\$ 9,509 for December 31, 2019 through the execution of collateral held on assets.



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 11 - LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET, CONTINUED

b) Portfolio characteristics:

As of December 31, 2020, and 2019, the loan portfolio, before allowances, by type of customer economic activity is as follows:

	Domestic loans		Foreign loans		Total			
	As of December 31		As of December 31		As of December 31		As of December 31	
	2020	2019	2020	2019	2020	2019	2020	2019
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	%	%
Commercial loans:								
Agriculture and livestock except fruits	362,664	309,464	136,201	132,164	498,865	441,628	1.40%	1.30%
Fruits	125,220	71,790	146,164	180,790	271,384	252,580	0.76%	0.75%
Forestry and wood extraction	124,884	114,399	21,085	18,534	145,969	132,933	0.41%	0.39%
Fishing	43,994	30,619	103,435	127,668	147,429	158,287	0.42%	0.47%
Mining	66,874	59,896	91,149	189,831	158,023	249,727	0.45%	0.74%
Crude oil and natural gas production	30,238	1,631	40,614	129,105	70,852	130,736	0.20%	0.39%
Food, beverage and tobacco industry	292,586	252,141	103,320	126,031	395,906	378,172	1.11%	1.12%
Textile and leather industry	53,125	26,777	22,471	35,913	75,596	62,690	0.21%	0.19%
Timber and furniture industry	61,224	42,533	4,065	17,161	65,289	59,694	0.18%	0.18%
Print and editorial industry	81,237	48,332	12,921	13,801	94,158	62,133	0.27%	0.18%
Chemical product, derived from oil, coal, rubber and plastic	165,965	154,026	49,065	86,729	215,030	240,755	0.61%	0.71%
Production of metal and non-metal production, machinery and equipment	501,233	347,951	119,339	205,198	620,572	553,149	1.75%	1.63%
Other manufacturing industries	39,508	32,032	211,081	234,914	250,589	266,946	0.71%	0.79%
Electricity, gas and water	270,663	275,135	309,253	324,339	579,916	599,474	1.63%	1.77%
Home construction	109,323	170,061	2,467	7,098	111,790	177,159	0.31%	0.52%
Other construction	1,571,475	1,487,819	257,667	216,493	1,829,142	1,704,312	5.15%	5.03%
Wholesale business	1,183,063	851,995	387,691	738,469	1,570,754	1,590,464	4.42%	4.69%
Retail, restaurants and hotels	972,932	672,625	1,378,470	1,061,651	2,351,402	1,734,276	6.62%	5.12%
Transporting and storage	522,923	418,851	574,164	545,124	1,097,087	963,975	3.09%	2.85%
Communications	270,543	232,272	182,757	175,235	453,300	407,507	1.28%	1.20%
Financial and insurance companies	2,271,488	2,313,758	399,290	385,265	2,670,778	2,699,023	7.52%	7.97%
Real estate and service providers	2,100,433	2,019,681	2,757,274	2,659,335	4,857,707	4,679,016	13.68%	13.79%
Services	2,255,641	1,974,996	2,386,548	2,090,540	4,642,189	4,065,536	13.07%	12.00%
Subtotal	<b>13,477,236</b>	<b>11,908,784</b>	<b>9,696,491</b>	<b>9,701,388</b>	<b>23,173,727</b>	<b>21,610,172</b>	<b>65.26%</b>	<b>63.78%</b>
Mortgage loans	7,416,285	6,625,448	1,529,416	1,708,525	8,945,701	8,333,973	25.19%	24.60%
Consumer loans	3,326,941	3,861,838	62,344	74,795	3,389,285	3,936,633	9.54%	11.62%
Total	<b>24,220,462</b>	<b>22,396,070</b>	<b>11,288,251</b>	<b>11,484,708</b>	<b>35,508,713</b>	<b>33,880,778</b>	<b>100.00%</b>	<b>100.00%</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 11 - LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET, CONTINUED

#### c) Provisions

The changes in allowances for loan losses as of December 31, 2020 and 2019 are summarized as follows:

	As of December 31, 2020			As of December 31, 2019		
	Individual allowance MCh\$	Collective allowance MCh\$	Total MCh\$	Individual allowance MCh\$	Collective allowance MCh\$	Total MCh\$
<b>Balances as of January 1,</b>	<b>189,281</b>	<b>479,040</b>	<b>668,321</b>	<b>184,362</b>	<b>372,405</b>	<b>556,767</b>
Portfolio write-offs:						
Commercial loans	(42,323)	(64,632)	(106,955)	(37,978)	(72,802)	(110,780)
Mortgage loans	-	(7,896)	(7,896)	-	(8,846)	(8,846)
Consumer loans	-	(334,383)	(334,383)	-	(276,651)	(276,651)
<b>Total Write-offs</b>	<b>(42,323)</b>	<b>(406,911)</b>	<b>(449,234)</b>	<b>(37,978)</b>	<b>(358,299)</b>	<b>(396,277)</b>
Allowances established	146,828	496,987	643,815	71,249	477,348	548,597
Reversal of provisions	(24,288)	(48,582)	(72,870)	(28,352)	(12,414)	(40,766)
<b>Ending balance</b>	<b>269,498</b>	<b>520,534</b>	<b>790,032</b>	<b>189,281</b>	<b>479,040</b>	<b>668,321</b>

In addition to these allowances for loan losses, the provisions for country risk are maintained to cover operations abroad, as well as additional provisions approved by the Board, which are presented as liabilities under “Provisions” (See Note 21). Therefore, the total amount of allowances and provisions for credit risk constituted for different concepts corresponds to the following:

	As of December 31 2020 MCh\$	As of December 31 2019 MCh\$
Individual and collective allowance (*)	790,032	668,321
Provisions for contingent credit risk (Note 21)	51,593	42,669
Additional provisions (Note 21)	160,176	16,692
Minimum provision 0.50% (Note 21)	-	10,708
Provisions for country risk (Note 21)	3,608	3,017
Allowances on loans and receivables to banks (Note 10)	363	505
<b>Total</b>	<b>1,005,772</b>	<b>741,912</b>

(\*) As of December 31, 2020, the Bank has established provisions totaling MCh\$ 29,276 to cover the FOGAPE Covid-19 deductible guarantees, associated with commercial banking loans.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 11 - LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET, CONTINUED

During the years 2020 and 2019, the Bank has not participated in any purchase, sale, substitution or swap of the loan portfolio with other financial institutions, except for operations disclosed in the present consolidated financial statements.

##### d) Collateral

Impaired loan portfolio, secured and unsecured, before allowances for loan losses, as of December 31, 2020 and 2019 was as follows:

	As of December 31, 2020				As of December 31, 2019			
	Commercial	Mortgage	Consumer	Total	Commercial	Mortgage	Consumer	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Secured debt	813,030	236,927	77,433	1,127,390	683,589	239,842	79,170	1,002,601
Unsecured debt	129,139	5,684	245,684	380,507	122,506	3,789	273,537	399,832
<b>Total</b>	<b>942,169</b>	<b>242,611</b>	<b>323,117</b>	<b>1,507,897</b>	<b>806,095</b>	<b>243,631</b>	<b>352,707</b>	<b>1,402,433</b>

##### e) Past due portfolio

The past due portfolio (overdue for 90 days or more) as of December 31, 2020 and 2019 was as follows:

	As of December 31, 2020				As of December 31, 2019			
	Commercial	Mortgage	Consumer	Total	Commercial	Mortgage	Consumer	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Secured debt	198,888	74,984	6,621	280,493	221,811	84,118	6,393	312,322
Unsecured debt	72,893	3,133	61,137	137,163	61,775	3,915	83,744	149,434
<b>Total</b>	<b>271,781</b>	<b>78,117</b>	<b>67,758</b>	<b>417,656</b>	<b>283,586</b>	<b>88,033</b>	<b>90,137</b>	<b>461,756</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 11 - LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET, CONTINUED

f) Normal, substandard and non-compliant portfolio:

	As of December 31, 2020															
	Normal				Substandard				Non-compliant				Total portfolio			
	Commercial	Mortgage	Consumer	Total Normal	Commercial	Mortgage	Consumer	Total substandard	Commercial	Mortgage	Consumer	Total non-compliant	Commercial	Mortgage	Consumer	Total portfolio
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Portfolio Current	19,703,320	8,542,695	3,048,838	31,294,853	1,520,077	-	-	1,520,077	520,901	211,217	258,214	990,332	21,744,298	8,753,912	3,307,052	33,805,262
Overdue for 1 to 29 days	958,139	127,245	14,767	1,100,151	152,895	-	-	152,895	6,329	1,021	5,247	12,597	1,117,363	128,266	20,014	1,265,643
Overdue for 30 to 89 days	48,030	32,780	2,563	83,373	37,560	-	-	37,560	18,123	4,138	12,031	34,292	103,713	36,918	14,594	155,225
Overdue for 90 days or more ("past due")	-	370	-	370	1,033	-	-	1,033	207,320	26,235	47,625	281,180	208,353	26,605	47,625	282,583
Total portfolio before allowances	<u>20,709,489</u>	<u>8,703,090</u>	<u>3,066,168</u>	<u>32,478,747</u>	<u>1,711,565</u>	<u>-</u>	<u>-</u>	<u>1,711,565</u>	<u>752,673</u>	<u>242,611</u>	<u>323,117</u>	<u>1,318,401</u>	<u>23,173,727</u>	<u>8,945,701</u>	<u>3,389,285</u>	<u>35,508,713</u>
Overdue, but not past due loans (less than 90 days in default) as a percentage of the total portfolio	4.86%	1.84%	0.57%	3.64%	11.13%	0.00%	0.00%	11.13%	3.25%	2.13%	5.35%	3.56%	5.27%	1.85%	1.02%	4.00%
Past due loans (more than 90 days in default) as a percentage of the total	0.00%	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%	0.06%	27.54%	10.81%	14.74%	21.33%	0.90%	0.30%	1.41%	0.80%

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 11 - LOANS TO AND RECEIVABLES FROM CUSTOMERS, NET, CONTINUED

	As of December 31, 2019															
	Normal				Substandard				Non-compliant				Total portfolio			
	Commercial	Mortgage	Consumer	Total Normal	Commercial	Mortgage	Consumer	Total substandard	Commercial	Mortgage	Consumer	Total non-compliant	Commercial	Mortgage	Consumer	Total portfolio
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Portfolio Current	19,911,460	8,045,189	3,576,261	31,532,910	661,094	-	-	661,094	361,337	221,710	274,341	857,388	20,933,891	8,266,899	3,850,602	33,051,392
Overdue for 1 to 29 days	376,083	19,776	6,119	401,978	23,388	-	-	23,388	5,888	1,413	3,395	10,696	405,359	21,189	9,514	436,062
Overdue for 30 to 89 days	27,850	25,377	1,546	54,773	3,777	-	-	3,777	26,271	4,879	15,808	46,958	57,898	30,256	17,354	105,508
Overdue for 90 days or more ("past due")	-	-	-	-	-	-	-	-	213,024	15,629	59,163	287,816	213,024	15,629	59,163	287,816
Total portfolio before allowances	<u>20,315,393</u>	<u>8,090,342</u>	<u>3,583,926</u>	<u>31,989,661</u>	<u>688,259</u>	<u>-</u>	<u>-</u>	<u>688,259</u>	<u>606,520</u>	<u>243,631</u>	<u>352,707</u>	<u>1,202,858</u>	<u>21,610,172</u>	<u>8,333,973</u>	<u>3,936,633</u>	<u>33,880,778</u>
Overdue, but not past due loans (less than 90 days in default) as a percentage of the total portfolio	1.99%	0.56%	0.21%	1.43%	3.95%	0.00%	0.00%	3.95%	5.30%	2.58%	5.44%	4.79%	2.14%	0.62%	0.68%	1.60%
Past due loans (more than 90 days in default) as a percentage of the total	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.12%	6.42%	16.77%	23.93%	0.99%	0.19%	1.50%	0.85%

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 12 – FINANCIAL INVESTMENTS

As of December 31, 2020, and 2019, financial investments available for sale and held to maturity are as follows:

	As of December 31, 2020			As of December 31, 2019		
	Available for sale	Held to maturity	Total	Available for sale	Held to maturity	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Financial investments quoted in active markets</b>						
<b>Of the state and the Central Bank of Chile (a):</b>						
Instruments of the Central Bank of Chile (b)	1,840,936	-	1,840,936	182,100	-	182,100
Bonds or promissory notes of the Treasury	1,578,684	-	1,578,684	510,742	-	510,742
Other fiscal instruments	5,110	-	5,110	5,424	-	5,424
<b>Other domestic instruments:</b>						
Financial instruments issued by other domestic banks	913,288	-	913,288	140,011	-	140,011
Bonds and corporate commercial papers	11,792	-	11,792	6,044	-	6,044
Other domestic instruments:	2,443	-	2,443	2,683	-	2,683
<b>Foreign instruments:</b>						
Instruments issued by foreign states and central banks (c)	486,068	18,626	504,694	146,361	752	147,113
Other foreign instruments	3,157,719	6,518	3,164,237	3,017,664	6,617	3,024,281
<b>Total</b>	<b>7,996,040</b>	<b>25,144</b>	<b>8,021,184</b>	<b>4,011,029</b>	<b>7,369</b>	<b>4,018,398</b>

- (a) As of December 31, 2020, and 2019, the Bank does not maintain zero coupon instruments classified in the portfolio available for sale.
- (b) As of December 31, 2020, and 2019, the Bank does not maintain instruments of the Central Bank of Chile, sold with repurchase agreements classified in the caption "State Instruments and Central Bank of Chile."
- (c) Financial investments held to maturity correspond to the portfolio of the Bank subsidiary, BCI Financial Group, INC. and subsidiaries, that holds investments in state bonds on the balance sheet of CNB, and the intent is to hold them to maturity.

As of December 31, 2020, and 2019, there is no evidence of impairment in the investment instruments available for sale.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019

### NOTE 13 - INVESTMENTS IN OTHER COMPANIES

a) As of December 31, 2020, and 2019, principal investments in associates, joint ventures and other entities are detailed below:

Company	As of December 31, 2020				As of December 31, 2019			
	Equity MCh\$	Interest %	Investment carrying value MCh\$	Income/(loss) MCh\$	Equity MCh\$	Interest %	Investment carrying value MCh\$	Income/(loss) MCh\$
<b>Investment accounted for using equity method:</b>								
Redbanc S.A.	8,663	12.71	1,101	(82)	9,221	12.71	1,172	110
Combanc S.A.	6,436	11.74	756	22	6,290	11.74	738	23
Transbank S.A.	67,336	8.72	5,871	(1,453)	82,667	8.72	7,208	1,168
Nexus S.A.	8,626	14.81	1,277	(1,341)	17,675	14.81	2,618	2
Servicio de Infraestructura de Mercado OTC S.A.	12,248	13.61	1,667	(26)	12,470	13.61	1,697	65
AFT S.A.	19,171	20.00	3,834	389	19,174	20.00	3,835	390
Centro de Compensación Automatizado S.A.	8,182	33.33	2,727	635	6,464	33.33	2,155	294
Sociedad Interbancaria de Depósitos de Valores S.A.	5,526	7.03	388	72	5,070	7.03	356	61
Pagos y Servicios S.A.	654	49.90	392	-	-	-	-	-
<b>Investment measured at cost:</b>								
SWIFT shares			56	-			56	-
Bladex shares			219	266			219	261
Credicorp LTD,			-	-			-	8,844
Other shares			429	119			299	224
<b>Total</b>			<b>18,717</b>	<b>(1,399)</b>			<b>20,353</b>	<b>11,442</b>
<b>Investment in joint ventures</b>								
<b>Investment accounted for using equity method:</b>								
Servipag Ltda.	13,268	50.00	6,634	488	12,543	50.00	6,271	572
Artikos Chile S.A.	2,547	50.00	1,274	553	2,399	50.00	1,199	624
<b>Total</b>			<b>7,908</b>	<b>1,041</b>			<b>7,470</b>	<b>1,196</b>
<b>Total investments associates, joint ventures and other entities</b>			<b>26,625</b>	<b>(358)</b>			<b>27,823</b>	<b>12,638</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019

### NOTE 13 - INVESTMENTS IN OTHER COMPANIES, CONTINUED

b) The rollforward of investments in other companies as of December 31, 2020 and 2019, is as follows:

	As of December 31, 2020	As of December 31, 2019
	MCh\$	MCh\$
<b>Balances as of January 1,</b>	<b>27,823</b>	<b>44,740</b>
Acquisition of investments in other companies	392	98
Share of profit of investments accounted for using the equity method	(358)	12,638
Sale of investments in other companies (*)	-	(29,029)
Dividends received	(388)	(224)
Adjustment for minimum dividend provision	(465)	110
Minimum dividends provision	(379)	(510)
<b>Ending balance</b>	<b>26,625</b>	<b>27,823</b>

(\*) Corresponds to sales of shares in Credicorp LTD.

c) Summary of relevant information on associates and joint ventures.

1) The information on investments in associates and joint ventures as of and for the year ended December 31, 2020, is as follows:

Investment in associate or joint venture	Interest	Current assets	Non-current assets	Current liabilities	Non - current Liabilities	Income	Expense	Net profit (loss)%
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Redbanc S.A.	12.71	7,123	18,361	6,997	9,824	36,111	(36,683)	(644)
Combank S.A.	11.74	5,190	1,968	516	206	3,623	(3,495)	188
Servicio de Infraestructura de Mercado OTC S.A.	13.61	2,028	12,452	517	1,715	106	(531)	(192)
Transbank S.A.	8.72	893,293	112,845	937,138	1,663	463,087	(417,401)	(16,670)
Nexus S.A.	14.81	10,687	8,523	6,957	3,628	45,137	(44,326)	(9,051)
Centro de Compensación Automatizado S.A.	33.33	49,529	525	29,763	1,300	3,836	2,195	1,944
Servipag Ltda.	50.00	7,438	3,696	2,534	418	12,227	(9,774)	1,810
Artikos Chile S.A.	50.00	71,711	14,942	70,887	2,498	40,138	(38,841)	976
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	140	5,700	314	-	10	(42)	1,030
Administrador Financiero del Transantiago S.A.	20.00	49,243	598	29,412	1,258	3,836	(2,195)	1,944
Pagos y Servicios S.A.	49.90	770	-	116	-	-	(110)	(131)

### NOTE 13 - INVESTMENTS IN OTHER COMPANIES, CONTINUED

2) The information on investments in associates and joint ventures as of and for the year ended December 31, 2019, is as follows:

Investment in associate or joint venture	Interest	Current assets	Non-current assets	Current liabilities	Non - current Liabilities	Income	Expense	Net profit (loss)%
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Redbanc S.A.	12.71	7,047	16,366	7,688	6,504	38,024	(36,693)	866
Combank S.A.	11.74	6,019	1,353	769	313	3,386	(3,348)	193
Servicio de Infraestructura de Mercado OTC S.A.	13.61	21,585	8,216	16,789	534	6,292	(5,725)	478
Transbank S.A.	8.72	1,118,388	99,060	1,130,800	3,981	222,912	(143,042)	13,402
Nexus S.A.	14.81	9,586	21,561	7,951	5,521	49,944	(49,699)	17
Centro de Compensación Automatizado S.A.	33.33	5,087	3,463	1,947	139	3,384	(2,229)	881
Servipag Ltda.	50.00	74,748	18,005	74,745	5,716	43,259	(41,708)	894
Artikos Chile S.A.	50.00	1,701	1,944	1,083	163	3,643	(2,452)	1,248
Sociedad Interbancaria de Depósitos de Valores S.A.	7.03	113	4,961	263	-	15	(57)	861



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019

**NOTE 14 - INTANGIBLE ASSETS**

a) The composition of intangible assets as of December 31, 2020 and 2019 was the following:

Concept	Total useful life years	Remaining average useful life years	As of December 31, 2020		
			Gross balance	Accumulated amortization	Net balance
			MCh\$	MCh\$	MCh\$
Intangible assets acquired separately (a)	6	5	98,269	(44,506)	<b>53,763</b>
Intangible generated internally (b)	6	5	245,126	(155,165)	<b>89,961</b>
Intangible assets acquired in business combination (c):					
Core deposits	9	5	88,894	(46,081)	<b>42,813</b>
Leasehold interest	30	26	6,521	(1,677)	<b>4,844</b>
Relationship with clients	10	9	34,890	(10,190)	<b>24,700</b>
Other	10	9	19,367	(4,498)	<b>14,869</b>
Intangible assets not amortizable acquired in business combination (c):					
Trademark			12,812	-	<b>12,812</b>
Goodwill			151,514	-	<b>151,514</b>
<b>Total</b>			<b>657,393</b>	<b>(262,117)</b>	<b>395,276</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019

**NOTE 14 - INTANGIBLE ASSETS, CONTINUED**

Concept	Total useful life years	Remaining average useful life years	As of December 31, 2019		
			Gross balance	Accumulated amortization	Net balance
			MCh\$	MCh\$	MCh\$
Intangible assets acquired separately (a)	6	5	84,278	(36,486)	<b>47,792</b>
Intangible generated internally (b)	6	5	215,972	(128,546)	<b>87,426</b>
Intangible assets acquired in business combination (c):					
Core deposits	9	6	90,444	(35,095)	<b>55,349</b>
Leasehold interest	30	27	5,427	(1,214)	<b>4,213</b>
Relationship with clients	10	10	37,526	(5,514)	<b>32,012</b>
Other	10	10	21,726	(2,345)	<b>19,381</b>
Intangible assets not amortizable acquired in business combination (c):					
Trademark	-	-	13,534	-	<b>13,534</b>
Goodwill	-	-	144,508	-	<b>144,508</b>
<b>Total</b>			<b>613,415</b>	<b>(209,200)</b>	<b>404,215</b>

- Corresponds to software purchased from parties not related to the Bank or its subsidiaries.
- Corresponds to software developed internally for the bank or subsidiaries to generate profits for the bank or subsidiaries.
- Corresponds to intangible assets for the business combinations of BCI Financial Group, INC, and Subsidiaries and the merger between City National Bank of Florida and TotalBank, City National Bank of Florida and Executive Banking Corporation and acquisition by the Financial Services business of Walmart by BCI.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 14 - INTANGIBLE ASSETS, CONTINUED

b) The movements of intangible assets as of December 31, 2020 and 2019 are the following:

	Intangible assets acquired separately MCh\$	Intangible generated internally MCh\$	Amortizable intangible assets in business combination				Not amortizable intangible assets acquired in business combination		Total MCh\$
			Core deposits MCh\$	Leasehold interest MCh\$	Relationshi p with clients MCh\$	Other MCh\$	Trademark MCh\$	Goodwill MCh\$	
<b>Balance as of January 1, 2020</b>	<b>84,278</b>	<b>215,972</b>	<b>90,444</b>	<b>5,427</b>	<b>37,526</b>	<b>21,726</b>	<b>13,534</b>	<b>144,508</b>	<b>613,415</b>
Acquisitions	10,870	46,893	3,667	-	-	-	-	14,087	75,517
Disposals/ transfers	3,738	(312)	-	-	-	-	-	-	3,426
Exchange differences	(595)	(17,427)	(5,217)	-	-	-	(722)	(7,081)	(31,042)
Remeasurement of goodwill and intangible assets	-	-	-	-	-	-	-	-	-
Other	(22)	-	-	1,094	-	(1)	-	-	1,071
Impairment of property, plant and equipment and intangible assets	-	-	-	-	(2,636)	(2,358)	-	-	(4,994)
<b>Gross balance as of December 31, 2020</b>	<b>98,269</b>	<b>245,126</b>	<b>88,894</b>	<b>6,521</b>	<b>34,890</b>	<b>19,367</b>	<b>12,812</b>	<b>151,514</b>	<b>657,393</b>
Amortization for the year	(8,096)	(27,366)	(14,432)	(247)	(4,676)	(2,153)	-	-	(56,970)
Accumulated amortization from previous periods	(36,486)	(128,546)	(35,095)	(1,214)	(5,514)	(2,345)	-	-	(209,200)
Transfers	76	747	3,446	(216)	-	-	-	-	4,053
Other	-	-	-	-	-	-	-	-	-
Impairment of property, plant and equipment and intangible assets	-	-	-	-	-	-	-	-	-
<b>Total accumulated amortization and impairment</b>	<b>(44,506)</b>	<b>(155,165)</b>	<b>(46,081)</b>	<b>(1,677)</b>	<b>(10,190)</b>	<b>(4,498)</b>	<b>-</b>	<b>-</b>	<b>(262,117)</b>
<b>Balance as of December 31, 2020</b>	<b>53,763</b>	<b>89,961</b>	<b>42,813</b>	<b>4,844</b>	<b>24,700</b>	<b>14,869</b>	<b>12,812</b>	<b>151,514</b>	<b>395,276</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 14 - INTANGIBLE ASSETS, CONTINUED

	Intangible assets acquired separately MCh\$	Intangible generated internally MCh\$	Amortizable intangible assets in business combination				Not amortizable intangible assets acquired in business combination		Total MCh\$
			Core deposits MCh\$	Leasehold interest MCh\$	Relationship with clients MCh\$	Other MCh\$	Trademark MCh\$	Goodwill MCh\$	
<b>Balance as of January 1, 2019</b>	<b>73,700</b>	<b>183,886</b>	<b>83,434</b>	<b>5,006</b>	<b>28,169</b>	<b>21,698</b>	<b>12,485</b>	<b>132,515</b>	<b>540,893</b>
Acquisitions	11,266	68,989	-	-	-	-	-	-	80,255
Disposals/ transfers	(1,121)	(36,903)	-	-	-	-	-	-	(38,024)
Exchange differences	-	-	7,010	421	-	1	1,049	9,789	18,270
Remeasurement of goodwill and intangible assets	-	-	-	-	9,357	27	-	2,204	11,588
Other	433	-	-	-	-	-	-	-	433
Impairment of property, plant and equipment and intangible assets	-	-	-	-	-	-	-	-	-
<b>Gross Balance as of December 31, 2019</b>	<b>84,278</b>	<b>215,972</b>	<b>90,444</b>	<b>5,427</b>	<b>37,526</b>	<b>21,726</b>	<b>13,534</b>	<b>144,508</b>	<b>613,415</b>
Amortization for the year	(6,550)	(24,377)	(12,468)	(302)	(5,514)	(2,172)	-	-	(51,383)
Accumulated amortization from previous periods	(49,055)	(88,665)	(20,023)	(774)	-	(179)	-	-	(158,696)
Transfers	16,929	(16,929)	-	-	-	-	-	-	-
Other	2,190	1,425	(2,604)	(138)	-	6	-	-	879
Impairment of property, plant and equipment and intangible assets	-	-	-	-	-	-	-	-	-
<b>Total accumulated amortization and impairment</b>	<b>(36,486)</b>	<b>(128,546)</b>	<b>(35,095)</b>	<b>(1,214)</b>	<b>(5,514)</b>	<b>(2,345)</b>	<b>-</b>	<b>-</b>	<b>(209,200)</b>
<b>Balance as of December 31, 2019</b>	<b>47,792</b>	<b>87,426</b>	<b>55,349</b>	<b>4,213</b>	<b>32,012</b>	<b>19,381</b>	<b>13,534</b>	<b>144,508</b>	<b>404,215</b>

#### d) Impairment

The Bank assesses, at the end of the reported fiscal year, if there is any indicator of impairment of any amortizable asset. If any indicator is present, or an impairment test is needed, the Bank calculates the recoverable amount of the asset.

For the year ended December 31, 2020, the Bank recorded impairment on the following amortizable intangible assets generated in the acquisition of BCI Servicios Financieros business: Client Relations and Rights acquired for cross-sales equal to MCh \$2,636 and MCh \$2,358, respectively. See further Information on Note 32.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, NET**

a) The composition of property, plant and equipment as of December 31, 2020 and 2019 was the following:

As of December 31, 2020					
Concept	Total useful life	Remaining average useful life	Gross balance	Accumulated depreciation from previous years	Net balance
			MCh\$	MCh\$	MCh\$
Land and buildings	36	30	235,657	(43,304)	192,353
Equipment	4	3	124,672	(87,969)	36,703
Other property, plant and equipment	8	7	57,770	(35,609)	22,161
<b>Total</b>			<b>418,099</b>	<b>(166,882)</b>	<b>251,217</b>

As of December 31, 2019					
Concept	Total useful life	Remaining average useful life	Gross balance	Accumulated depreciation from previous years	Net balance
			MCh\$	MCh\$	MCh\$
Land and buildings	36	30	235,941	(41,241)	194,700
Equipment	4	4	160,457	(128,678)	31,779
Other property, plant and equipment	8	6	57,394	(33,679)	23,715
<b>Total</b>			<b>453,792</b>	<b>(203,598)</b>	<b>250,194</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, CONTINUED**

b) The movements of property, plant and equipment for the years ended December 31, 2020 and 2019 are the following:

	<b>Buildings and land</b>	<b>Equipment</b>	<b>Other property, assets</b>	<b>Total</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
<b>Balance as of January 1, 2020</b>	<b>235,941</b>	<b>160,457</b>	<b>57,394</b>	<b>453,792</b>
Additions	4,871	7,527	11,392	23,790
Disposals	(4,727)	(57,212)	(2,283)	(64,222)
Transfers	1,686	14,645	(8,614)	7,717
Other	(2,114)	(745)	(40)	(2,899)
Impairment of property, plant and equipment and intangible assets	-	-	(79)	(79)
<b>Gross balance as of December 31, 2020</b>	<b>235,657</b>	<b>124,672</b>	<b>57,770</b>	<b>418,099</b>
Depreciation for the year	(4,732)	(16,896)	(3,610)	(25,238)
Disposals	2,571	57,328	1,641	61,540
Transfer	-	-	-	-
Accumulated depreciation from previous periods	(41,241)	(128,678)	(33,679)	(203,598)
Other	98	277	39	414
Impairment of property, plant and equipment and intangible assets	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(43,304)</b>	<b>(87,969)</b>	<b>(35,609)</b>	<b>(166,882)</b>
<b>Balance as of December 31, 2020</b>	<b>192,353</b>	<b>36,703</b>	<b>22,161</b>	<b>251,217</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, CONTINUED**

	Buildings and land	Equipment	Other property, assets	Total
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Balance as of January 1, 2019</b>	<b>303,819</b>	<b>154,569</b>	<b>49,987</b>	<b>508,375</b>
Additions	8,491	12,417	12,735	<b>33,643</b>
Disposals	(17,474)	(7,390)	(584)	<b>(25,448)</b>
Transfers	(62,908)	-	(4,323)	<b>(67,231)</b>
Other	4,013	861	57	<b>4,931</b>
Impairment of property, plant and equipment and intangible assets	-	-	(478)	<b>(478)</b>
<b>Gross Balance as of December 31, 2019</b>	<b>235,941</b>	<b>160,457</b>	<b>57,394</b>	<b>453,792</b>
Depreciation for the year	(4,823)	(17,259)	(3,588)	<b>(25,670)</b>
Disposals	806	4,922	1,831	<b>7,559</b>
Transfer	41,591	-	-	<b>41,591</b>
Accumulated depreciation from previous years	(78,583)	(116,245)	(32,311)	<b>(227,139)</b>
Other	(232)	(96)	389	<b>61</b>
Impairment of property, plant and equipment and intangible assets	-	-	-	<b>-</b>
<b>Total Accumulated Depreciation</b>	<b>(41,241)</b>	<b>(128,678)</b>	<b>(33,679)</b>	<b>(203,598)</b>
<b>Balance as of December 31, 2019</b>	<b>194,700</b>	<b>31,779</b>	<b>23,715</b>	<b>250,194</b>

- c) As of December 31, 2020, and 2019 the net impairment was MCh\$79 and MCh\$478, respectively, impacting property, plant and equipment.
- d) The detail of the right-of-use asset as of December 31, 2020 and 2019 is as follows:

As of December 31, 2020				
Concept	Total useful life	Remaining average useful life	Gross balance	Accumulated depreciation
			MCh\$	MCh\$
Land and buildings	10	9	219,662	(37,374)
Leasehold improvements	10	8	69,165	(46,646)
<b>Total</b>			<b>288,827</b>	<b>(84,020)</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, CONTINUED**

Concept	As of December 31, 2019				
	Total useful	Remaining	Gross	Accumulated	Net balance
	life	average useful life	balance	depreciation from	
			MCh\$	MCh\$	MCh\$
Land and buildings	10	10	223,147	(19,094)	204,053
Leasehold improvements	10	9	70,296	(43,005)	27,291
<b>Total</b>			<b>293,443</b>	<b>(62,099)</b>	<b>231,344</b>

e) The changes in the right-of-use asset as of December 31, 2020 and 2019 are as follows:

	Buildings and land	Leasehold improvements	Total
	MCh\$	MCh\$	MCh\$
<b>Balance as of January 1, 2020</b>	<b>223,147</b>	<b>70,296</b>	<b>293,443</b>
Additions	42,125	3,952	46,077
Disposals	(42,098)	(4,212)	(46,310)
Other	(3,512)	(871)	(4,383)
Impairment of property, plant and equipment and intangible assets	-	-	-
<b>Gross balance as of December 31, 2020</b>	<b>219,662</b>	<b>69,165</b>	<b>288,827</b>
Depreciation for the year	(23,585)	(3,217)	(26,802)
Disposals	4,286	426	4,712
Other	1,020	(851)	169
Accumulated depreciation	(19,095)	(43,004)	(62,099)
Impairment of property, plant and equipment and intangible assets	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(37,374)</b>	<b>(46,646)</b>	<b>(84,020)</b>
<b>Balance as of December 31, 2020</b>	<b>182,288</b>	<b>22,519</b>	<b>204,807</b>



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT, CONTINUED**

	<b>Buildings and land</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
<b>Balance as of January 1, 2019</b>	<b>231,992</b>	<b>62,908</b>	<b>294,900</b>
Additions	70,190	8,588	<b>78,778</b>
Disposals	(85,622)	(1,878)	<b>(87,500)</b>
Other	6,587	678	<b>7,265</b>
Impairment of property, plant and equipment and intangible assets	-	-	-
<b>Gross Balance as of December 31, 2019</b>	<b>223,147</b>	<b>70,296</b>	<b>293,443</b>
Depreciation for the year	(23,089)	(3,507)	<b>(26,596)</b>
Disposals	4,421	2,228	<b>6,649</b>
Other	(426)	(1,912)	<b>(2,338)</b>
Accumulated depreciation	-	(39,814)	<b>(39,814)</b>
Impairment of property, plant and equipment and intangible assets	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(19,094)</b>	<b>(43,005)</b>	<b>(62,099)</b>
<b>Balance as of December 31, 2019</b>	<b>204,053</b>	<b>27,291</b>	<b>231,344</b>

f) As of December 31, 2020, and 2019, there is no evidence of impairment in right-of-use assets.

g) Lease liabilities as of December 31, 2020 and 2019:

<b>Analysis of maturity</b>				
<b>Up to 1 year</b>	<b>Of 1 to 3 years</b>	<b>Of 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
<b>As of December 31, 2020</b>	20,664	44,313	46,365	74,951
				<b>186,293</b>

<b>Analysis of maturity</b>				
<b>Up to 1 year</b>	<b>Of 1 to 3 years</b>	<b>Of 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
<b>As of December 31, 2019</b>	21,176	43,363	45,648	96,189
				<b>206,376</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 16 - CURRENT AND DEFERRED INCOME TAX

#### a) Current Income Tax

As of December 31, 2020, and December 31, 2019, the Bank has recognized a provision for the first category (corporate) Income Tax and the provision for the Single Tax of Article No. 21 of the Income Act, which were determined based on the current tax legal provisions. This resulted in a net asset amounting to MCh\$ 27,198 as of December 31, 2020 (asset of MCh\$ 88,255 as of December 31, 2019). The detail is below:

	As of December 31, As of December 31	
	2020	2019
	MCh\$	MCh\$
Income tax (tax rate of 27% for 2020 and 2019)	(116,300)	(84,560)
Prior year provision	-	(4,872)
40% Provision for Income Tax	(251)	(268)
Less:		
Monthly tax provisional payments	123,972	163,790
Credit for training expenses	2,104	2,000
Credit for acquisition of property, plant and equipment	128	125
Credit for donations	2,064	2,044
Income tax to be recovered	12,723	6,373
Other taxes and withholdings to be recovered	2,758	3,623
<b>Current Income Tax</b>	<b>27,198</b>	<b>88,255</b>

The net current tax is presented below by economic entity as well as by geographical unit, in accordance with the provisions of IAS 12:

	As of December 31, 2020		
	Chile	Florida	Total
	MCh\$	MCh\$	MCh\$
Current tax asset	36,270	-	36,270
Current tax liability	(2,742)	(6,330)	(9,072)
<b>Total, net</b>	<b>33,528</b>	<b>(6,330)</b>	<b>27,198</b>

	As of December 31, 2019		
	Chile	Florida	Total
	MCh\$	MCh\$	MCh\$
Current tax asset	80,273	9,222	89,495
Current tax liability	(1,240)	-	(1,240)
<b>Total, net</b>	<b>79,033</b>	<b>9,222</b>	<b>88,255</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 16 - CURRENT AND DEFERRED INCOME TAX, CONTINUED**

b) Income Tax Expense

The tax expense for the years ended December 31, 2020 and 2019, consists of the following items:

	<b>For the year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Income tax expense:</b>		
Current tax for the year, net of tax credits	(136,209)	(84,560)
Surplus/Deficit of prior year	3,449	-
	<b>(132,760)</b>	<b>(84,560)</b>
<b>Credit (charge) for deferred taxes:</b>		
Origination and reversal of temporary differences	108,346	(43,609)
Subtotal	<b>(24,414)</b>	<b>(128,169)</b>
Art 21 tax (disallowed expenses)	(251)	(268)
<b>Net charge to income from income tax</b>	<b>(24,665)</b>	<b>(128,437)</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**NOTE 16 - CURRENT AND DEFERRED INCOME TAX, CONTINUED**

c) Reconciliation of nominal income tax rate with effective income tax rate

The following is the reconciliation of the nominal income tax rate with the effective income tax rate for the years ended December 31, 2020 and 2019:

	For the year ended December 31			
	2020		2019	
	Tax rate	Amount	Tax rate	Amount
	%	MCh\$	%	MCh\$
Income before tax		342,198		531,176
Nominal tax rate	27.000	92,393	27.000	143,417
Effect of non-deductible expenses in calculation of taxable income:				
Price-level restatement BCI Financial Group (1)	(5.16)	(17,666)	3.74	19,891
Rate difference USA (2)	(2.26)	(7,727)	(1.36)	(7,233)
Price-level restatement of capital	(8.41)	(28,775)	(5.11)	(27,159)
Income tax (disallowed expenses)	0.07	251	0.05	268
Income tax from previous years	(1.01)	(3,448)	(0.06)	(315)
Other	(3.03)	(10,363)	(0.08)	(432)
<b>Effective income tax rate and income tax expense</b>	<b>7.20</b>	<b>24,665</b>	<b>24.18</b>	<b>128,437</b>

The effective income tax rate for the years ended December 31, 2020 2019 was 7.20% and 24.18%, respectively.

- (1) BCI's investment in the US, which is BCI Financial Group INC, is adjusted for tax purposes in Chile, for the variation in the exchange rate (between the Chilean peso and the US dollar), which is subject to the first category (Chilean corporate) income tax. The impact of this adjustment for the year ended December 31, 2020 is a higher tax benefit of MCh\$17,666 while as of December 2019, this effect was a higher tax expense of MCh\$19,891.
- (2) The statutory tax rate in Chile is 27%, while in the US the tax rate is 25.345%. Therefore, regarding a portion of BCI's consolidated profit or loss (BCI Financial Group, Miami Branch, and BCI Securities) reduction were made in taxes as a result of the tax rate difference between the two separate jurisdictions.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
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**NOTE 16 - CURRENT AND DEFERRED INCOME TAX, CONTINUED**

d) Effect of deferred tax recognized in equity

The deferred tax recognized in shareholder's equity as of December 2020 and 2019 is composed of the following:

	<b>Accumulated</b>		<b>Effect for the year ended</b>	
	<b>As of December 31,</b>		<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Financial Investments Available for Sale	(7,036)	(3,693)	(3,343)	(1,221)
Cash flow hedges	47,598	34,232	13,366	31,003
<b>Effect of deferred tax in shareholder's equity</b>	<b>40,562</b>	<b>30,539</b>	<b>10,023</b>	<b>29,782</b>

e) Deferred tax breakdown

As of December 31, 2020, and 2019, the Bank recognized in its consolidated financial statements deferred taxes according to IAS 12 as follows:

The effect of deferred tax is presented below by assets and liabilities:

	<b>As of December 31, 2020</b>			<b>As of December 31, 2019</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
<b>Item:</b>						
Allowances for loan losses	173,757	-	173,757	94,372	-	94,372
Provision for staff vacation & bonuses	41,328	-	41,328	48,486	-	48,486
Leasing operations (net)	4,000	-	4,000	-	(14,701)	(14,701)
Other	4,242	-	4,242	20,989	-	20,989
Subordinated bonds	15,803	-	15,803	-	-	-
Property, plant and equipment, net	-	(17,970)	(17,970)	-	(17,919)	(17,919)
Transitory assets	-	(29,471)	(29,471)	-	(36,246)	(36,246)
Derivative contract operation	-	(32,974)	(32,974)	-	(27,528)	(27,528)
Temporary differences related to Florida (*)	-	(10,241)	(10,241)	-	(18,492)	(18,492)
<b>Total assets (liabilities) net</b>	<b>239,130</b>	<b>(90,656)</b>	<b>148,474</b>	<b>163,847</b>	<b>(114,886)</b>	<b>48,961</b>
Deferred taxes recognized through equity (see detail in previous table)	40,562	-	40,562	30,539	-	30,539
<b>Total deferred tax assets and liabilities</b>	<b>279,692</b>	<b>(90,656)</b>	<b>189,036</b>	<b>194,386</b>	<b>(114,886)</b>	<b>79,500</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 16 - CURRENT AND DEFERRED INCOME TAX, CONTINUED**

(\*) This deferred tax asset corresponds to those originated by the subsidiaries located in Miami and the Branch of the Bank in the United States; it is mainly originated by the tax loss carryforwards, and taxable differences related to intangible assets and the provision for loan losses of the subsidiary BCI Financial Group, Inc. and Subsidiaries.

Below is a detail of the net deferred taxes, by geographic unit, in accordance with the provisions of IAS 12:

	As of December 31, 2020		
	Chile	Florida	Total
	MCh\$	MCh\$	MCh\$
Deferred tax asset	170,518	144	170,662
Deferred tax liability	(11,803)	(10,385)	(22,188)
<b>Total, net</b>	<b>158,715</b>	<b>(10,241)</b>	<b>148,474</b>
Deferred tax generated through equity	40,562	-	40,562
<b>Total deferred income taxes, net</b>	<b>199,277</b>	<b>(10,241)</b>	<b>189,036</b>

	As of December 31, 2019		
	Chile	Florida	Total
	MCh\$	MCh\$	MCh\$
Deferred tax asset	68,711	4,079	72,790
Deferred tax liability	(1,262)	(22,567)	(23,829)
<b>Total, net</b>	<b>67,449</b>	<b>(18,488)</b>	<b>48,961</b>
Deferred tax generated through equity	30,539	-	30,539
<b>Total deferred income taxes, net</b>	<b>97,988</b>	<b>(18,488)</b>	<b>79,500</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 16 - CURRENT AND DEFERRED INCOME TAX, CONTINUED

f) Supplementary Information on Current and Deferred taxes.

As of December 31, 2020, and 2019, the Bank presents the following tax information related to provisions, write-offs, renegotiations and credit refunds. This information includes the Bank's operations; therefore, subsidiaries have been excluded.

a. Loans and receivables to customers

		Assets at tax value		
Loans and receivables from customers as of December 31, 2020	Carrying value in the financial statements	Total	Past-due portfolio secured	Past-due portfolio unsecured
		MCh\$	MCh\$	MCh\$
Commercial loans	11,309,919	11,313,821	32,146	162,934
Consumer loans	2,704,095	5,452,379	6	210,323
Mortgage loans	7,280,230	7,280,962	1,668	5,257
<b>Total</b>	<b>21,294,244</b>	<b>24,047,162</b>	<b>33,820</b>	<b>378,514</b>
		Assets at tax value		
Loans and receivables from customers as of December 31, 2019	Carrying value in the financial statements	Total	Past-due portfolio secured	Past-due portfolio unsecured
		MCh\$	MCh\$	MCh\$
Commercial loans	12,292,266	12,295,906	232,162	112,118
Consumer loans	3,159,531	6,361,445	8,477	55,739
Mortgage loans	6,625,448	6,625,432	301,870	5,295
<b>Total</b>	<b>22,077,245</b>	<b>25,282,783</b>	<b>542,509</b>	<b>173,152</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 16 - CURRENT AND DEFERRED INCOME TAX, CONTINUED

#### B. Provisions

<u>Provisions on past-due portfolio</u>	<u>Balance as of 01.01.2020</u>	<u>Write-off against Provision</u>	<u>Provisions established</u>	<u>Provisions reversed</u>	<u>Balance as of 12.31.2020</u>
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial loans	126,672	(9,567)	77,537	(71,518)	123,124
Consumer loans	57,954	(28,592)	70,168	(54,375)	45,155
Mortgage loans	5,298	-	85	(5,241)	142

<u>Provisions on past-due portfolio</u>	<u>Balance as of 01.01.2019</u>	<u>Write-off against Provision</u>	<u>Provisions established</u>	<u>Provisions reversed</u>	<u>Balance as of 12.31.2019</u>
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial loans	137,538	(61,687)	148,356	(97,535)	126,672
Consumer loans	47,291	(180,171)	232,667	(41,833)	57,954
Mortgage loans	2,412	-	5,741	(2,855)	5,298

#### Write-offs

<u>Write offs and repossessions as of December 31, 2020</u>	<u>MCh\$</u>	<u>Application of article 31 No. 4 first and third paragraphs</u>	<u>MCh\$</u>
Direct write-off art.31 N°4 second paragraph	288,176	Write-offs as per first paragraph	-
Condemnations that led to the reversal of provisions	-	Condemnations according to third paragraph	-
Recovery or renegotiation of loans previously written off	55,659		

<u>Write offs and repossessions as of December 31, 2019</u>	<u>MCh\$</u>	<u>Application of article 31 No. 4 first and third paragraphs</u>	<u>MCh\$</u>
Direct write-off art.31 N°4 second paragraph	47,922	Write-offs as per first paragraph	-
Condemnations that led to the reversal of provisions	-	Condemnations according to third paragraph	-
Recovery or renegotiation of loans previously written off	55,887		



## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 17 - OTHER ASSETS

a) As of December 31, 2020, and 2019 the composition of other assets is as follows:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Assets acquired to transfer to leasing (a)	90,317	101,195
<b>Reposessed or awarded assets:</b>		
Reposessed assets	59	721
Assets awarded from judicial auctions	2,230	4,450
Provisions for reposessed or awarded assets (b)	(73)	-
<b>Other assets:</b>		
Cash deposits held as guarantee	535,771	574,302
Investment in gold	6,084	5,165
VAT	7,161	9,654
Prepaid expenses	38,079	45,720
Assets recovered from lease agreements held for sale (c)	43,290	21,522
Accounts receivable	322,648	113,054
Amounts to be recovered	19,474	58,547
Valuation adjustment for macro hedges	53,452	43,935
Cash surrender value of certain insurance contracts - National Bank of Florida (CNB) (d)	97,358	263,096
Other assets	14,880	63,736
FED and FHLB shares (e)	79,615	102,705
<b>Total</b>	<b>1,310,345</b>	<b>1,407,802</b>

- (a) Corresponds to property, plant and equipment available to be used in finance leases.
- (b) Impairment of reposessed or awarded assets is recognized in accordance with the Accounting Standards Compendium Chapter B-5 No. 3, which implies recognition of impairment for the difference between the carrying value and the net realizable value, when the first is higher.
- (c) Corresponds to assets recovered from leasing and held for sale, principally real estate. These assets are held for sale, which is considered highly likely to occur. For most assets, it is expected that the sale will be completed within a one year period from the date on which the asset is classified as "Property, plant and equipment held for sale" and/or "Assets recovered from lease agreements held for sale."
- (d) Corresponds to life insurance contracts of the subsidiary City National Bank of Florida for certain senior management and employees where CNB is the owner and beneficiary. These policies are known by its acronym in English, as BOLI (Bank Owned Life Insurance).

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 17 - OTHER ASSETS, CONTINUED

- (e) These are shares that BCI Financial Group, Inc, and subsidiaries holds on its balance sheet, related to equity securities of the Federal Reserve (FED) and Federal Home Bank Loans (FHBL) acquired by CNB in order to participate in the funding program provided by these governmental agencies to the banks established in the state of Florida. CNB is required to maintain a specific level of holdings based on a formula provided by the respective agency.
- b) The changes in the impairment of repossessed or awarded assets, as of December 31, 2020 and 2019, are as follows:

	Provision established MCh\$
Balance as of January 1, 2020	-
Provisions established	914
Reversal of provisions	(987)
Balance as of December 31, 2020	(73)
Balance as of January 1, 2019	66
Provisions established	-
Reversal of provisions	(66)
Balance as of December 31, 2019	-

#### NOTE 18 – BORROWINGS FROM CUSTOMERS

As of December 31, 2020, and 2019 the composition of borrowings from customers is as follows:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Current accounts and demand deposits		
Checking accounts	17,264,331	12,879,341
Other deposits and accounts payable on demand	1,322,312	688,228
Other liabilities payable on demand	1,139,931	613,130
Total	19,726,574	14,180,699
Term deposits and savings accounts		
Term deposits	10,783,161	13,323,286
Savings accounts	55,176	48,668
Other credit term balances	1,274	802
Total	10,839,611	13,372,756

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 19 - BORROWINGS FROM FINANCIAL INSTITUTIONS**

As of December 31, 2020, and 2019, the composition of borrowings from financial institutions is as follows:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
<b>Loans received from financial institutions and Central Bank of Chile:</b>		
Other liabilities to Central Bank of Chile	3,904,339	-
Subtotal	3,904,339	-
<b>Loans received from domestic financial institutions:</b>		
Interbank loans	1,004,361	1,507,348
Other liabilities to domestic financial institutions	250,618	303,865
Subtotal	1,254,979	1,811,213
<b>Loans received from foreign financial institutions:</b>		
Foreign trade financing	367,286	661,219
Loans and other liabilities from foreign financial institutions	744,095	1,009,829
Subtotal	1,111,381	1,671,048
<b>Total</b>	<b>6,270,699</b>	<b>3,482,261</b>

**NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES**

a) As of December 31, 2020, and 2019 the composition of debt issued, and other financial liabilities is as follows:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
<b>Other financial liabilities:</b>		
Letters of credit	6,510	9,629
Ordinary bonds	6,166,461	6,066,492
Subordinated bonds	1,258,653	940,621
<b>Total</b>	<b>7,431,624</b>	<b>7,016,742</b>
<b>Debt issued:</b>		
Public bonds	3,138	13,781
Other domestic bonds	43,394	40,732
Foreign bonds	864,512	1,396,073
<b>Total</b>	<b>911,044</b>	<b>1,450,586</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES, CONTINUED

b) As of December 31, 2020, and 2019, the classification of the ordinary and subordinated bonds is as follows:

	As of December 31, 2020		
	Long-term	Short-term	Total
	MCh\$	MCh\$	MCh\$
<b>By long and short term</b>			
Ordinary bonds	5,663,712	502,749	6,166,461
Subordinated bonds	1,258,653	-	1,258,653
<b>Total</b>	<b>6,922,365</b>	<b>502,749</b>	<b>7,425,114</b>

	As of December 31, 2019		
	Long-term	Short-term	Total
	MCh\$	MCh\$	MCh\$
<b>By long and short term</b>			
Ordinary bonds	5,949,892	116,600	6,066,492
Subordinated bonds	940,621	-	940,621
<b>Total</b>	<b>6,890,513</b>	<b>116,600</b>	<b>7,007,113</b>

c) Details of placements of ordinary and subordinated bonds as of December 31, 2020 are as follows:

ORDINARY BONDS DENOMINATED IN CHILEAN PESOS							
Series	Issued amount	Placed amount	Issuance	Issuance	Average	Balance due	Balance due
	Ch\$	Ch\$	date	date	rate	Ch\$	MCh\$
SERIES_AM	50,000,000,000	50,000,000,000	06/01/2016	06/01/2023	4.90%	49,214,879,222	49,215
SERIES_E	100,000,000,000	100,000,000,000	11/01/2017	11/01/2022	4.27%	100,260,320,839	94,521
SERIES_H	50,000,000,000	50,000,000,000	06/01/2018	06/01/2021	2.36%	50,629,675,064	50,630
Fair Value Adjustment						9,932,593,030	9,933
<b>Subtotal</b>	<b>200,000,000,000</b>	<b>200,000,000,000</b>				<b>210,037,468,155</b>	<b>204,299</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES, CONTINUED

ORDINARY BONDS DENOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)							
Series	Issued amount UF	Placed amount UF	Issuance date	Maturity date	Average rate	Balance due UF	Balance due MCh\$
SERIE_AE2	10,000,000	10,000,000	08/01/2011	08/01/2021	3.73%	9,952,681	292,019
SERIE_AF2	10,000,000	10,000,000	08/01/2012	08/01/2022	3.43%	9,899,875	290,256
SERIE_AI2	5,000,000	-	03/01/2014	03/01/2024	-	-	-
SERIES_AJ2	20,000,000	20,000,000	10/01/2014	10/01/2024	2.23%	19,928,962	571,230
SERIE_AL1	3,000,000	3,000,000	06/01/2016	06/01/2022	1.89%	3,031,982	88,141
SERIE_AL2	3,000,000	3,000,000	06/01/2016	06/01/2023	2.15%	3,031,682	88,132
SERIE_AL3	3,000,000	3,000,000	06/01/2016	06/01/2024	2.40%	3,017,251	87,712
SERIE_AL4	3,000,000	3,000,000	06/01/2016	06/01/2028	2.36%	3,037,091	88,289
SERIE_AL5	3,000,000	3,000,000	06/01/2016	06/01/2031	2.50%	3,010,037	87,503
SERIE_AN1	3,000,000	3,000,000	12/01/2016	12/01/2021	1.50%	3,018,130	87,738
SERIE_AN2	3,000,000	3,000,000	12/01/2016	12/01/2024	1.95%	3,011,519	87,546
SERIE_AN3	3,000,000	3,000,000	12/01/2016	12/01/2026	2.00%	3,006,411	87,397
SERIE_A1	3,000,000	3,000,000	04/01/2017	04/01/2022	1.72%	3,024,561	87,925
SERIE_A2	3,000,000	3,000,000	04/01/2017	04/01/2027	2.18%	2,985,367	86,786
SERIE_B1	3,000,000	3,000,000	05/01/2017	05/01/2022	1.50%	3,029,698	88,074
SERIE_B2	3,000,000	3,000,000	05/01/2017	05/01/2023	1.67%	3,032,905	88,168
SERIE_C1	3,000,000	3,000,000	07/01/2017	01/01/2022	2.24%	3,022,764	87,873
SERIE_C2	3,000,000	3,000,000	07/01/2017	07/01/2023	2.32%	3,007,948	87,442
SERIE_C3	3,000,000	3,000,000	07/01/2017	07/01/2025	2.28%	2,995,821	87,089
SERIE_C4	3,000,000	3,000,000	07/01/2017	07/01/2026	2.42%	2,967,644	86,270
SERIE_D1	3,000,000	3,000,000	11/01/2017	11/01/2023	1.84%	3,023,671	87,899
SERIE_D2	3,000,000	3,000,000	11/01/2017	11/01/2025	2.04%	3,005,610	87,374
SERIE_D3	3,000,000	3,000,000	11/01/2017	11/01/2028	2.34%	2,939,694	85,458
SERIE_D4	3,000,000	3,000,000	11/01/2017	11/01/2029	2.45%	2,906,286	84,487
SERIE_F1	3,000,000	3,000,000	04/01/2018	04/01/2022	1.46%	3,035,111	88,232
SERIE_F2	3,000,000	3,000,000	04/01/2018	04/01/2024	1.60%	3,053,197	88,757
SERIE_F3	3,000,000	3,000,000	04/01/2018	04/01/2025	2.00%	3,016,116	87,679
SERIE_F4	3,000,000	3,000,000	04/01/2018	04/01/2028	2.17%	2,982,951	86,715
SERIE_F5	3,000,000	3,000,000	04/01/2018	04/01/2029	2.36%	2,937,126	85,383
SERIE_G1	3,000,000	3,000,000	06/01/2018	06/01/2025	1.47%	3,073,419	89,345
SERIE_G2	3,000,000	3,000,000	06/01/2018	06/01/2026	1.09%	3,148,542	91,529
SERIE_G3	3,000,000	3,000,000	06/01/2018	06/01/2029	2.10%	2,984,174	86,751
SERIE_I1	3,000,000	3,000,000	02/01/2019	02/01/2028	0.70%	3,294,171	95,763
SERIE_I2	3,000,000	2,630,000	02/01/2019	02/01/2029	0.51%	2,961,523	86,092
SERIE_I3	3,000,000	3,000,000	02/01/2019	02/01/2030	1.19%	3,234,275	94,021
SERIE_K1	3,000,000	3,000,000	05/01/2019	05/01/2023	(0.03)%	3,152,187	91,635
SERIE_K4	3,000,000	3,000,000	05/01/2019	05/01/2029	0.45%	3,389,962	98,547
Fair Value Adjustment							59,536
<b>Subtotal</b>	<b>144,000,000</b>	<b>138,630,000</b>				<b>142,198,425</b>	<b>4,130,793</b>

ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY – US DOLLAR							
Series	Issued amount USD	Placed amount USD	Date placed	Maturity date	Average rate	Balance due USD	Balance due in MCh\$ (*)
USP32133CG63	500,000,000	500,000,000	02/11/2013	02/11/2023	4.09%	506,129,212	360,253
XS1655597034	50,000,000	50,000,000	08/01/2017	08/01/2022	2.96%	50,422,702	35,890
XS1692845396	50,000,000	50,000,000	10/06/2017	10/06/2022	3.00%	50,164,661	35,706
US05890MAA18	500,000,000	500,000,000	10/12/2017	10/12/2027	3.65%	495,427,297	352,635
XS1703060829	50,000,000	50,000,000	10/19/2017	10/19/2022	2.32%	49,913,246	35,527
XS1702405702	40,000,000	40,000,000	10/20/2017	10/20/2022	2.27%	39,936,113	28,426
XS1879614755	50,000,000	50,000,000	09/13/2018	03/13/2024	3.85%	50,251,621	35,768
XS1888335194	100,000,000	100,000,000	10/04/2018	04/04/2024	4.02%	100,327,490	71,411
XS1895749593	45,000,000	45,000,000	10/19/2018	04/19/2024	4.03%	45,061,875	32,074
XS1919312626	25,000,000	25,000,000	12/07/2018	12/07/2023	1.78%	24,822,338	17,668
XS1984711355	10,000,000	10,000,000	04/23/2019	04/23/2024	1.53%	9,940,673	7,076
XS2012024696	50,000,000	50,000,000	06/14/2019	06/14/2029	3.32%	49,600,844	35,305
XS2024766276	50,000,000	50,000,000	07/10/2019	07/10/2029	3.21%	50,277,527	35,787
XS2047630970	10,000,000	10,000,000	08/28/2019	08/28/2024	1.37%	9,937,567	7,073
XS2085920416	20,000,000	20,000,000	12/02/2019	06/02/2025	1.38%	19,795,808	14,090
Fair Value Adjustment						71,130,610	50,629
<b>Subtotal</b>	<b>1,550,000,000</b>	<b>1,550,000,000</b>				<b>1,623,139,584</b>	<b>1,155,318</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES, CONTINUED

ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY - EURO							
Series	Issued amount EU	Placed amount EU	Issuance date	Maturity date	Average rate	Balance due EUR	Balance due in MCh\$
XS1493734971	20,000,000	20,000,000	09//23/2016	09//23/2024	0.89%	19,913,502	17,413
Fair Value Adjustment						-	-
<b>Subtotal</b>	<b>20,000,000</b>	<b>20,000,000</b>				<b>19,913,502</b>	<b>17,413</b>
ORDINARY BONDS DENIMINATED IN FOREIGN CURRENCY-AUD							
Series	Issued amount AUD	Placed amount AUD	Issuance date	Maturity date	Average rate	Balance due AUD	Balance due in MCh\$
XS1717587007	80,000,000	80,000,000	11//15/2017	11/15/2027	4.150%	79,681,938	43,575
XS1859545367	40,000,000	40,000,000	07//25/2018	07/25/2033	4.670%	40,434,211	22,112
XS1879612973	60,000,000	60,000,000	09//14/2018	09/14/2033	4.650%	60,199,719	32,921
XS1897619968	40,000,000	40,000,000	10//24/2018	10/24/2033	4.700%	39,641,015	21,678
XS2087687435	30,000,000	30,000,000	12//02/2019	12/03/2029	1.811%	29,719,188	16,252
Fair Value Adjustment						22,627,688	12,374
<b>Subtotal</b>	<b>250,000,000</b>	<b>250,000,000</b>				<b>272,303,759</b>	<b>148,912</b>
ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY- SWISS FRANCS (CHF)							
Series	Issued amount CHF	Placed amount CHF	Issuance date	Maturity date	Average rate	Balance due CHF	Balance due in MCh\$
XS1520623627	90,000,000	90,000,000	11//17/2016	11//17/2021	0.000%	89,829,605	72,362
CH0471298007	175,000,000	175,000,000	05//22/2019	11//22/2024	0.320%	174,127,345	140,267
CH0494734376	100,000,000	100,000,000	09//24/2019	09//24/2029	0.225%	99,036,402	79,778
CH0505011889	105,000,000	105,000,000	10//29/2019	10/29/2025	0.247%	103,881,088	83,681
CH0506071239	125,000,000	125,000,000	03//18/2020	09//18/2026	0.099%	123,486,271	99,474
Fair Value Adjustment						1	-
<b>Subtotal</b>	<b>595,000,000</b>	<b>595,000,000</b>				<b>590,360,712</b>	<b>475,562</b>
ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY - YEN							
Series	Issued amount YEN	Placed amount YEN	Date placed	Maturity date	Average rate	Balance due YEN	Balance due in MCh\$
XS1830985781	5,000,000,000	5,000,000,000	06//01/2018	12//01/2028	0.750%	4,958,600,911	34,164
<b>Subtotal</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>				<b>4,958,600,911</b>	<b>34,164</b>
<b>Total ordinary bonds</b>							<b>6,166,461</b>
SUBORDINATED BONDS DENOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)							
Series	Issued amount UF	Placed amount UF	Issuance date	Maturity date	Average rate	Balance due UF	Balance due in MCh\$
SERIES_F	1,200,000	1,200,000	05//01/1999	05//01/2024	7.73%	320,522	9,318
SERIES_G	400,000	400,000	05//01/1999	05//01/2025	7.92%	132,039	3,838
SERIES_L	1,200,000	1,200,000	10//01/2001	10//01/2026	6.39%	503,689	14,642
SERIES_M	1,800,000	1,800,000	10//01/2001	10//01/2027	6.43%	835,572	24,290
SERIES_N	1,500,000	1,500,000	06//01/2004	06//01/2029	5.25%	785,211	22,826
SERIES_O	1,500,000	1,500,000	06//01/2004	06//01/2030	3.93%	785,037	22,821
SERIES_R	1,500,000	1,500,000	06//01/2005	06//01/2038	4.72%	781,726	22,725
SERIES_S	2,000,000	2,000,000	12//01/2005	12//01/2030	4.86%	1,104,580	32,110
SERIES_T	2,000,000	2,000,000	12//01/2005	12//01/2031	4.52%	1,179,644	34,293
SERIES_U	2,000,000	2,000,000	06//01/2007	06//01/2032	4.19%	1,923,946	55,930
SERIES_Y	4,000,000	4,000,000	12//01/2007	12//01/2030	4.25%	2,646,400	76,932
SERIES_W	4,000,000	4,000,000	06//01/2008	06//01/2036	4.05%	2,168,000	63,024
SERIES_AC	6,000,000	6,000,000	03//01/2010	03//01/2040	3.96%	5,636,211	163,847
SERIES_AD 1	4,000,000	4,000,000	06//01/2010	06//01/2040	4.17%	3,645,908	105,988
SERIES_AD 2	3,000,000	3,000,000	06//01/2010	06//01/2042	4.14%	2,715,219	78,932
SERIES_AH	15,000,000	9,000,000	09//01/2013	09//01/2043	3.63%	7,819,965	227,328
SERIE_B1S	3,000,000	3,000,000	06//11/2020	12//01/2039	1.32%	3,347,467	97,311
SERIE_B2S	3,000,000	3,000,000	06//22/2020	12//01/2044	1.30%	3,437,614	99,932
SERIE_B3S	3,000,000	3,000,000	06//24/2020	12//01/2049	1.28%	3,528,062	102,566
<b>Total subordinated bonds</b>	<b>60,100,000</b>	<b>54,100,000</b>				<b>43,296,812</b>	<b>1,258,653</b>
<b>TOTAL BONDS</b>							<b>7,425,114</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES, CONTINUED

d) Details of placements of ordinary and subordinated bonds as of December 31, 2019 are as follows:

ORDINARY BONDS DENOMINATED IN CHILEAN PESOS							
Series	Issued amount Ch\$	Placed amount Ch\$	Issuance date	Issuance date	Average rate	Balance due Ch\$	Balance due MCh\$
SERIES_AM	50,000,000,000	50,000,000,000	06/01/2016	06/01/2023	4.90%	48,848,689,620	48,849
SERIES_E	100,000,000,000	100,000,000,000	11/01/2017	11/01/2022	4.27%	100,048,949,818	87,253
SERIES_H	50,000,000,000	50,000,000,000	06/01/2018	06/01/2021	2.36%	51,673,482,420	51,673
Fair Value Adjustment						9,039,538,051	9,040
<b>Subtotal</b>	<b>200,000,000,000</b>	<b>200,000,000,000</b>				<b>209,610,659,909</b>	<b>196,815</b>

ORDINARY BONDS DENOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)							
Series	Issued amount UF	Placed amount UF	Issuance date	Maturity date	Average rate	Balance due UF	Balance due MCh\$
SERIES_AE2	10,000,000	10,000,000	08/01/2011	08/01/2021	3.73%	9,939,440	281,385
SERIE_AF2	10,000,000	10,000,000	08/01/2012	08/01/2022	3.43%	9,908,962	280,522
SERIE_AI2	5,000,000	-	03/01/2014	03/01/2024	-	-	-
SERIES_AJ2	20,000,000	20,000,000	10/01/2014	10/01/2024	2.23%	19,884,901	562,940
SERIE_AL1	3,000,000	3,000,000	06/01/2016	06/01/2022	1.89%	3,049,718	86,337
SERIE_AL2	3,000,000	3,000,000	06/01/2016	06/01/2023	2.15%	3,041,602	86,108
SERIE_AL3	3,000,000	3,000,000	06/01/2016	06/01/2024	2.40%	3,020,257	85,503
SERIE_AL4	3,000,000	3,000,000	06/01/2016	06/01/2028	2.36%	3,040,699	86,082
SERIE_AL5	3,000,000	3,000,000	06/01/2016	06/01/2031	2.50%	3,010,338	85,222
SERIE_AN1	3,000,000	3,000,000	12/01/2016	12/01/2021	1.50%	3,032,253	85,843
SERIE_AN2	3,000,000	3,000,000	12/01/2016	12/01/2024	1.95%	3,013,021	85,298
SERIE_AN3	3,000,000	3,000,000	12/01/2016	12/01/2026	2.00%	3,006,411	85,111
SERIE_A1	3,000,000	3,000,000	04/01/2017	04/01/2022	1.72%	3,031,797	85,830
SERIE_A2	3,000,000	3,000,000	04/01/2017	04/01/2027	2.18%	2,980,845	84,388
SERIE_B1	3,000,000	3,000,000	05/01/2017	05/01/2022	1.50%	3,044,084	86,178
SERIE_B2	3,000,000	3,000,000	05/01/2017	05/01/2023	1.67%	3,042,359	86,129
SERIE_C1	3,000,000	3,000,000	07/01/2017	01/01/2022	2.24%	3,015,795	85,377
SERIE_C2	3,000,000	3,000,000	07/01/2017	07/01/2023	2.32%	2,999,161	84,906
SERIE_C3	3,000,000	3,000,000	07/01/2017	07/01/2025	2.28%	2,988,548	84,606
SERIE_C4	3,000,000	3,000,000	07/01/2017	07/01/2026	2.42%	2,957,039	83,714
SERIE_D1	3,000,000	3,000,000	11/01/2017	11/01/2023	1.84%	3,028,186	85,728
SERIE_D2	3,000,000	3,000,000	11/01/2017	11/01/2025	2.04%	3,004,707	85,063
SERIE_D3	3,000,000	3,000,000	11/01/2017	11/01/2028	2.34%	2,931,568	82,993
SERIE_D4	3,000,000	3,000,000	11/01/2017	11/01/2029	2.45%	2,895,751	81,979
SERIE_F1	3,000,000	3,000,000	04/01/2018	04/01/2022	1.46%	3,051,090	86,376
SERIE_F2	3,000,000	3,000,000	04/01/2018	04/01/2024	1.60%	3,064,654	86,760
SERIE_F3	3,000,000	3,000,000	04/01/2018	04/01/2025	2.00%	3,016,116	85,386
SERIE_F4	3,000,000	3,000,000	04/01/2018	04/01/2028	2.17%	2,978,730	84,328
SERIE_F5	3,000,000	3,000,000	04/01/2018	04/01/2029	2.36%	2,928,684	82,911
SERIE_G1	3,000,000	3,000,000	06/01/2018	06/01/2025	1.47%	3,088,143	87,425
SERIE_G2	3,000,000	3,000,000	06/01/2018	06/01/2026	1.09%	3,174,084	89,858
SERIE_G3	3,000,000	3,000,000	06/01/2018	06/01/2029	2.10%	2,981,770	84,414
SERIE_I1	3,000,000	3,000,000	02/01/2019	02/01/2028	0.70%	3,331,076	94,303
SERIE_I2	3,000,000	2,630,000	02/01/2019	02/01/2029	0.34%	2,998,930	84,900
SERIE_I3	3,000,000	3,000,000	02/01/2019	02/01/2030	1.19%	3,256,054	92,179
SERIE_K1	3,000,000	3,000,000	05/01/2019	05/01/2023	(0.03)%	3,212,986	90,959
SERIE_K4	3,000,000	3,000,000	05/01/2019	05/01/2029	0.45%	3,434,507	97,231
Fair Value Adjustment						1,763,062	49,911
<b>Subtotal</b>	<b>144,000,000</b>	<b>138,630,000</b>				<b>142,147,328</b>	<b>4,024,183</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES, CONTINUED

ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY – US DOLLAR								
Series	Issued amount USD	Placed amount USD	Date placed	Maturity date	Average rate	Balance due USD	Balance due in MCh\$ (*)	
USP32133CG63	500,000,000	500,000,000	02/11/2013	02/11/2023	4.09%	505,402,346	505,402,346	380,002
XS1655597034	50,000,000	50,000,000	08/01/2017	08/01/2022	2.96%	50,310,986	50,310,986	37,828
XS1692845396	50,000,000	50,000,000	10/06/2017	10/06/2022	3.00%	50,067,753	50,067,753	37,645
US05890MAA18	500,000,000	500,000,000	10/12/2017	10/12/2027	3.65%	494,418,187	494,418,187	371,743
XS1703060829	50,000,000	50,000,000	10/19/2017	10/19/2022	3.50%	49,973,288	49,973,288	37,574
XS1702405702	40,000,000	40,000,000	10/20/2017	10/20/2022	3.46%	39,991,727	39,991,727	30,069
XS1879614755	50,000,000	50,000,000	09/13/2018	03/13/2024	3.85%	50,165,549	50,165,549	37,718
XS1888335194	100,000,000	100,000,000	10/04/2018	04/04/2024	4.02%	100,161,411	100,161,411	75,309
XS1895749593	45,000,000	45,000,000	10/19/2018	04/19/2024	4.03%	44,984,945	44,984,945	33,823
XS1919312626	25,000,000	25,000,000	12/07/2018	12/07/2023	3.44%	24,786,686	24,786,686	18,637
XS1984711355	10,000,000	10,000,000	04/23/2019	04/23/2024	3.47%	9,953,026	9,953,026	7,483
XS2012024696	50,000,000	50,000,000	06/14/2019	06/14/2029	3.32%	49,564,040	49,564,040	37,266
XS2024766276	50,000,000	50,000,000	07/10/2019	07/10/2029	3.21%	50,240,547	50,240,547	37,775
XS2047630970	10,000,000	10,000,000	08/28/2019	08/28/2024	3.02%	9,937,201	9,937,201	7,472
XS2085920416	20,000,000	20,000,000	12/02/2019	06/02/2025	2.91%	19,781,629	19,781,629	14,873
Fair Value Adjustment						16,990,602	16,990,602	12,775
<b>Subtotal</b>	<b>1,550,000,000</b>	<b>1,550,000,000</b>				<b>1,566,729,923</b>	<b>1,566,729,923</b>	<b>1,177,992</b>

ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY - EURO								
Series	Issued amount EU	Placed amount EU	Issuance date	Maturity date	Average rate	Balance due EUR	Balance due in MCh\$	
XS1493734971	20,000,000	20,000,000	09/23/2016	09/23/2024	0.89%	19,871,818	19,871,818	16,758
Fair Value Adjustment						-	-	-
<b>Subtotal</b>	<b>20,000,000</b>	<b>20,000,000</b>				<b>19,871,818</b>	<b>19,871,818</b>	<b>16,758</b>

ORDINARY BONDS DENIMINATED IN FOREIGN CURRENCY-AUD								
Series	Issued amount AUD	Placed amount AUD	Issuance date	Maturity date	Average rate	Balance due AUD	Balance due in MCh\$	
XS1717587007	80,000,000	80,000,000	11/15/2017	11/15/2027	4.15%	79,548,667	79,548,667	41,880
XS1859545367	40,000,000	40,000,000	07/25/2018	07/25/2033	4.67%	40,391,009	40,391,009	21,265
XS1879612973	60,000,000	60,000,000	09/14/2018	09/14/2033	4.65%	60,125,863	60,125,863	31,654
XS1897619968	40,000,000	40,000,000	10/24/2018	10/24/2033	4.70%	39,545,722	39,545,722	20,819
XS2087687435	30,000,000	30,000,000	12/02/2019	12/03/2029	2.635%	29,691,341	29,691,341	15,631
Fair Value Adjustment						13,784,980	13,784,980	7,257
<b>Subtotal</b>	<b>250,000,000</b>	<b>250,000,000</b>				<b>263,087,582</b>	<b>263,087,582</b>	<b>138,506</b>

ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY- SWISS FRANCS (CHF)								
Series	Issued amount CHF	Placed amount CHF	Issuance date	Maturity date	Average rate	Balance due CHF	Balance due in MCh\$	
CH0278875965	150,000,000	150,000,000	06/17/2015	06/17/2020	0.150%	150,146,243	150,146,243	116,600
XS1520623627	90,000,000	90,000,000	11/17/2016	11/17/2021	0.000%	89,623,146	89,623,146	69,599
CH0471298007	175,000,000	175,000,000	05/22/2019	11/22/2024	0.320%	173,821,818	173,821,818	134,986
CH0494734376	100,000,000	100,000,000	09/24/2019	09/24/2029	0.225%	98,873,736	98,873,736	76,783
CH0505011889	105,000,000	105,000,000	10/29/2019	10/29/2025	0.247%	103,591,916	103,591,916	80,447
Fair Value Adjustment						(498,555)	(498,555)	(387)
<b>Subtotal</b>	<b>620,000,000</b>	<b>620,000,000</b>				<b>615,558,304</b>	<b>615,558,304</b>	<b>478,028</b>

ORDINARY BONDS DENOMINATED IN FOREIGN CURRENCY - YEN								
Series	Issued amount YEN	Placed amount YEN	Date placed	Maturity date	Average rate	Balance due YEN	Balance due in MCh\$	
XS1830985781	5,000,000,000	5,000,000,000	06/01/2018	12/01/2028	0.750%	4,952,631,128	4,952,631,128	34,210
<b>Subtotal</b>	<b>5,000,000,000</b>	<b>5,000,000,000</b>				<b>4,952,631,128</b>	<b>4,952,631,128</b>	<b>34,210</b>
<b>Total ordinary bonds</b>								<b>6,066,492</b>



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 20 - DEBT ISSUED AND OTHER FINANCIAL LIABILITIES, CONTINUED

SUBORDINATED BONDS DENOMINATED IN UNIDADES DE FOMENTO (UF = Inflation index-linked units of account)							
Series	Issued amount UF	Placed amount UF	Issuance date	Maturity date	Average rate	Balance due UF	Balance due in MCh\$
SERIES_F	1,200,000	1,200,000	05/01/1999	05/01/2024	7.73%	397,723	11,260
SERIES_G	400,000	400,000	05/01/1999	05/01/2025	7.92%	155,693	4,408
SERIES_L	1,200,000	1,200,000	10/01/2001	10/01/2026	6.39%	570,790	16,159
SERIES_M	1,800,000	1,800,000	10/01/2001	10/01/2027	6.43%	927,715	26,264
SERIES_N	1,500,000	1,500,000	06/01/2004	06/01/2029	5.25%	856,969	24,261
SERIES_O	1,500,000	1,500,000	06/01/2004	06/01/2030	3.93%	852,073	24,122
SERIES_R	1,500,000	1,500,000	06/01/2005	06/01/2038	4.72%	769,041	21,772
SERIES_S	2,000,000	2,000,000	12/01/2005	12/01/2030	4.86%	1,188,785	33,654
SERIES_T	2,000,000	2,000,000	12/01/2005	12/01/2031	4.52%	1,261,031	35,700
SERIES_U	2,000,000	2,000,000	06/01/2007	06/01/2032	4.19%	1,914,008	54,185
SERIES_Y	4,000,000	4,000,000	12/01/2007	12/01/2030	4.25%	2,538,400	71,862
SERIES_W	4,000,000	4,000,000	06/01/2008	06/01/2036	4.05%	2,083,200	58,975
SERIES_AC	6,000,000	6,000,000	03/01/2010	03/01/2040	3.96%	5,611,469	158,860
SERIES_AD 1	4,000,000	4,000,000	06/01/2010	06/01/2040	4.17%	3,625,537	102,639
SERIES_AD 2	3,000,000	3,000,000	06/01/2010	06/01/2042	4.14%	2,701,469	76,478
SERIES_AH	15,000,000	9,000,000	09/01/2013	09/01/2043	3.63%	7,771,909	220,022
<b>Total subordinated bonds</b>	<b>51,100,000</b>	<b>45,100,000</b>				<b>33,225,812</b>	<b>940,621</b>
<b>TOTAL BONDS</b>							<b>7,007,113</b>

### NOTE 21 - PROVISIONS

a) As of December 31, 2020, and 2019, the breakdown of the balance of this item is as follows:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Provisions for staff benefits and remuneration (**)	97,406	98,100
Provisions for minimum dividends	95,236	120,794
Provisions for credit commitments	51,593	42,669
Provisions for contingencies (*)	193,734	44,460
Provisions for country risk	3,608	3,017
<b>Total</b>	<b>441,577</b>	<b>309,040</b>

(\*) Provisions for contingencies as of December 31, 2020 include additional provisions for MCh\$ 160,176 (MCh\$16,692 as of December 31, 2019), recognized according to CMF instructions and approved by the Board of Directors of the Bank (see Note 1, ab, i and Note 11 c).

Additionally provisions for contingencies include a provision to comply with the minimum of 0.50% required by the FMC for the normal portfolio of individuals for the amount of MCh\$0 as of December 31, 2020 (MCh\$10,708 as of December 31, 2019) (see Note 1, ab, ii and Note 11c). Should additional provisions be recorded (as is the case at December 31, 2020, it is not necessary to comply with the provisioning of a minimum of 0.5%.

(\*\*) As of December 31, 2020 and 2019, Servicios Financieros y Administración de Creditos Comerciales S.A, has recorded provisions for severance indemnities amounting to MCh\$ 721 and MCh\$ 671, respectively.

As of December 31, 2020, and 2019, Administradora de Tarjetas Servicios Financieros Limitada, has recorded provisions for severance indemnities amounting to MCh\$ 146 and MCh\$ 146, respectively.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**NOTE 21 –PROVISIONS, CONTINUED**

b) Provisions for staff benefits and remunerations

	<b>As of December, 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Provisions for staff benefits	81,573	84,056
Provisions for vacations	15,833	14,044
<b>Total</b>	<b>97,406</b>	<b>98,100</b>

The provisions for staff benefits include bonuses related to the achievement of goals which will be paid in the following period and provisions for severance pay for years of service.

c) Provisions for credit commitments

The detail of provisions for credit commitments as of December 31, 2020 and 2019 is as follows:

	<b>As of December, 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Provisions for credit commitments</b>		
Endorsements and performance bonds	3,720	1,436
Confirmed foreign letters of credit	1	1
Issued documentary letters of credit	720	505
Guarantees	9,979	8,515
Available credit lines	34,219	30,293
Other credit commitments	2,954	1,919
<b>Total</b>	<b>51,593</b>	<b>42,669</b>

d) Movements of provisions for the years ended December 31, 2020 and 2019 are as follow:

	<b>Provisions for</b>				
	<b>Staff benefits and remuneration</b>	<b>Minimum dividends</b>	<b>Risk of Credit Commitments</b>	<b>Contingencies</b>	<b>Country risk</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
<b>As of January 1, 2020</b>	<b>98,100</b>	<b>120,794</b>	<b>42,669</b>	<b>44,460</b>	<b>3,017</b>
Provisions established	4,320	95,236	15,942	159,981	1,143
Provisions released	5,402	(120,794)	(4,243)	(15,036)	(323)
Exchange differences	(10,416)	-	(2,775)	4,329	(229)
<b>As of December 31, 2020</b>	<b>97,406</b>	<b>95,236</b>	<b>51,593</b>	<b>193,734</b>	<b>3,608</b>
<b>As of January 1, 2019</b>	<b>85,483</b>	<b>118,738</b>	<b>29,643</b>	<b>97,882</b>	<b>2,547</b>
Provisions established	25,373	120,794	13,066	4,162	409
Provisions released	(54,801)	(118,738)	(595)	(65,241)	(154)
Exchange differences	42,045	-	555	7,657	215
<b>As of December 31, 2019</b>	<b>98,100</b>	<b>120,794</b>	<b>42,669</b>	<b>44,460</b>	<b>3,017</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**NOTE 22 - OTHER LIABILITIES**

As of, December 31, 2020 and 2019, the detail of other liabilities is as follows:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Account payables and notes payable	357,729	300,185
Unearned income	18,764	21,249
Sundry creditors	673,082	625,402
Other liabilities	28,231	31,003
<b>Total</b>	<b>1,077,806</b>	<b>977,839</b>

**NOTE 23 - CONTINGENCIES AND COMMITMENTS**

a) Commitments and liabilities recognized in off-balance sheet memorandum accounts.

The Bank and its subsidiaries have recognized the following balances related to contingencies and commitments, in off-balance sheet memorandum accounts:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
<b>CONTINGENT RECEIVABLES</b>		
<b>Collateral and guarantees:</b>		
Collateral and guarantees in foreign currency	196,037	197,667
Confirmed foreign letters of credit	5,189	3,814
Issued documentary letters of credit	317,129	257,876
<b>Performance bonds:</b>		
Performance bonds in Chilean currency	1,222,972	1,117,076
Performance bonds in foreign currency	596,912	594,022
Amount available for credit cards users	7,245,618	7,313,998
<b>Other credit commitments:</b>		
Higher education loans in accordance with Law No. 20,027	4,608	7,323
Other	430,258	419,278
<b>THIRD PARTY OPERATIONS</b>		
<b>Collections:</b>		
Foreign collections	30,946	30,865
Domestic collections	187,635	185,723
<b>CUSTODY OF SECURITIES</b>		
Securities in custody with the bank	66,466	55,908
<b>Total</b>	<b>10,303,770</b>	<b>10,183,550</b>

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 23 - CONTINGENCIES AND COMMITMENTS, CONTINUED**

b) Lawsuits and legal proceedings:

##### **BCI Bank**

The Bank and its subsidiaries are involved in various pending legal lawsuits related to their lines of business and, based on facts related to the defenses presented, it is the opinion of Management and their internal legal advisers, that no additional liabilities or updated estimates for those already recognized by the Bank and its subsidiaries in its financial statements are required.

c) Operating guarantees granted:

- Direct commitments

As of December 31, 2020, and 2019 the Bank has no such types of guarantees.

- Operating guarantees

##### **BCI Corredor de Bolsa S.A.**

As of December 31, 2020 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, has made a deposit to guarantee compliance with the commitments for simultaneous operations on the Santiago Stock Exchange for MCh\$41,170 (MCh\$73,478 as of December 31, 2019).

As of December 31, 2020 BCI Corredor de Bolsa S.A., the subsidiary of the Bank, made a deposit to guarantee compliance with the proper performance of operations in the CCLV settlement system of the Santiago Stock Exchange for MCh\$7,200 (MCh\$12,093 as of December 31, 2019).

As of December 31, 2020, BCI Corredor de Bolsa S.A., the subsidiary of the Bank, made a deposit to guarantee compliance with the proper performance of operations in the CCLV settlement system in financial derivatives of the Santiago Stock Exchange for MCh\$295 (MCh\$295 as of December 31, 2019).

As of December 31, 2020, BCI Corredor de Bolsa S.A., the subsidiary of the Bank, made a foreign deposit to guarantee compliance with the international market operations for MCh\$36 (MCh\$37 as of December 31, 2019).

As of December 31, 2020, BCI Corredor de Bolsa S.A., the subsidiary of the Bank, has not made any deposit to guarantee compliance with the lending commitments and short selling of shares on the Electronic Stock Exchange of Chile (MCh\$297 as of December 31, 2019).

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 23 - CONTINGENCIES AND COMMITMENTS, CONTINUED**

As of December 31, 2020, BCI Corredor de Bolsa S.A., the subsidiary of the Bank, acquired a UF 20,000 maximum guarantee to ensure compliance with the provisions of Article No. 30 of Law No. 18,045, in order to ensure proper and full compliance with all its obligations as securities intermediary. The beneficiaries of this guarantee are current or future creditors, which it has or will have as a result of stockbroker operations, this warranty applies to a policy taken on August 19, 2020 No. 330-19-00026838 and is valid until August 19, 2021. The insurer is the Compañía de Seguros de Mapfre Garantía y Crédito, and Santiago Stock Exchange is the representative of potential beneficiaries.

To December 31, 2020, there is a bond of UF 10,000 to fulfill what is set forth in Article 12 and following, and 99 and following, of Law 20,712, guaranteeing the complete fulfillment of BCI Corredor de Bolsa obligations of fund and portfolio management for third parties, valid from November 25, 2020 to November 23, 2021.

#### **BCI Corredor de Bolsa S.A.**

As of December 31, 2020, it had contracted a insurance policy signed with Southbridge Compañía de Seguros Generales SA., which covers Banco de Credito e Inversiones and its subsidiaries up to UF 500,000, for faithful compliance of duties by employees whose effective date is from November 30, 2020 until May 31, 2022.

#### **BCI Corredores de Seguros S.A.**

As of December 31, 2020, the following insurance policies have been contracted to comply with the provisions of letter d) of Article No. 58 of Decree Law No. 251 of 1931, in order to respond to the correct and full compliance with all obligations arising from its activity:

- Guarantee Policy for Insurance Brokers No. 01-23-15196 for an insured amount of UF500 contracted with Aseguradora Porvenir S.A., whose term is from April 15, 2020 to April 14, 2021, establishing the right of the insurance company to collect from the broker all the sums disbursed by the insurance company to third parties affected by the broker's deficient intermediation in excess of the insured amounts.
- Professional Civil Liability Policy for Insurance Brokers No. 01-53-14278 for an insured amount of UF60,000 contracted with Aseguradora Porvenir S.A., whose term is from April 15, 2020 to April 14, 2021, for the purpose of safeguarding the broker in the event of possible claims by third parties, with the insurance company having the right to ask the broker to reimburse the amount paid to the third party claimant.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 23 - CONTINGENCIES AND COMMITMENTS, CONTINUED

##### BCI Factoring S.A.

As of December 31, 2020 and 2019, BCI Factoring S.A., the subsidiary of the Bank, has approved guarantee lines for operators with Factor Chain International for MCh\$2,596 (MCh\$491 in 2019), equivalent to US\$3,650,000.00 (US\$660,000.00 in 2019) of which MCh\$439 (MCh\$29 in 2019) have been used, equivalent to US\$618,222.35 (US\$39,070.30 in 2019).

##### BCI Corredores de Bolsa de Productos S.A.

As of December 31, 2020, it has a Bank guarantee No. 529972 taken with Banco de Crédito e Inversiones, for UF6,000, in favor of Bolsa de Productos Agropecuarios S.A., to guarantee compliance with the Company's obligations as an intermediary of products in accordance with article 11 of Act 19,220. The possibility of payment of this bond is covered by a "Contract to open a line of credit to cover possible guarantee payments issued in Chilean pesos or foreign currency," which is held by the financial institution with due date on May 3, 2022.

As of December 31, 2020, it has a Bank guarantee N°529973 taken with Banco de Crédito e Inversiones, for UF2,000, in favor of Bolsa de Productos Agropecuarios SA, to guarantee the fulfillment of all its obligations as a stock exchange broker in connection with operations invoiced to the Company. The possibility of payment of this bond is covered by a "Contract to open a line of credit to cover possible guarantee payments issued in Chilean pesos or foreign currency," which is held by the financial institution with due date on May 3, 2022.

##### BCI Asset Management Administradora General de Fondos S.A

Collaterals established in articles 12, 13 and 14 of the Single Act on Funds No. 20,712.

As of December 31, 2020, there are policies securing all funds and portfolio administration, which amount to MCh\$ 80,319.

Funds	Type of collateral	Amount MCh\$	Amount paid UF
Funds	Guarantees in UF	70,045	2,409,488.06
Portfolio administration	Guarantees in UF	<u>10,274</u>	<u>353,426.67</u>
	<b>Total</b>	<b><u>80,319</u></b>	<b><u>2,762,914.73</u></b>

The foregoing is in accordance with the provisions of article 125 of Act No. 18,045 on the Stock Market and the provisions in NCG No. 125 of 2001, which stipulate that General Fund Administrators must permanently maintain a guarantee for each managed fund, which should always be equivalent to UF 10,000 or 1% of the average assets of the corresponding calendar year prior to the date of calculation.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 23 - CONTINGENCIES AND COMMITMENTS, CONTINUED

Also, in order to comply with the requirements of Title IV of Circular 1790, mutual funds defined as structured and secured must always have collateral provided by a third party other than the administrator company.

To ensure compliance with these standards, BCI Asset Management Administradora General de Fondos S.A. maintains deposits with BCI Bank.

##### d) Credit commitments

In order to satisfy the needs of its customers, the Bank assumed several irrevocable commitments and contingent liabilities. Although these obligations are not recognized in the consolidated statements of financial position, they are subject to credit risks and, therefore, are part of the Bank's overall risk.

The table below presents the contractual amounts of the transactions that require the Bank to grant loans and the amount of the provisions made for the credit commitment risk assumed:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Endorsements and performance bonds	196,037	197,667
Documentary letters of credit	317,129	257,876
Guarantees	1,819,884	1,711,098
Amount available for credit cards users	7,245,618	7,313,998
Provisions (Note 21)	(51,593)	(42,669)
<b>Total</b>	<b>9,527,075</b>	<b>9,437,970</b>

##### e) Documents in custody and for collection on the part of the Bank

The Bank and its subsidiaries have the following operations derived from the normal course of business:

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Documents in collection	218,581	216,588
Custody of assets	66,466	55,908
<b>Total</b>	<b>285,047</b>	<b>272,496</b>

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 24 – SHAREHOLDER’S EQUITY

a) Issued capital and shares

Movements of common shares during the periods ended December 31, 2020 and 2019 are the following:

	As of December, 31	
	2020	2019
	No.	No.
<b>Issued as of January 1</b>	<b>141,616,409</b>	<b>135,892,980</b>
Through reserve capitalization	7,151,531	5,723,429
Shares subscribed and paid for capital increase	-	-
<b>Total issued</b>	<b>148,767,940</b>	<b>141,616,409</b>

As of December 31, 2020, and 2019, the distribution of shareholders is as follows:

#### As of December 31, 2020

	Shares	
	No. of shares	Ownership %
Empresas Juan Yarur S.P.A.	82,356,919	55.36%
Banco de Chile on behalf of non-resident third parties	7,903,241	5.31%
Jorge Yarur Bascuñán	4,916,919	3.31%
Banco Santander on behalf of foreign investors	3,869,509	2.60%
BCI Corredor de Bolsa S.A. on behalf of third parties.	3,709,455	2.49%
AFP Habitat S.A.	3,532,781	2.37%
AFP Provida S.A.	2,891,507	1.94%
Larraín Vial S.A. Corredora de Bolsa	2,597,592	1.75%
AFP Capital S.A.	2,570,090	1.73%
Inversiones Cerro Sombrero Financiero S.P.A.	2,531,269	1.70%
Banchile Corredores de Bolsa S.A.	2,247,127	1.51%
Imsa Financiera S.P.A.	2,220,465	1.49%
AFP Cuprum S.A.	2,090,561	1.41%
Inversiones Tarascona Corporation Agencia en Chile	1,807,326	1.21%
Inversiones VYR S.P.A.	1,695,786	1.14%
Inversiones Nueva Altamira S.P.A.	1,484,801	1.00%
Luis Enrique Yarur Rey	1,471,380	0.99%
Inversiones Meyar S.A.C.	1,104,880	0.74%
Bolsa de comercio de Santiago Bolsa de Valores	962,989	0.65%
AFP Modelo S.A.	863,228	0.58%
Empresas JY S.A.	818,301	0.55%
Credicorp Capital S.A. Corredores de Bolsa	753,546	0.51%
Inversiones Colibrí Financiera S.A.	694,729	0.47%
BTG Pactual Chile S.A. Corredores de Bolsa	675,833	0.45%
Compañía de seguros de vida Consorcio Nacional de Seguro S.A.	652,752	0.44%
Other shareholders	12,344,954	8.30%
<b>Subscribed and paid-in shares</b>	<b>148,767,940</b>	<b>100.00%</b>



## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 24 –SHAREHOLDER’S EQUITY, CONTINUED

As of December 31, 2019

	Shares	
	No. of shares	Ownership %
Empresas Juan Yarur S.P.A.	78,397,880	55.36%
Jorge Yarur Bascuñán	4,680,554	3.31%
Banco de Chile on behalf of non-resident third parties	4,607,976	3.25%
Banco Santander on behalf of foreign investors	3,745,192	2.64%
Banco Itaú Corpbanca on behalf of investors	3,615,211	2.55%
AFP Habitat S.A.	3,381,940	2.39%
BCI Corredor de Bolsa S.A. on behalf of third parties.	3,320,312	2.34%
AFP Provida S.A.	3,077,355	2.17%
AFP Cuprum S.A.	2,765,661	1.95%
Inversiones Cerro Sombrero Financiero S.P.A.	2,409,587	1.70%
AFP Capital S.A.	2,371,780	1.67%
Imsa Financiera S.P.A.	2,113,723	1.49%
Larraín Vial S.A. Corredora de Bolsa	1,871,306	1.32%
Inversiones Tarascona Corporation Agencia en Chile	1,720,445	1.21%
Inversiones VYR S.P.A.	1,614,267	1.14%
Banchile Corredores de Bolsa S.A.	1,497,910	1.06%
Inversiones Nueva Altamira S.P.A	1,413,424	1.00%
Luis Enrique Yarur Rey	1,400,648	0.99%
AFP Modelo S.A.	1,115,399	0.79%
Inversiones Meyar S.A.C.	1,051,766	0.74%
Empresas JY S.A.	778,964	0.55%
Inversiones Colibrí Financiera S.A.	661,332	0.47%
Compañía de Seguros de Vida Consorcio Nacional de Seguros S.A.	610,139	0.43%
Nueva Chosica Uno S.P.A.	574,604	0.41%
AFP Planvital S.A.	571,372	0.40%
Other shareholders	12,247,662	8.67%
<b>Subscribed and paid-in shares</b>	<b>141,616,409</b>	<b>100.00%</b>

#### b) Dividends

During the period ended December 31, 2020 and 2019, the following dividends were declared by the Bank:

	For the year ended December 31	
	2020	2019
	Ch\$	Ch\$
\$ per ordinary share	1,000	1,000

The provision for minimum dividends as of December 31, 2020 amounts to MCh\$95,236 (MCh\$120,794 as of December 31, 2019).

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 24 –SHAREHOLDER’S EQUITY, CONTINUED

c) The composition of basic and diluted earnings per share is as follows:

	<b>For the year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Net income for the year attributable to the equity holders of the Bank	317,454	402,645
<b>Income available for shareholders MCh\$</b>	<b>317,454</b>	<b>402,645</b>
Weighted average number of shares	141,960,196	141,616,490
<b>Basic and diluted earnings per share (Ch\$-Share)</b>	<b>2,236</b>	<b>2,843</b>

d) Translation adjustment reserve

As of December 31, 2020, and 2019, the reconciliation of the cumulative translation adjustment reserve as a separate component of shareholders’ equity is as follows:

	<b>Translation adjustment reserve MCh\$</b>
<b>As of January 1, 2019</b>	<b>74,712</b>
Net Exchange rate charges for subsidiaries in Florida	100,778
<b>As of December 31, 2019</b>	<b>175,490</b>
<b>As of January 1, 2020</b>	<b>175,490</b>
Net Exchange rate charges for subsidiaries in Florida	(95,503)
<b>As of December 31, 2020</b>	<b>79,987</b>

Reconciliation of the investment revaluation reserve and cash flow hedge reserve is as follows:

	<b>Investment revaluation reserve MCh\$</b>	<b>Cash flow hedges reserve MCh\$</b>
<b>Accumulated other comprehensive income 2018</b>	<b>(18,060)</b>	<b>(11,963)</b>
Transferred to statements of income 2019	3	873
Mark to market adjustment	53,536	(115,699)
<b>Accumulated other comprehensive income 2019</b>	<b>35,479</b>	<b>(126,789)</b>
Transferred to statements of income 2020	3,408	828
Mark to market adjustment	39,079	(50,331)
<b>Accumulated other comprehensive income 2020</b>	<b>77,966</b>	<b>(176,292)</b>

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 24 –SHAREHOLDER’S EQUITY, CONTINUED**

e) Nature of valuation reserves

- Cumulative translation adjustment reserve:

Originated by exchange rate differences arising from the conversion of a net investment in a foreign entity which has a different functional currency.

- Cash flow hedges reserve:

Originated by the valuation at fair value of the derivative contracts designated as hedging instruments in cash flow hedges.

- Fair value reserves:

The fair value reserve includes the accumulated net changes in the market value of the investments available for sale. When the investment (all or part) is sold or disposed of, these reserves are recognized in the Consolidated Income Statement as part of the loss or gain related to investments (Note 1, section t, indicates the accounting treatment in case of impairment).

f) Capital requirements

The regulatory capital as of December 31, 2020 is defined as equivalent to the net amount that should be shown in the Consolidated Financial Statements as calculated as explained below, as indicated in the Compendium of Accounting Regulations. According to General Banking Law, the Bank should maintain a minimum ratio of effective stockholders' equity to consolidated risk-weighted assets, net of required loan loss allowances and provisions and deductions, of 8%, and a minimum ratio of basic capital to consolidated total assets, net of required loan loss allowances and provisions and deductions of 3%. Regulatory capital for these purposes is defined as basic capital (which represents paid-in capital and reserves) adjusted by: a) aggregate subordinated bonds issued by the Bank valued at their placement price for an amount up to 50% of its basic capital commencing nine years prior to their maturity, b) aggregate additional required allowances and provisions as stipulated, c) deductions for all goodwill and share premium, and d) deductions for assets that correspond to investments in non-consolidated subsidiaries.

The assets are weighted according to a risk category to which a risk percentage is assigned according to the amount of capital necessary to support each of these assets, five risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in banks, and financial instruments issued by the Central Bank of Chile have 0% risk, which means that according to the regulations in force, capital is not needed to maintain these assets. Property, plant and equipment have 100% risk, which means that a minimum capital, equivalent to 8% of these assets, should be held.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 24 –SHAREHOLDER’S EQUITY, CONTINUED

All over the counter (“OTC”) derivative securities are considered in the determination of risk-weighted assets with a conversion factor over the notional values, thus obtaining the amount of credit risk exposure (or “credit equivalent”) that complies with Chapter 12-1 of the Updated Compilation of Standards issued by the FMC. Contingent credits, recognized off – balance sheet, which are also considered as a “credit equivalent” for purposes of risk exposure.

The regulatory and basic capital as of December 31, 2020 and 2019 are the following:

	Consolidated assets		Risk- weighted assets	
	As of December, 31		As of December, 31	
	2020	2019	2020	2019
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Assets - Consolidated statements of financial position (net of provisions)</b>				
Cash and deposits in banks	4,597,867	3,153,760	- -	-
Items in course of collection	236,710	310,602	40,899	68,513
Trading portfolio financial assets	1,147,279	2,212,257	230,456	327,394
Liabilities under agreements to repurchase	190,248	196,015	190,248	196,015
Derivative financial liabilities	5,451,897	4,261,289	834,039	1,048,861
Credit equivalent	(4,388,819)	(2,742,133)	-	-
Loans and receivables from banks, net	356,669	457,640	356,669	457,640
Loans and receivables to customers, net	34,718,681	33,212,457	29,841,236	29,797,865
Financial investments available for sale	7,996,040	4,011,029	1,541,591	1,241,168
Financial investments held to maturity	25,144	7,369	10,244	6,767
Investments in other companies	26,625	27,823	26,625	27,823
Intangible assets	395,276	404,215	243,764	259,706
Property, plant and equipment, net	251,217	250,194	251,217	250,194
Right-of-use asset	204,807	231,344	204,807	231,344
Current income tax	36,270	89,495	3,627	8,950
Deferred income taxes	211,224	103,329	21,122	10,333
Other assets	1,310,345	1,407,802	877,563	922,871
<b>Assets off – balance sheet</b>				
Credit commitments	4,085,765	4,043,147	2,451,459	2,425,897
<b>Total</b>	<b>56,853,245</b>	<b>51,637,634</b>	<b>37,125,566</b>	<b>37,281,341</b>

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
Basic capital	3,893,620	3,791,478
Regulatory capital	4,971,521	4,474,573
Total consolidated assets	56,853,245	51,637,634
Total Risk- weighted assets	37,125,566	37,281,341

<u>Concept</u>	Ratio	
	As of December, 31	
	2020	2019
	%	%
Basic capital-Consolidated assets	6.85	7.34
Basic capital- Risk-weighted assets	10.49	10.17
Regulatory capital- Risk-weighted assets	13.39	12.00

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 25 - INTEREST INCOME AND EXPENSES AND INDEXATION FOR INFLATION

- a) For the years ended December 31, 2020 and 2019, the composition of income from interest and indexation for inflation is the following:

Concept	For the years ended December 31					
	2020			2019		
	Interest	Indexation for inflation	Total	Interest	Indexation for inflation	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Repurchase agreements	1,262	4,919	6,181	1,607	37	1,644
Interbank loans	11,749	-	11,749	17,714	-	17,714
Commercial loans	1,019,773	124,122	1,143,895	1,054,546	111,419	1,165,965
Mortgage loans	195,260	183,034	378,294	219,852	173,968	393,820
Consumer loans	505,072	1,095	506,167	535,593	1,360	536,953
Investment instruments	82,561	18,164	100,725	85,559	9,019	94,578
Other income (*)	11,608	2,923	14,531	17,989	2,216	20,205
Hedge accounting offset effect	(72,938)	-	(72,938)	(24,322)	-	(24,322)
<b>Total income from interest and indexation for inflation</b>	<b>1,754,347</b>	<b>334,257</b>	<b>2,088,604</b>	<b>1,908,538</b>	<b>298,019</b>	<b>2,206,557</b>

(\*) Includes interest on overnight deposits, the liquidity current account with Central Bank of Chile, and others.

For the years ended December 31, 2020 and 2019 the sum of interest expenses and indexation for inflation is as follows:

Concept	For the year ended December 31	
	2020	2019
	MCh\$	MCh\$
Demand deposits	(49,329)	(82,237)
Repurchase agreements	(4,309)	(12,467)
Term deposits and borrowings	(172,835)	(356,022)
Borrowings from financial institutions	(60,168)	(88,011)
Debt issued	(325,402)	(311,834)
Other financial liabilities	(10,934)	(19,995)
Lease liabilities	(4,149)	(4,750)
Other interest expenses and indexation for inflation	(10,715)	(8,668)
Hedge Accounting Results	7,778	(1,079)
<b>Total interest expenses and-indexation for inflation</b>	<b>(630,063)</b>	<b>(885,063)</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

- b) For the years ended December 31, 2020 and 2019, the detail of income and expenses related to hedge accounting is as follows:

	For the year ended December 31					
	2020			2019		
	Income	Expense	Total	Income	Expense	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Asset hedge margin</b>						
Fair value hedges	28,131	(39,369)	(11,238)	61,599	(64,206)	(2,607)
Cash flow hedges	21,255	(82,955)	<b>(61,700)</b>	23,042	(44,757)	<b>(21,715)</b>
<b>Subtotal</b>	<b>49,386</b>	<b>(122,324)</b>	<b>(72,938)</b>	<b>84,641</b>	<b>(108,963)</b>	<b>(24,322)</b>
<b>Liabilities hedge margin</b>						
Fair value hedges	643,936	(636,158)	7,778	1,157,468	(1,158,547)	<b>(1,079)</b>
<b>Subtotal</b>	<b>643,936</b>	<b>(636,158)</b>	<b>7,778</b>	<b>1,157,468</b>	<b>(1,158,547)</b>	<b>(1,079)</b>
<b>Total</b>	<b>693,322</b>	<b>(758,482)</b>	<b>(65,160)</b>	<b>1,242,109</b>	<b>(1,267,510)</b>	<b>(25,401)</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 26 – FEE AND COMMISSION INCOME AND EXPENSES**

For the years ended December 31, 2020 and 2019, the composition of fee and commission income and expenses is the following:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Fee and commission income:</b>		
Commissions for credit lines and overdrafts	3,284	3,752
Commissions for guarantees and letters of credit	24,457	20,819
Commissions for credit card services	87,069	106,670
Commissions for administration of accounts	48,567	48,994
Commissions for collection services	62,496	72,690
Commissions for securities brokerage	6,972	6,395
Commissions for management of mutual and investment funds	54,226	57,225
Commissions for insurance brokerage	72,188	84,895
Commissions for other services provided	57,929	46,889
Other commissions	16,699	13,984
<b>Total fee and commission income</b>	<b>433,887</b>	<b>462,313</b>
<b>Fee and commission expenses:</b>		
Commissions on operations with credit cards:	(48,989)	(46,539)
Commissions on securities trading	(25,194)	(20,581)
Other commissions	(24,120)	(43,433)
<b>Total fee and commission expenses</b>	<b>(98,303)</b>	<b>(110,553)</b>

**NOTE 27 - TRADING AND INVESTMENT INCOME, NET**

For the years ended December 31, 2020 and 2019, the detail of trading and investment income is the following:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Trading instruments	114,243	144,519
Derivative financial agreements (speculative)	(20,094)	15,752
Other instruments at fair value through profit or loss	(401)	(231)
Gains on financial investments available for sale	55,051	23,765
<b>Total</b>	<b>148,799</b>	<b>183,805</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 28 - FOREIGN EXCHANGE RESULTS, NET**

For the years ended December 31, 2020 and 2019, the detail of the foreign exchange results is the following:

	<b>For the year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Exchange difference</b>		
Gains from exchange differences	37,047,639	25,662,622
Losses from exchange differences	(36,986,152)	(25,861,885)
<b>Subtotal</b>	<b>61,487</b>	<b>(199,263)</b>
<b>Foreign currency fluctuation</b>		
Effect for assets and liabilities denominated in foreign currency	(10,500)	12,212
<b>Subtotal</b>	<b>(10,500)</b>	<b>12,212</b>
<b>Hedge Accounting Results</b>		
Assets hedge results	(28,860)	55,482
Liabilities hedge results	22,638	113,235
<b>Subtotal</b>	<b>(6,222)</b>	<b>168,717</b>
<b>Total</b>	<b>44,765</b>	<b>(18,334)</b>

This item includes income accrued in the period, related to holding of assets and liabilities in foreign currency or indexed to the exchange rate, for ex trading and results of derivatives used to hedge foreign currency.



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 29 - PROVISIONS FOR LOAN LOSSES

The detail of provisions for loan losses and impairment as of December 31, 2020 and 2019 is as follows:

December 31, 2020	Loans and receivables from customers, net					Additional	Adjustment to minimum provision for normal portfolio	Total
	Owed by banks	Consumer loans	-- Mortgage loans	Consumer loans	Credit Commitments			
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Provisions:								
Individual provisions	23	146,828	-	-	9,900	-	-	156,751
Collective provisions	-	122,919	4,487	369,581	6,042	151,475	-	654,504
<b>Total provisions</b>	<b>23</b>	<b>269,747</b>	<b>4,487</b>	<b>369,581</b>	<b>15,942</b>	<b>151,475</b>	<b>-</b>	<b>811,255</b>
Impairment								
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	-	-	-	-	-	-	-	-
<b>Total impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reversal of provisions								
Individual provisions	(143)	(24,288)	-	-	(3,343)	-	(10,708)	(38,482)
Collective provisions	-	(12,655)	(7,036)	(28,891)	(900)	(2,809)	-	(52,291)
<b>Total reversal of provisions</b>	<b>(143)</b>	<b>(36,943)</b>	<b>(7,036)</b>	<b>(28,891)</b>	<b>(4,243)</b>	<b>(2,809)</b>	<b>(10,708)</b>	<b>(90,773)</b>
Recovery of loans previously written off	-	(18,178)	(2,151)	(46,242)	-	-	-	(66,571)
Reversal of impairment	-	-	-	-	-	-	-	-
<b>Net provisions for loan losses</b>	<b>(120)</b>	<b>214,626</b>	<b>(4,700)</b>	<b>294,448</b>	<b>11,699</b>	<b>148,666</b>	<b>(10,708)</b>	<b>653,911</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 29 - PROVISIONS FOR LOAN LOSSES, CONTINUED

In Management's opinion, the provisions recorded for credit risk and for impairment cover all possible losses that may result if assets are not recovered based on the information corroborated by the Bank.

December 31, 2019	Loans and receivables from customers, net						Minimum Provision adjustment for normal portfolio	Total
	Interbank loans	Commercial loans	Mortgage loans	Consumer loans	Credit commitments	Additional		
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Provisions:								
Individual provisions	1,360	71,249	-	-	2,757	-	4,162	79,528
Collective provisions	-	155,410	4,681	317,257	10,309	-	-	487,657
<b>Total provisions</b>	<b>1,360</b>	<b>226,659</b>	<b>4,681</b>	<b>317,257</b>	<b>13,066</b>	<b>-</b>	<b>4,162</b>	<b>567,185</b>
Impairment								
Individual impairment	-	-	-	-	-	-	-	-
Collective impairment	-	-	-	-	-	-	-	-
<b>Total impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reversal of provisions								
Individual provisions	(1,578)	(28,352)	-	-	(318)	-	(8)	(30,256)
Collective provisions	-	(5,407)	(137)	(6,870)	(277)	(44,164)	-	(56,855)
<b>Total reversal of provisions</b>	<b>(1,578)</b>	<b>(33,759)</b>	<b>(137)</b>	<b>(6,870)</b>	<b>(595)</b>	<b>(44,164)</b>	<b>(8)</b>	<b>(87,111)</b>
Recovery of assets previously written off	-	(23,984)	(3,867)	(36,704)	-	-	-	(64,555)
Reversal of impairment	-	-	-	-	-	-	-	-
<b>Net provisions for loan losses</b>	<b>(218)</b>	<b>168,916</b>	<b>677</b>	<b>273,683</b>	<b>12,471</b>	<b>(44,164)</b>	<b>4,154</b>	<b>415,519</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 30 - STAFF COSTS**

The composition of staff costs for the years ended December 31, 2020 and 2019 is as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Staff remuneration	291,929	267,172
Bonuses or awards	166,359	156,063
Severance payments	26,465	20,039
Training expenses	2,813	3,544
Other staff expenses	34,514	37,068
<b>Total</b>	<b>522,080</b>	<b>483,886</b>

**NOTE 31 - ADMINISTRATIVE EXPENSES**

For the years ended December 31, 2020 and 2019 the composition of administrative expenses is as follows:

	<b>For the years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>General administrative expenses</b>		
Maintenance and repair of the bank's property, plant and equipment	14,553	16,061
Insurance premiums	8,940	9,885
Office supplies	4,176	4,576
Computer and communication expenses	103,069	81,944
Lighting, heating and other services	8,704	9,412
Securities custody and transportation services	12,884	14,571
Travel expenses	2,964	5,341
Judicial and notarial expenses	5,028	5,512
Fees for technical reports	8,440	5,780
Audit fees	4,405	4,341
Fines imposed by the FMC	-	6
Fines imposed by other agencies	247	270
Low-value lease contract expenses	10,745	8,651
Cleaning services	4,624	4,560
Advisory services	12,481	15,675
Postal-related expenses	1,406	1,526
Other general administrative expenses	31,253	50,953
<b>Sub- contracted services</b>		
Data processing	6,858	7,470
Sale of products	1,797	641
Credit evaluation	426	542
Other	8,732	9,554
<b>Board of Director expenses</b>		
Board of Directors remuneration	4,706	4,568
Other Board of Directors expenses	423	363
<b>Publicity and advertising</b>	30,791	34,692
<b>Taxes, real estate taxes and contributions</b>		
Real estate taxes	3,016	2,838
Licenses	2,394	2,457
Other taxes	12,106	12,190
Contribution to FMC	14,034	11,770
<b>Total</b>	<b>319,202</b>	<b>326,149</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 32 - DEPRECIATION, AMORTIZATION AND IMPAIRMENT

a) For the years ended December 31, 2020 and 2019, depreciation and amortization expenses are detailed below:

	For the year ended December 31,	
	2020	2019
	MCh\$	MCh\$
<b>Depreciation and amortization</b>		
Depreciation of property, plant and equipment	(25,238)	(25,670)
Amortization of intangible assets	(56,970)	(51,383)
Amortization and depreciation of right-to-use assets	(26,802)	(26,596)
<b>Total</b>	<b>(109,010)</b>	<b>(103,649)</b>

b) For the years ended December 31, 2020 and 2019, the bank presents impairment which is detailed below:

	For the year ended December 31	
	2020	2019
	MCh\$	MCh\$
<b>Impairment of property, plant and equipment and intangible assets</b>		
Property, plant and equipment (1)	(79)	(478)
Intangibles (2)	(4,994)	-
<b>Total</b>	<b>(5,073)</b>	<b>(478)</b>

(1) For the years ended December 31, 2020 and 2019, the impairment of property, plant and equipment of MCh\$79 and MCh\$748 corresponds to the gross balance of property, plant and equipment.

The Bank and its branches assess, on the end of the reported fiscal year there is any indicator of impairment of any asset with a defined life. If any indicator is present, or an impairment test is needed, the entity calculates the recoverable amount of the asset.

(2) The Bank acquired intangible assets on the merging of businesses with BCI Servicios Financieros and City National Bank, whose flow generation and management are analyzed by high-level management separately, as their contributions to the consolidated entity can be analyzed independently.

The carrying amount of intangible assets with a defined useful life before impairment losses is as follows.

	As of December, 31	
	2020	2019
	MCh\$	MCh\$
<b>Intangible assets</b>		
Relationship with clients	34,890	37,526
Rights acquired under cross-selling agreement	2,538	4,896

#### b) Impairment test of intangible assets

##### i. Impairment loss of intangible assets

As a result of the recent impacts described in Note 3 “Significant Events”, the recoverable amount from Servicios Financieros CGU presenting intangible asset balances was calculated, resulting in the recognition of an impairment loss of MCh\$4,994 on the following assets for the year ended December 31, 2020:

	MCh\$
<b>Intangibles impairment (1)</b>	
Relationship with clients	2,636
Rights acquired under cross-selling agreement	2,358
<b>Impairment total</b>	<b>4,994</b>

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 32 - DEPRECIATION, AMORTIZATION AND IMPAIRMENT, CONTINUED

(1) At the closing of November 2020, the Bank recorded an intangible impairment loss for intangibles generated in the merging of businesses due to the acquisition of BCI Servicios Financieros on December 2018, for a total of MCh \$4,994. An impairment test was performed on the indefinitely-lived intangible assets identified in the assignment of the price paid on December 2018. For the assessment of the loan portfolio, the value of the intangible asset was adjusted according to an impairment indicator analysis, using the real client loss rate between December 2018 and September 2020 as a benchmark. Based on the results of the analysis, it was concluded that there was an impairment on the Client Relations for MCh\$2,636, and the Rights acquired under cross-selling agreement, for MCh\$2,358. These recorded impairments represent a carrying amount of 9.3% and 58.6%, respectively.

#### ii. Intangible assets distribution

The distribution of intangible assets generated in the acquisition of BCI Servicios Financieros and the transactions incurred, are presented below:

	<b>Relationship with clients</b>	<b>Rights acquired under cross-selling agreement</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Balance as of December 31, 2019</b>	<b>32,012</b>	<b>4,366</b>
Amortization for the year	(4,676)	(470)
Impairment of property, plant and equipment and intangible assets	(2,636)	(2,358)
<b>Balance as of December 31, 2020</b>	<b>24,700</b>	<b>1,538</b>

The figures presented as of December 31, 2020 have been adjusted to their recoverable amount, recognizing an impairment loss as indicated above.

#### iii. Methodology used by the Bank

- **Relationship with clients**

The methodology used for the assessment of the fair value of the relation with clients was to adjust the value of the intangible asset according to an impairment indicator analysis, using the real client loss rate between December 2018 and September 2020 as a benchmark.

- **Rights acquired under cross-selling agreement**

The methodology used for the assessment of the fair value of the rights acquired under cross-selling agreement was the income approach, where the value of an asset is assessed according to the current value of its future net benefits. The steps to apply this approach include the estimation of expected cash flows attributable to the asset throughout its useful life, discounting them at an adequate rates according to the specific risks of future benefits of the asset, and to the value of cash over time.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 32 - DEPRECIATION, AMORTIZATION AND IMPAIRMENT, CONTINUED

#### iv. Assessment results

As a result of the assessment process, the Management concludes that the ratios of recoverable amounts and carrying amount of intangible assets to December 31, 2020, are the following:

	As of December 31, 2020	
	Relationship with clients	Rights acquired under cross-selling agreement
Discount rate	14.4%	14.4%
Recoverable amount/ Carrying amount	90.7%	41.4%
Impairment of property, plant and equipment to intangible asset carrying amount	9.3%	58.6%

The recoverable amount for each intangible asset corresponds to the value in use, since it is the greater amount when compared to the fair value less costs to sell.

- c) The reconciliation between the amounts as of January 1, 2020 and 2019 and the balances as of December 31, 2020 and 2019 is as follows:

	Accumulated depreciation and amortization			
	2020			
	Property, plant and equipment, net	Leased assets	Intangible assets	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of January 1	203,598	62,099	209,200	474,897
Charges for depreciation and amortization	25,238	26,802	56,970	109,010
Disposals	(61,540)	(4,712)	(4,053)	(70,305)
Others	(413)	(169)	-	(582)
Balance as of December 31	166,883	84,020	262,117	513,020

	Accumulated depreciation and amortization			
	2019			
	Property, plant and equipment, net	Leased assets	Intangible assets	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of January 1	227,139	39,814	158,696	425,649
Charges for depreciation and amortization	25,670	26,596	51,383	103,649
Disposals	(7,559)	(3,870)	-	(11,429)
Others	(41,174)	(441)	(879)	(42,494)
Balance as of December 31	204,076	62,099	209,200	475,375

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 33 - OTHER OPERATING INCOME AND EXPENSES**

## a) Other operating income

For the years ended December 31, 2020 and 2019, the composition of other operating income is as follows:

Concept	For the year ended December 31	
	2020	2019
	MCh\$	MCh\$
<b>Income from repossessed assets</b>		
Gain on sale of repossessed assets	1,953	4,776
Other income	642	190
Subtotal	2,595	4,966
<b>Reversal of provisions for credit commitments</b>		
Reversal of provisions for country risk	323	154
Subtotal	323	154
<b>Other income</b>		
Gains on sale of property, plant and equipment	2,077	5,078
Insurance claims	2,124	629
Leasing income	5,035	5,914
Other income	32,485	36,322
Subtotal	41,721	47,943
<b>Total</b>	<b>44,639</b>	<b>53,063</b>

## b) Other operating expenses

For the years ended December 31, 2020 and 2019, the composition of other operating income is as follows:

Concept	For the year ended December 31	
	2020	2019
	MCh\$	MCh\$
<b>Impairment and expenses for repossessed assets</b>		
Provisions for repossessed assets	73	-
Write-off of repossessed assets	1,487	3,934
Maintenance expenses for repossessed assets	928	1,034
Subtotal	2,488	4,968
<b>Establishment of provisions for credit commitments</b>		
Provisions for country risk	1,143	409
Other provisions for credit commitments	14,771	4,637
Subtotal	15,914	5,046
<b>Other expenses</b>		
Loss on sale of property, plant and equipment	32	10
Contributions and donations	7,327	3,240
Penalties for judicial and notary expenses	4,576	3,731
Leasing expenses	21,112	11,251
Non-operating expenses	14,474	9,852
Other expenses	14,573	5,471
Subtotal	62,094	33,555
<b>Total</b>	<b>80,496</b>	<b>43,569</b>

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 34 - TRANSACTIONS WITH RELATED PARTIES

a) Loans granted to related parties

The following shows the loans and accounts receivable, contingent credits and assets for trading and investment instruments, corresponding to related entities:

	As of December 31, 2020			As of December 31, 2019		
	Operating companies	Investment companies	Individuals	Operating companies	Investment companies	Individuals
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Loans and receivables to customers</b>						
Commercial loans	113,594	83,731	22,152	95,963	81,051	16,903
Mortgage loans	-	-	46,894	-	-	45,275
Consumer loans	-	-	7,483	-	-	7,308
<b>Loans and receivables from customers, gross</b>	<b>113,594</b>	<b>83,731</b>	<b>76,529</b>	<b>95,963</b>	<b>81,051</b>	<b>69,486</b>
Allowances for loan losses	(282)	(50)	(477)	(244)	(54)	(294)
<b>Loans and receivables from customers, net</b>	<b>113,312</b>	<b>83,681</b>	<b>76,052</b>	<b>95,719</b>	<b>80,997</b>	<b>69,192</b>
Credit commitments	68,031	10,047	17,707	39,195	4,797	19,146
Provisions for credit commitments	(231)	(10)	(61)	(36)	(5)	(30)
<b>Credit commitments, net</b>	<b>67,800</b>	<b>10,037</b>	<b>17,646</b>	<b>39,159</b>	<b>4,792</b>	<b>19,116</b>



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED

b) Other transactions with related parties

For the years ended December 31, 2020 and 2019, the Bank conducted the following transactions with related parties:

For the year ended December 31, 2020	Relationship with the	Description	Amount of	Effect on	
				income	
Company name	Group		transaction	Expense	Income
			MCh\$	MCh\$	MCh\$
Artikos Chile S.A.	Joint venture	Acquisition services	1,033	1,033	-
Bolsa de Comercio de Santiago	Others	Rent of terminals	168	168	-
BCI Seguros de Vida S.A.	Other	Revenue and channel usage service	1,686	-	1,686
		Brand use	1,308	-	1,308
		Messaging	166	-	166
		Channel usage	436	-	436
		Loss management	988	-	988
		Marketing	1,059	-	1,059
		Contracted insurance	60	60	-
		Subordinated bonds	592	62	-
		Financial bond	2,735	79	-
		Term deposits	4,000	63	-
		Forward operation	75	75	-
		Bank expenses	203	203	-
		Collection fees Servicios Financieros y Administración de Créditos Comerciales S.A.	8,370	-	7,033
		Collection fees Servicios de Comercialización y Apoyo Financiero y de Gestión Ltda	1,290	-	1,084
		Intermediation fees BCI CCSS	9,408	-	9,408
BCI Seguros Generales S.A.	Other	Revenue and channel usage service	57	-	57
		Brand use	1,308	-	1,308
		Messaging	68	-	68
		Channel usage	436	-	436
		Marketing	1,389	-	1,389
		Financial bond	158	6	-
		Term deposits	17,134	-	4
		Forward operation	38	38	-
		Intermediation fees financial services, Corredores de Seguros y Gestión Financiera Ltda	1,458	-	1,225
		Collection fees Servicios de Comercialización y Apoyo Financiero y de Gestión Ltda	6,763	-	5,683
		Intermediation fees BCI CCSS	24,128	-	24,128
		Intermediation prizes BCI CCSS	565	-	565
		Marketing contribution	486	-	486
Centro de Compensación Automatizado S.A.	Others	Electronic banking transactions	1,814	1,814	-
Compañía Nacional de Teléfonos Telefónica de Sur S.A.	Other	Rental of data links	51	51	-
Combank S.A.	Associate	Compensation and high value payment	496	496	-
Comder Contraparte Central S.A.	Associate	Bank processing	819	819	-
Conexxion Spa	Others	Postal mail service	292	292	-
DCV Registros S.A.	Others	Management of register of shareholders	95	95	-
Depósitos Central de Valores S.A.	Others	Financial instruments custody	471	471	-
Digitech Solutions S.A.	Others	Digital documentation	287	287	-
Fernando Vallejos V	Others	Advice and consultancy	79	79	-
Inmobiliaria Anya S.A.	Others	Real estate projects	113	113	-
Inmobiliaria JY S.A.	Others	Real estate projects	223	223	-
Jordan ( Chile ) S.A.	Common parent	Forms printing	2,012	2,012	-
Mario Gómez D.	Others	Advice and consultancy	144	144	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card Processing	8,770	8,770	-
Redbank S.A.	Associate	ATMs Operation	6,276	6,276	-
Salcobrand S.A.	Common parent	Rent of places for ATMs	225	225	-
Servicios de Información avanzada S.A.	Others	Trade information service	832	832	-
Servipag Ltda.	Joint venture	Services collection and payment	4,750	4,750	-
Sistema Nacional de Com. Financieras S.A. (Sinacofi)	Others	Financial information service	575	575	-
Transbank S.A.	Other	Credit card management and credit card use income	20,178	4,916	15,262

NOTE: Only transactions over UF1,000 are disclosed.

All these transactions were undertaken under prevailing market conditions at the date on which they were entered.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

For the year ended December 31, 2019			Effect on		
Company name	Relationship with the Group	Description	Amount of transaction	income	
				Expense	Income
			MCh\$	MCh\$	MCh\$
Artikos Chile S.A.	Joint venture	Acquisition services	1,026	1,026	-
Bolsa de Comercio de Santiago	Others	Rent of terminals	148	148	-
BCI Seguros de Vida S.A.	Common parent	Revenue and channel usage service	2,316	-	2,316
		Brand use	2,123	-	2,123
		Messaging	143	-	143
		Channel usage	849	-	849
		Loss management	963	-	963
		Marketing	4,265	-	4,265
		Subordinated bonds	678	69	-
		Contracted insurance	50	50	-
		Financial bond	724	3	-
		Terms deposits	999	39	-
		Forward operation	72	72	-
		Fees for collection of financial services y management of commercial loans	15,025	-	12,626
		Intermediation fees BCI CCSS	24,596	-	24,596
BCI Seguros Generales S.A.	Common parent	Revenue and channel usage service	78	-	78
		Brand use	425	-	425
		Messaging	29	-	29
		Losses	559	-	559
		Forward operation	126	-	126
		Intermediation fees SSFF Corredores de Seguros y Gestión Financiera Ltda	1,020	-	1,020
		Collection fees Servicios de Comercialización y Apoyo Financiero y de Gestión Limitada.	4,682	-	4,682
		Intermediation fees BCI CCSS	31,421	-	31,421
Centro de Compensación Automatizado S.A.	Others	Electronic banking transactions	1,693	1,693	-
Compañía Nacional de Teléfonos Telefónica del Sur S.A.	Other	Rental of data links	50	50	-
Combank S.A.	Associate	Compensation and high value payment	438	438	-
Comder Contraparte Central S.A.	Associate	Bank processing	930	930	-
Conexxion Spa	Others	Postal mail service	295	295	-
DCV Registros S.A.	Others	Management of register of shareholders	97	97	-
Depósitos Central de Valores S.A.	Others	Financial instruments custody	291	291	-
Digitech Solutions S.A.	Others	Digital documentation	353	353	-
Fernando Vallejos V	Others	Advice and consultancy	78	78	-
GTD Teleductos S.A.	Others	Rental of data links	241	241	-
Inmobiliaria Anya S.A.	Others	Real estate projects	115	115	-
Inmobiliaria JY S.A.	Others	Real estate projects	217	217	-
Jordan ( Chile ) S.A.	Common parent	Forms printing	2,224	2,224	-
Mario Gómez D.	Others	Advice and consultancy	215	215	-
Operadoras de Tarjetas de Crédito Nexus S.A.	Associate	Card Processing	8,776	8,776	-
Redbanc S.A.	Associate	ATMs Operation	6,292	6,292	-
Salcobrand S.A.	Common parent	Rent of places for ATMs	255	255	-
Servicios de Información avanzada S.A.	Others	Trade information service	716	716	-
Servipag Ltda.	Joint venture	Services collection and payment	6,423	6,423	-
Sistema Nacional de Com. Financieras S.A. (Sinacofi)	Others	Financial information service	531	531	-
Transbank S.A.	Other	Credit card management and credit card use income	64,106	13,584	50,522

NOTE: Only transactions over UF1,000 are disclosed.

All these transactions were undertaken under prevailing market conditions at the date on which they were entered.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

## c) Other assets and liabilities with related parties

	<b>As of December, 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>ASSETS</b>		
Derivative financial assets	-	-
Other assets	-	-
<b>LIABILITIES</b>		
Derivative financial liabilities	-	-
Demand deposits	99,686	87,283
Term deposits and savings accounts	315,306	191,703
Other liabilities	-	-

## d) Income (expense) recognized on transactions with related parties:

<b>Type of income or (expense) recognized</b>	<b>Entity</b>	<b>For the year ended December 31</b>			
		<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
		<b>Income MCh\$</b>	<b>Expense MCh\$</b>	<b>Income MCh\$</b>	<b>Expense MCh\$</b>
Income and expenses	Sundry Companies	11,728	(3,368)	10,331	(5,182)
Operational support expenses	supporting the line of business	73,779	(35,027)	136,743	(45,256)
<b>Total</b>		<b>85,507</b>	<b>(38,395)</b>	<b>147,074</b>	<b>(50,438)</b>

## e) Remuneration of the Board of Directors and key management personnel.

Compensation earned by key management personnel corresponds to the following categories:

	<b>For the year ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Short- term remuneration of key management personnel (*)	17,952	29,303
Severance indemnities	-	-
<b>Total</b>	<b>17,952</b>	<b>29,303</b>

(\*) For the year ended December 31, 2020 total expenses for the corresponding remuneration of the Board of Directors of the Bank and subsidiaries amounted to Mch\$5,129 (MCh\$4,931 for 2019).

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

## f) Composition of key management personnel

As of December 31, 2020, the composition of the key management personnel of the Bank and its subsidiaries is as follows:

<b>Position</b>	<b>No. of executives</b>
Director	21
General manager	8
Division and Area Manager	26
<b>Total</b>	<b>55</b>

## g) Transactions with key management personnel

As of and for the years ended December 31, 2020 and 2019, the Bank has undertaken the following transactions with key management personnel, as specified below:

	<b>As of and for the years ended December 31</b>					
	<b>2020</b>			<b>2019</b>		
	<b>Balance owed</b>	<b>Interest income</b>	<b>Income of key executives</b>	<b>Balance owed</b>	<b>Interest income</b>	<b>Income of key executives</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Credit cards and other services	2,264	1,710,310	6	2,309	1,812,737	8
Mortgage loans	2,275	378,294	97	2,812	393,820	125
Collateral	2,948	-	-	3,138	-	-
<b>Total</b>	<b>7,487</b>	<b>2,088,604</b>	<b>103</b>	<b>8,259</b>	<b>2,206,557</b>	<b>133</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

As of, December 31, 2020, the Bank has the following contracts:

N°	Related company	The service involved	Concept	Description of the Contract	Period	Condition
1	Bolsa de Comercio de Santiago	Processing the stock exchange management system, through which BCI Corredor de Bolsa S.A.	Lease of terminals	Contract to use the stock exchange management software	Indefinite	Automatic renewal every year
2	Centro de Automatizado S.A.(CCA)	Electronic transactions adjustment center	Centre adjustment Services	Participation in and incorporation into the electronic transfer center to expedite the completion of fund transfer operations, The Bank operates in the CET as an IFO (Originating Banking Institution) and as an IFR (Receiving Banking Institution)	Indefinite	Annual automatic renewal
3	Compañía de Formularios Continuos Jordan (Chile) S.A.	Printing and making checkbooks,	Forms printing	Printing services are contracted for basic lists, special forms, and revenue stamped forms, such as checks and at sight promissory notes	Indefinite	Annual automatic renewal
4	Operadoras de Tarjetas de Crédito Nexus S.A.	Processing credit card operations (issuer list)	Card Processing	Operations of Mastercard, Visa credit cards and debit card regarding processing the issuer list	Indefinite	Automatic renewal every three years.
5	Redbanc S.A.	Administration of the operations of ATMs, Redcompra and RBI	ATMs Operation	In fulfilling its corporate purpose, the company will offer the participant, for the use of its customers or users, the electronic data transfer service via automatic tellers or other actual or virtual electronic means	Indefinite	Automatic renewal every three years.
6	Servipag Ltda.	Collection and payment of services, payment of checks and receipt of deposits and administration of our teller service	Collection and payment of services	The service is contracted for resolution of collection transactions captured by BCI tellers for processing and rendition to customers	Indefinite	Automatic renewal every year
7	Transbank S.A.	Processing credit card operations (user list)	Administration of credit cards	Provision of Visa, Mastercard credit card services regarding the user list	Indefinite	Automatic renewal every two years.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

N°	Related company	The service involved	Concept	Description of the Contract	Period	Condition
8	Artikos Chile S.A.	Purchases and logistics services portal	Purchase of supplies	Electronic purchase service for assets and/or logistics services	Indefinite	Annual automatic renewal
9	BCI Seguros de Vida S.A.	Insurance	Insurance premiums	Individual life insurance policy for executives and guards	Annual	Annual Hiring
10	BCI Seguros Generales S.A.	Insurance	Insurance premiums	Individual policies for the Bank's physical assets, leased assets and comprehensive banking policy	Annual	Annual Hiring
11	Archivos Credenciales e Impresos Archivert Ltda.	Production of credit and debit plastic cards	Credit and Debit Card Production	Production of credit and debit plastic cards	Indefinite	Automatic renewal every two years.
12	Combanc S.A.	Clearing and settlement of High Amount payments SWIFT Messaging (Order and / or receive balance information from Central Bank of Chile, for daily transfer client funds)	Settlement of High Amounts payments	Clearing and settlement of High Amount payments SWIFT Messaging (Order and / or receive balance information from Central Bank of Chile, for daily transfer client funds)	Indefinite	Automatic renewal every year
13	Conexxion Spa	Postal mail service (normal and registered letter), Messaging (internal courier service and motorbikes)	Mail and Messaging	Postal mail service (normal and registered letter), Messaging (internal courier service and motorbikes)	Indefinite	Annual automatic renewal
14	Depósitos Central de Valores S.A.	Service Custody Deposit and Securities	Securities Custody	Service Custody Deposit and Securities	Indefinite	Automatic renewal every year
15	GTD Teleductos S.A.	Telephone Services & Data Communications, rent of links, continuity links, Fixed and mobile, mainly in Metropolitan Region	Telephone service	Telephone Services & Data Communications, rent of links, continuity links, Fixed and mobile, mainly in Metropolitan Region	Indefinite	Automatic renewal every two years.

## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED

Nº	Related company	The service involved	Concept	Description of the Contract	Period	Condition
16	Salcobrand S.A.	Lease of ATM's site (affordable)	Lease of ATM's site	Lease of ATM's site (affordable)	Indefinite	Annual automatic renewal
17	Sistema Nacional de Com. Financieras S.A. (Sinacofi)	Electronic Messaging Service: secure information exchange Clearing Service: Corresponds to the electronic exchange	Financial and business Information	Electronic Messaging Service: secure information exchange Clearing Service: Corresponds to the electronic exchange	Indefinite	Automatic renewal every year
18	COMDER Contraparte Central S.A.	Operating systems clearing and settlement of Financial Instruments	Clearing house of Derivatives	Clearing and Settlement as Central counterparty mode of Financial Instruments	Indefinite	Automatic renewal every year
19	Cfa. Nacional de Teléfonos Telefónica del Sur S.A.	Fixed telephony service continuity and Internet service Broadband	Telephone service	Fixed telephony service continuity and Internet service Broadband	Indefinite	Automatic renewal every year
20	DCV Registros S.A.	Management of register of shareholders	Management of register of shareholders	Comprehensive and personalized attention of the shareholders of BCI and brokers	Indefinite	Automatic renewal every year
21	Digitech Solutions S.A.	Document digitalization	Document Scanning Service	Digitizing documents Back Office, Comex, document management Mortgage and Corporate Banking	Indefinite	Automatic renewal every year
22	Galería de Arte Patricia Ready Ltda.	Exhibition Hall Art Gallery	Sponsorship	Ensure BCI brand presence in all invitations printed for each exhibition and in the invitation in digital format, Include the BCI logo in all catalogues	Indefinite	Automatic renewal every year
23	Irrrazabal Ruiz-Tagle Goldenberg Lagos & Silva Abogados Ltda.	Intangible Services Lawyers Presidency	Advisory services	Professional Advice in General to the Bank and Subsidiaries	Indefinite	Automatic renewal every year
24	Inmobiliaria Anya S.A.	Rent for BCI branch	Lease	Lo Echevers branch lease	8 years	Automatic renewal for the same period

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

Nº	Related company	The service involved	Concept	Description of the Contract	Period	Condition
25	Mario Gómez D.	Advisory and consulting services	Advisory services	Development of banking and micro-business plan. Comprehensive advice to commercial bank management Commercial	Definite	Definite, subject to renewal every 30 days
26	Tu Ves S.A.	Advertising exhibition	Basic services	Provision of satellite television service and equipment leasing	Definite	Seasonal purchase
27	Mabel Ilabaca Albornoz	Advisory and consulting services	Advice and consultancy	Consulting services for the review of the business continuity model	Definite	Automatic renewal every year
28	Automotora Aventura Motors S.A.	Vehicle maintenance	Vehicle maintenance	Vehicle maintenance	Indefinite	Seasonal purchase
29	Viña Morandé S.A.	Wines for gifts to customers and consumption	Wines for gifts to customers	Wines for gifts to customers and consumption	Indefinite	Automatic renewal every year
30	Corporación Cultural Arte +	Advertising spaces	Advertising spaces	Advertising in magazine La Panera.	Definite	Seasonal purchase
31	Vigamil S.A.C.I.	Making of envelopes	Making of envelopes	Services for making of envelopes	Definite	Seasonal purchase
32	Bolsa Electrónica de Chile Bolsa de Valores	Software maintenance	Basic software	Financial information software maintenance	Indefinite	Automatic renewal every year
33	Reparaciones Express Ltda.	Vehicle maintenance	Vehicle maintenance	Vehicle maintenance	Indefinite	Automatic renewal every year



# **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

## **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### **NOTE 34 - TRANSACTIONS WITH RELATED PARTIES, CONTINUED**

<b>N°</b>	<b>Related company</b>	<b>The service involved</b>	<b>Concept</b>	<b>Description of the Contract</b>	<b>Period</b>	<b>Condition</b>
34	Comercializadora AO Ltda.	Furniture	Furniture	Furniture	Seasonal purchase	Seasonal purchase
35	Inmobiliaria JY S.P.A.	Real estate projects	Real estate projects	Real estate projects	Indefinite	Automatic renewal every year
36	Alton Bridge Gropun SPA	Provision of information and transaction services to the money desk through telephone link and software for transactions.	Information and transaction services	Provision of information and transaction services to the money desk through telephone link and software for transactions.	Indefinite	Automatic renewal every year
37	Inmobiliaria SB SPA	Real estate services	Lease	Sub-lease of stores in Building Centro Santa María de Manquehue.	Indefinite	Automatic renewal every year
38	Corporación de Crédito al Menor o Demos una Oportunidad al Menor	Donation for social purposes	Donation for social purposes	Donations for social purposes to fund the Continuous Improvement Program for the comprehensive development of the Villa Jorge Yarur Banna Protection Residence for Girls and Adolescents seriously violated in their rights.	52 months (4 years and 4 months)	Definite
39	Boston Consulting Group	Advisory and consulting services	Advisory and consulting services	Advisory and consulting services	Definite	Definite
40	Inversiones Edelweiss Chile Limitada	Sale of supplies	Sale of supplies	Purchase of supplies	Definite	Seasonal purchase
41	Servicios de Información Avanzada Comercial y Financiera S.A. (SINACOFI BURO)	Computer Services	Computer Services	Computer Services	Indefinite	Automatic renewal every year

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE**

a) The following table summarizes the carrying amounts and fair values of the principal financial assets and liabilities in the Bank's consolidated financial statements:

	As of December 31, 2020		As of December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Assets</b>				
Cash and deposits in banks	4,597,867	4,597,867	3,153,760	3,153,760
Items in course of collection	236,710	236,710	310,602	310,602
Trading portfolio financial assets	1,147,279	1,147,279	2,212,257	2,212,257
Liabilities under agreements to repurchase	190,248	190,248	196,015	196,015
Derivative financial liabilities	5,451,897	5,451,897	4,261,289	4,261,289
Loans and receivables to banks, net	356,669	356,669	457,640	457,640
Loans and receivables to customers, net	34,718,681	39,017,527	33,212,457	37,189,315
Commercial loans	22,707,117	23,239,166	21,253,077	21,792,430
Mortgage loans	8,897,471	11,412,160	8,292,339	10,409,717
Consumer loans	3,114,093	4,366,200	3,667,041	4,987,168
Financial investments available for sale	7,996,040	7,996,040	4,011,029	4,011,029
Financial investments held to maturity	25,144	25,144	7,369	7,369
<b>Total assets</b>	<b>54,720,535</b>	<b>59,019,381</b>	<b>47,822,418</b>	<b>51,799,276</b>
<b>Liabilities</b>				
Current accounts and demand deposits	19,726,574	19,726,574	14,180,699	14,180,699
Items in course of collection	201,438	201,438	200,976	200,976
Liabilities under agreements to repurchase	350,314	350,314	909,391	909,391
Term deposits and savings accounts	10,839,611	10,910,289	13,372,756	13,422,456
Derivative financial liabilities	5,793,354	5,793,354	4,412,365	4,412,365
Borrowings from financial institutions	6,270,699	6,270,699	3,482,261	3,482,261
Debt issued	7,431,624	8,827,380	7,016,742	8,210,106
Other financial liabilities	911,044	911,044	1,450,586	1,450,586
<b>Total liabilities</b>	<b>51,524,658</b>	<b>52,991,092</b>	<b>45,025,776</b>	<b>46,268,840</b>

The fair value estimates presented above, do not attempt to estimate the value of the bank's profits generated by their business or future activities and therefore, do not represent the value of the Bank as a going concern.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, CONTINUED**

Methods used to estimate financial instruments' fair value are detailed below:

##### Loans and receivables to customers

Loans and receivables to customers are presented net of their allowance for loan losses and impairment. The estimated fair value represents the discounted future cash flows expected to be received.

Cash flows are discounted at market interest rate, using an interbank rate that considers the relevant term and currency.

The approaches used for the incorporation of credit risk of the assets are:

1. Based on the models of estimation of expected loss, it is possible to infer the credit quality of the portfolio (at least in qualitative terms) specifically, for the remaining term of the operations comprising the asset accounts considered (commercial loans, mortgage loans and consumer loans).
2. In quantitative terms, the provision percentage assigned to an operation results in an estimate of the provision based on the credit profile of the operation.
3. The resulting amount when applying the 'provisions-total loans' factor mentioned in 2) to the current principal and accrued interest outstanding of the respective loan approximates the adjustment for credit risk (in other words, resulting in the allowance calculation).

##### Term deposits and savings accounts

The estimated fair value of demand accounts and deposits, for which maturity is not established, including non-interest-bearing accounts, is the amount payable when the customer demands it. The redeemed cost of these deposits is a reasonable approximation of their fair value.

The fair value of term deposits has been estimated based on discounted future cash flows based on interest-rate structures adjusted from transactions observed at the valuation date.

##### Borrowings from banks

For the items in the previous table, their fair value will be equivalent to their carrying amount, because it reflects the corresponding market price.

##### Debt issued

The fair value of these liabilities has been determined using discounted cash flow models, based on the relevant interest-rate curve for the remaining term of the instrument until maturity.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, CONTINUED**

##### **Fixed Income Securities and Derivatives**

The fair value of debt instruments classified as trading and available for sale, as well as derivative instruments, is estimated using valuation techniques detailed in the c) below.

##### **Other balance sheet accounts**

For other balance sheet accounts the carrying amount was used, because they are items with very short-term flows and therefore their discounted value does not differ significantly from their carrying amount.

##### **b) Financial instruments measured at fair value.**

Please refer to Note 1,k for further details on the criteria used to determine the fair value.

##### **c) Hierarchy used for determining the fair value**

The regulation distinguishes among different types of inputs used for the valuation techniques, differentiating between “observable” or “unobservable” inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of the Bank and subsidiaries in relation to market behavior. The following hierarchy has been established based on these types of inputs:

**Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes the debt instruments (whether fixed or variable income), equity instruments, and financial derivative instruments traded on domestic or international stock markets.

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities or similar assets and liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Prices may require interpolation within a price structure (e.g., derivative instruments belong to this level), and the same occurs with bonds assessed using a valuation technique like interpolation or matrix pricing, based on observable inputs.

**Level 3** - Inputs for assets or liabilities that are not based on observable market data (significant unobservable input). This level includes equity and debt instruments whose valuation uses significant unobservable input.

This hierarchy requires the maximization of the use of relevant observable inputs and the minimization of unobservable inputs. The Bank and its subsidiaries consider the relevant observable market data in their valuations whenever it is possible.

##### **Financial assets and liabilities classified by valuation levels**

The following chart shows the assets and liabilities that are presented at fair value in the consolidated financial statements, classified in their respective levels of hierarchy previously described.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, CONTINUED

	Level 1		Level 2		Level 3		Total	
	December	December	December	December	December	December	December	December
	2020	2019	2020	2019	2020	2019	2020	2019
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Financial Assets</b>								
<b>Trading portfolio financial assets</b>								
State and Central Bank of Chile	437,084	1,395,079	-	-	-	-	437,084	1,395,079
Other domestic institutions	609,301	744,361	-	-	-	-	609,301	744,361
Foreign institutions	3,463	1,940	-	-	-	-	3,463	1,940
Investments in mutual funds	97,431	70,877	-	-	-	-	97,431	70,877
<b>Subtotal</b>	<b>1,147,279</b>	<b>2,212,257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,147,279</b>	<b>2,212,257</b>
<b>Trading Derivative contracts</b>								
Forwards	-	-	527,822	527,888	-	-	527,822	527,888
Swaps	-	-	3,852,775	3,025,756	8,210	11,636	3,860,985	3,037,392
Call Options	-	-	664	13,353	-	-	664	13,353
Put Options	-	-	3,846	1,599	-	-	3,846	1,599
Futures	-	-	-	53	-	-	-	53
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>4,385,107</b>	<b>3,568,649</b>	<b>8,210</b>	<b>11,636</b>	<b>4,393,317</b>	<b>3,580,285</b>
<b>Hedging derivatives</b>								
Forwards	-	-	3,573	19,687	-	-	3,573	19,687
Fair value hedges:(swap)	-	-	208,858	363,648	-	-	208,858	363,648
Cash flow hedges (swap)	-	-	819,291	323,981	-	-	819,291	323,981
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>1,031,722</b>	<b>707,316</b>	<b>-</b>	<b>-</b>	<b>1,031,722</b>	<b>707,316</b>
<b>Financial investments available for sale</b>								
State and Central Bank of Chile	3,424,730	698,266	-	-	-	-	3,424,730	698,266
Other domestic institutions	927,523	148,738	-	-	-	-	927,523	148,738
Foreign institutions	3,643,787	3,164,025	-	-	-	-	3,643,787	3,164,025
<b>Subtotal</b>	<b>7,996,040</b>	<b>4,011,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,996,040</b>	<b>4,011,029</b>
<b>Total financial assets</b>	<b>9,143,319</b>	<b>6,223,286</b>	<b>5,416,829</b>	<b>4,275,965</b>	<b>8,210</b>	<b>11,636</b>	<b>14,568,358</b>	<b>10,510,887</b>
	Level 1		Level 2		Level 3		Total	
	December	December	December	December	December	December	December	December
	2020	2019	2020	2019	2020	2019	2020	2019
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Financial liabilities</b>								
<b>Trading Derivative contracts</b>								
Forwards	-	-	562,464	474,302	-	-	562,464	474,302
Swaps	-	-	3,960,328	3,242,642	-	-	3,960,328	3,242,642
Call Options	-	-	518	6,283	-	-	518	6,283
Put Options	-	-	4,868	3,131	-	-	4,868	3,131
Futures	-	-	238	312	-	-	238	312
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>4,528,416</b>	<b>3,726,670</b>	<b>-</b>	<b>-</b>	<b>4,528,416</b>	<b>3,726,670</b>
<b>Hedging derivatives</b>								
Forwards	-	-	4,106	16,496	-	-	4,106	16,496
Fair value hedges:(swap)	-	-	78,803	153,479	-	-	78,803	153,479
Cash flow hedges (swap)	-	-	1,182,029	515,720	-	-	1,182,029	515,720
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>1,264,938</b>	<b>685,695</b>	<b>-</b>	<b>-</b>	<b>1,264,938</b>	<b>685,695</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>5,793,354</b>	<b>4,412,365</b>	<b>-</b>	<b>-</b>	<b>5,793,354</b>	<b>4,412,365</b>

The above amounts do not include adjustments for CVA and Bid Offer (Credit Value Adjustment or Adjustment for Credit Counterparty Derivative Risk). As of December 31, 2020, the total of the items sum to MCh\$26,858 (MCh\$26,312 as of December 31, 2019).

Transfers between Levels 1 and 2

The Bank and its subsidiaries have not made any transfers of financial assets or liabilities between Levels 1 and 2 during the years 2020 and 2019.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 35 - ASSETS AND LIABILITIES AT FAIR VALUE, CONTINUED**

Level 3 valuation reconciliation

As of December 31, 2020, the consolidated statements of financial position have assets classified as Level 3 which relate to Swap TAB contracts for which there are no market observable inputs.

d) Valuation of La Polar Bonds

As of December 31, 2020, the Bank has applied valuation techniques to determine the fair value of the financial instruments “BLAPO-F” and “BLAPO-G.” This enhancement builds on the Internal Rate of Return (IRR) of the last transaction of the existing market between the closing date of the consolidated financial statements and the date of redemption of the financial instrument.

#### **NOTE 36 - RISK MANAGEMENT**

##### **1. Introduction**

The Bank’s business activities involve identifying, evaluating, accepting and managing different kinds of risk or combinations of such. The main categories of risk to which the corporation is exposed are credit, liquidity, market, operations, and legal and reputation risks.

The Bank policies are designed to identify and analyse these risks, to establish adequate limits and controls, and to monitor the risks and compliance with established limits by reliable and updated information systems. The Bank periodically reviews its risk management policies and systems to incorporate changes in the markets, regulations, products and new best practices.

In relation to financial risks, the organizational structure is designed to manage these risks efficiently, transparently and timely. It is formed by strategic units composed by the Board of Directors, the Executive Committee, the Finances and Risk Committee, and the Asset and Liabilities Committee (“ALCO”). These are divided into operative units such as the Corporate Risk Management and the Balance Sheet, Trading and Institutional, and Distribution and Corporate areas, parts of the Investment and Finance Banking division. All this information flow is processed and analyzed by supporting units, such as Accounting, Middle and Back Office (Supporting Areas and Operational Departments), Management and Processes Control and Information Technology and Systems.

The senior strategic unit is the Board of Directors; its main responsibilities regarding financial risk management are establishing adequate policies and levels of risk, establishing exposure limits, the monitoring of risks, and ensuring best practices through the permanent evaluation of the actions of the Finance and Investment Banking and the Corporate Risk Management areas. The Board of Directors delegates to the Executive Committee and the Finances and Risk Committee the supervision and support to carry out the Bank’s strategic objectives in their interactions with corporate Management.

The Finances and Risk Committee also analyses in detail the strategies and models associated with the treasury function, both in the trading portfolio and the Bank’s books, and the performance and risks associated with such strategies.

ALCO (Assets & Liabilities Committee) is the committee where the corporation’s assets and liabilities policy is discussed and agreed for the approval of the Board of Directors or the Executive Committee. The general objectives of the ALCO Committee are to ensure the Bank’s adequate liquidity, protect the capital, make decisions on the financing of loans, and maximize the financial margin subject to the risk restrictions imposed by the Board of Directors and the Finances and Risk Committee.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

The Corporate Risk Management and its Operational Risk, Credit Risk, and Market Risk units are responsible for the integral management of the Bank's risk. While a few years ago it was common in the industry to have an independent, internal department manage these risks, the development of derivative markets and the acceptance of common methodologies, such as the concept of maximum loss, value at risk, etc., have made limits increasingly more subject to fluctuation. Therefore, this management area has a corporate reach, with a comprehensive vision of the risks involved.

Financial Risk Management has the role of evaluating and controlling the Bank's exposure to market risk, both on or off the consolidated statements of financial position; pricing risks associated with interest rates, exchange rates, volatility, maximum loss, etc., are measured and monitored. This is complemented by the analysis of scenarios and simulations to obtain a better measure of the risk. The Financial Risk Management is also responsible for defining the valuation methodologies for the financial assets and liabilities measured at fair value held by the corporation on or off the consolidated statements of financial position.

In accordance with best practices, the Bank defines the segregation of duties between areas that could present conflicts of interest in their objectives, such as:

- i. Investment and Finance Banking division.
- ii. Support areas, operative departments (Back Office, Middle Office).
- iii. Financial Control and Planning (Accounting, Management Control).
- iv. Financial Risk and Credit Risk, components of Corporate Risk Management.

The total segregation of duties implies a physical and organizational separation of the areas.

#### **2. Liquidity and financing**

When banks face confidence crises and bank runs, even if they are solvent, they may find it difficult to comply with their short-term obligations and even face bankruptcy. These situations are uncommon but have large potential losses associated with them. For this reason, the Bank has improved the management of liquidity, defining adequate policies along with procedures and models that accordingly satisfy the regulations in force. The model has four core elements:

1. Presence of a minimum reserve of liquid assets to face stress situations.
2. Regulatory and internal liquidity indicators.
3. Accounting mismatches (relating to maturity).
4. Alert and contingency plans.

The policy and liquidity management models seek to guarantee, even in front of unexpected events, the Bank's capacity to respond adequately to its short-term obligations. In this regard, the Bank has continuously monitored the impact of recent events on financial markets, introducing more conservative assumptions when justified.

The management of liquidity and funding is basically carried out by Treasury in accordance with practices and limits reviewed periodically by ALCO and authorized by the Board of Directors.

These limits may vary according to the depth and liquidity shown by the markets in order to anticipate unlikely capital expenditures while providing funding at a competitive cost.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

The Bank has internally set explicit minimum limits for the liquidity level, parallel to the limits of Technical Reserve, which are periodically subject to simulations of stress testing for balances of current accounts and deposits, which are the Bank's main sources of liquidity. This is performed using a periodic evaluation framework of the additional needs of financing due to events of tight liquidity, together with the monitoring of the market. In this way, the periodic generation, projection, evaluation, and analysis of liquidity stress scenarios facilitate the anticipation of future difficulties and the agile and reliable execution of preventive actions before unfavorable scenarios.

At the regulatory level, liquidity is measured and reported to the CMF through standardized reports of liquidity position. According to bank regulations, the Bank has been authorized to use an adjusted liquidity model, generating procedures and models that allow an evaluation of future income and liabilities that affect the Bank's liquidity position, keeping in control the internal and external limits that the regulatory purposes, especially for mismatches between assets and liabilities at 30 and 90 days.

The Bank has set strict limits, forcing itself to maintain a large amount of liquid assets on its consolidated statements of financial position which, in the event of any unexpected requirement, can maintain liquidity through repurchase agreements with the Central Bank of Chile. The counter-cyclical nature of this liquidity reserve is adjusted to comply with the spirit of the latest recommendations proposed by Basel.

In the measurement of liquidity, both internal and regulatory, a reasonable level of liquidity was observed in line with the Bank's policies. Even in the moments of highest uncertainty due to the global financial crisis, there were no events indicative of a loss of confidence of the people, nor mass removal of accounts or deposits by customers.



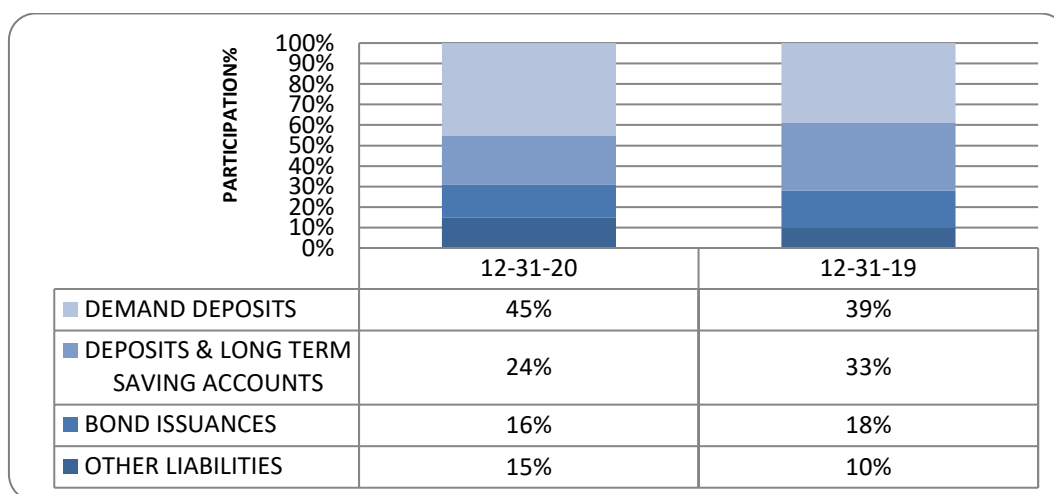
# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

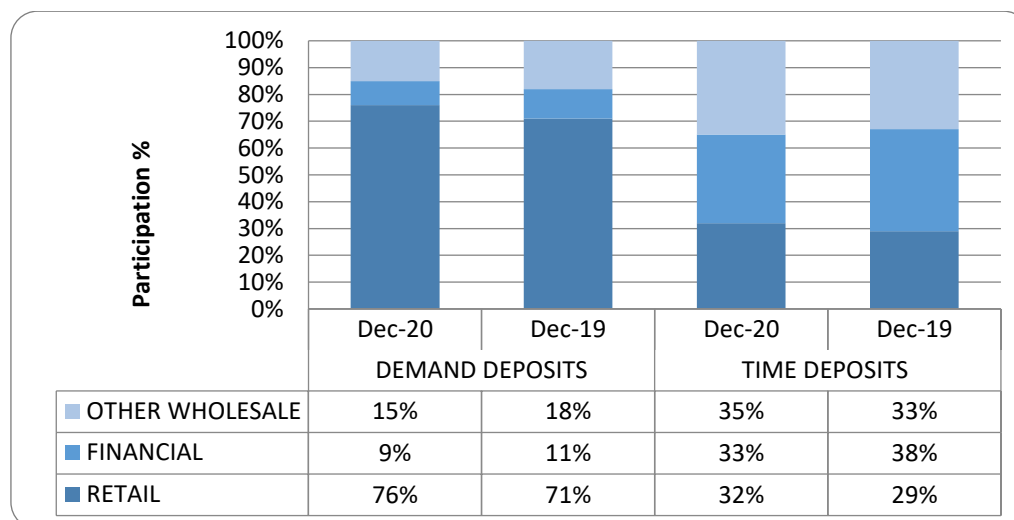
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

*Fig. 1. Evolution of principal funding sources  
As of December 31, 2020, and 2019  
Banco de Credito e Inversiones and City National Bank (CNB)*



*Fig. 2. Diversification of liquidity sources by segment  
As of December 31, 2020, and 2019  
Banco de Credito e Inversiones and City National Bank (CNB)*



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

**a. Year 2020 Variations (domestic consolidation)**

The rates of short-term mismatch remained bounded, keeping a certain amount of slack with respect to regulatory limits given the capital base measured at 30 days and two times capital (for measurement at 90 days).

*Fig. 3. Liquidity Ratios (domestic consolidation)  
As of December 31, 2020, and 2019 (maximum = 1)*

**(a) Short-term mismatch (% on basic capital)**

	As of December 31, 2020				As of December 31, 2019			
	Average	Maximum	Minimum	Close	Average	Maximum	Minimum	Close
Mismatch 30 days	9.86%	50.91%	(24.98)%	0.39%	12.96%	35.77%	(13.98)%	35.77%
Total mismatch 90 days (*)	30.09%	50.90%	8.29%	35.07%	32.16%	52.62%	14.25%	43.51%

(\*) Measurement in relation to 2 times basic capital.

**(b) Short-term mismatch CLP-UF (% on basic capital)**

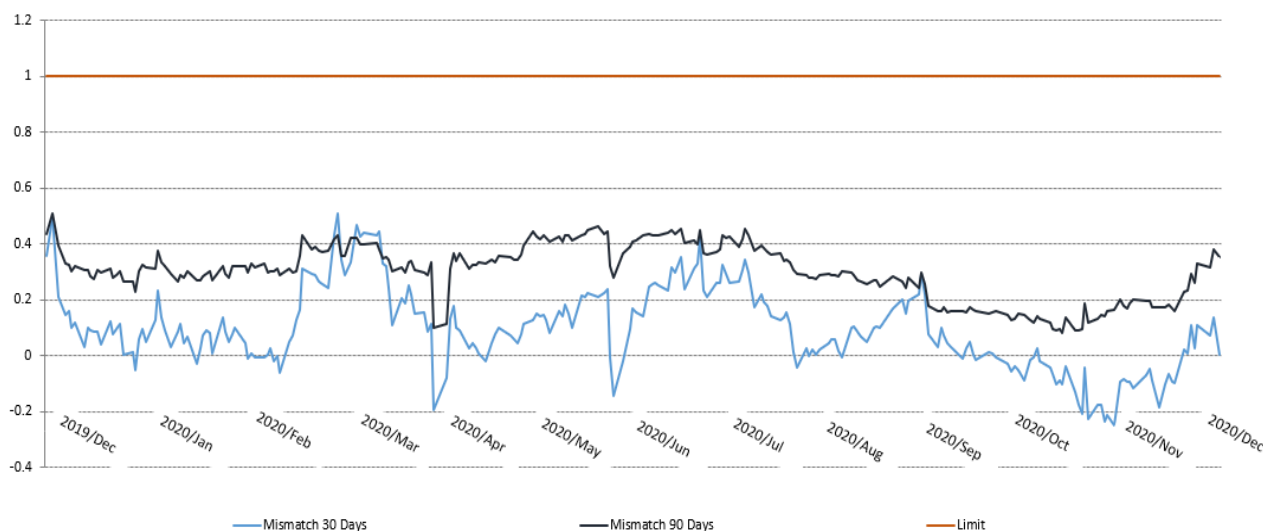
	As of December 31, 2020				As of December 31, 2019			
	Average	Maximum	Minimum	Close	Average	Maximum	Minimum	Close
Mismatch 30 days	4.32%	37.90%	(33.93)%	15.65%	11.86%	38.76%	(21.12)%	37.00%

**(c) Short-term mismatch FX (% on basic capital)**

	As of December 31, 2020				As of December 31, 2019			
	Average	Maximum	Minimum	Close	Average	Maximum	Minimum	Close
	5.55%	22.28%	(17.77)%	(15.27)%	1.11%	16.35%	(15.76)%	(1.22)%

*Fig. 4. Liquidity Evolution (domestic consolidation) As of December 31, 2020 (maximum = 1)*

*Liquidity 30 days = Mismatch /Basic Capital  
Liquidity 90 days = Mismatch /2x Basic Capital*



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

Regarding the impact of the pandemic on liquidity, prior to the spread of the Covid-19 virus, the Bank was in a favorable position due to the monitoring of early warnings after the social unrest that occurred in October 2019 in Chile. The foregoing, plus the good renewal of deposits and the taking of liquidity facilities from the Central Bank and the Fed, made it possible to maintain high levels of liquidity during the period spanning from the beginning of the pandemic to date. As a follow-up measure to the Bank's action plan, a Liquidity Contingency Committee was set up. This Committee gathers all the players that have an impact on the Bank's liquidity management at the highest executive level, and monitors the different measures taken by the Bank and their effect on the related metrics. In particular, the levels of the short-term liquidity ratio (LCR) remain on average over 150%, which is above the regulatory limit (70%).

#### **3. Market Risk**

Market risk is the risk inherent in the price variations of financial assets.

Variations in interest rates, the exchange rate, commodities and shares prices, credit spreads, volatility, etc., constitute a risk known as market risk. This is expressed in the possibility of incurring losses that will be translated to the consolidated statements of income or the consolidated statements of financial position depending on the type of financial instrument and its respective accounting treatment.

The Bank manages its exposure to market risk between trading portfolios and portfolios available for sale or held-to-maturity. Trading portfolios include positions coming from sales to corporate and institutional clients, positions coming from market making business, and hedge or trading positions. The AFS and held to maturity portfolios hold positions mainly related to interest rate management associated with personal and commercial banking loans, in addition to a portfolio of financial investments. These portfolios have less rotation and their change in fair value does not affect the consolidated statements of income for the year until maturity, except in the case of impairment over the available for sale portfolio or held to maturity portfolio.

The Financial Risk Management uses a series of tools to monitor the Bank's intrinsic risk and that is acquired through the management of financial instruments. Among the main methodologies are, Value at Risk (VaR), CVaR and Stress VaR as main tools that measure market risk. Additional methodologies are available to simulate the situation of each counterparty dependent upon the portfolio of derivative instruments that they possess, within these methodologies are PFE (Potential Future Exposure) and EPE (Expected Potential Exposure) among others. The Bank uses the Algorithmics system to support the measurement of market and counterparty risk.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

**a. Top holdings**

The principal positions of the consolidated statements of financial position as of December 31, 2020 are listed by maturity band or repricing and their comparison to the year 2019.

*Fig. 5. Carrying amount to maturity range or re-pricing by currency  
Positions as of December 31, 2020 (MCh\$)*

<b>ASSETS</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
CLP	13,533,950	5,204,403	494,497	127,425	19,360,275
UF	4,654,863	5,778,857	3,967,524	2,754,589	17,155,833
MX	10,690,627	6,225,117	2,007,756	996,069	19,919,569
<b>Total</b>	<b>28,879,440</b>	<b>17,208,377</b>	<b>6,469,777</b>	<b>3,878,083</b>	<b>56,435,677</b>
<b>LIABILITIES</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
CLP	12,758,055	9,027,988	143,481	170,521	22,100,045
UF	1,535,748	5,620,822	3,273,878	1,614,803	12,045,251
MX	7,083,368	10,688,360	764,002	87,390	18,623,120
<b>Total</b>	<b>21,377,171</b>	<b>25,337,170</b>	<b>4,181,361</b>	<b>1,872,714</b>	<b>52,768,416</b>
<b>MISMATCH</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
CLP	775,895	(3,823,585)	351,016	(43,096)	(2,739,770)
UF	3,119,115	158,035	693,646	1,139,786	5,110,582
MX	3,607,259	(4,463,243)	1,243,754	908,679	1,296,449
<b>Total</b>	<b>7,502,269</b>	<b>(8,128,793)</b>	<b>2,288,416</b>	<b>2,005,369</b>	<b>3,667,261</b>

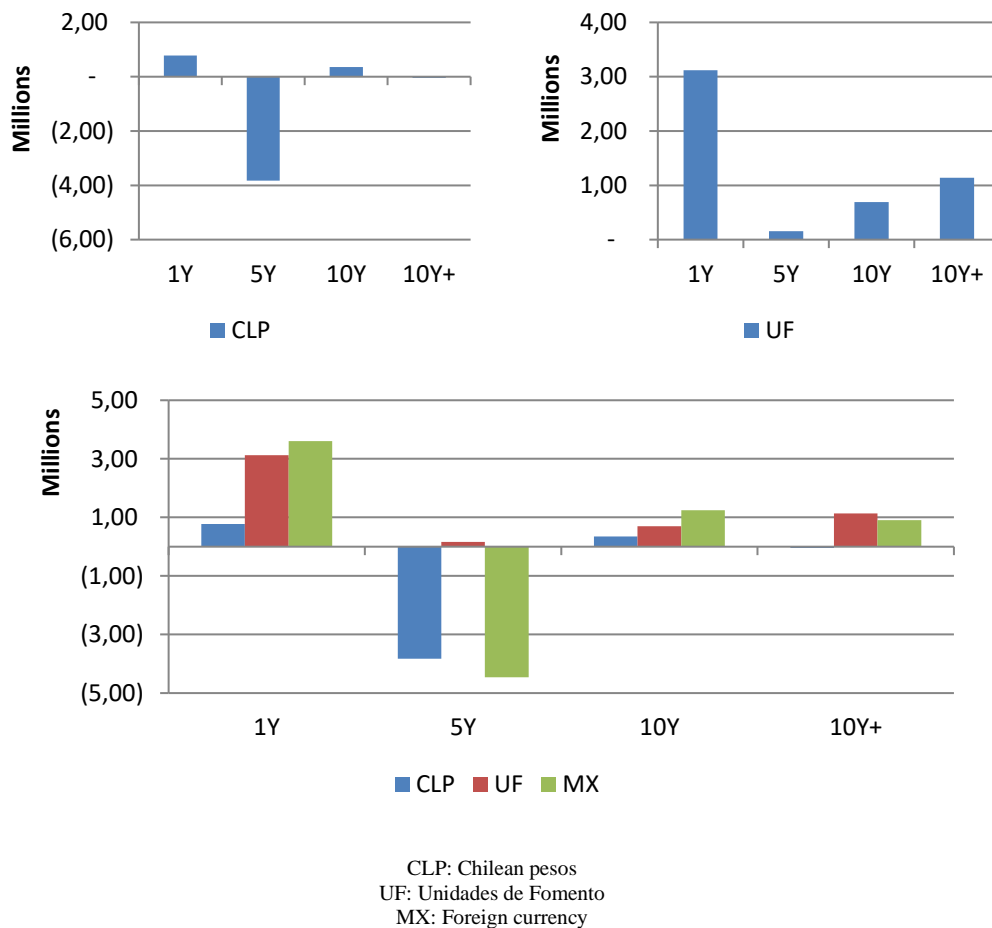
## BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### NOTE 36 - RISK MANAGEMENT, CONTINUED

*Fig. 6. Carrying amount to maturity range or re-pricing by currency  
Positions as of December 31, 2020 (MCh\$)*



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

*Fig. 7. Carrying amount to maturity range or re-pricing by currency  
Positions as of December 31, 2019 (MCh\$)*

<b>ASSETS</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
CLP	10,745,050	4,645,590	621,753	75,328	16,087,721
UF	3,951,509	5,790,349	3,534,605	2,700,284	15,976,747
MX	11,524,220	5,438,677	2,170,959	682,842	19,816,698
<b>Total</b>	<b>26,220,779</b>	<b>15,874,616</b>	<b>6,327,317</b>	<b>3,458,454</b>	<b>51,881,166</b>

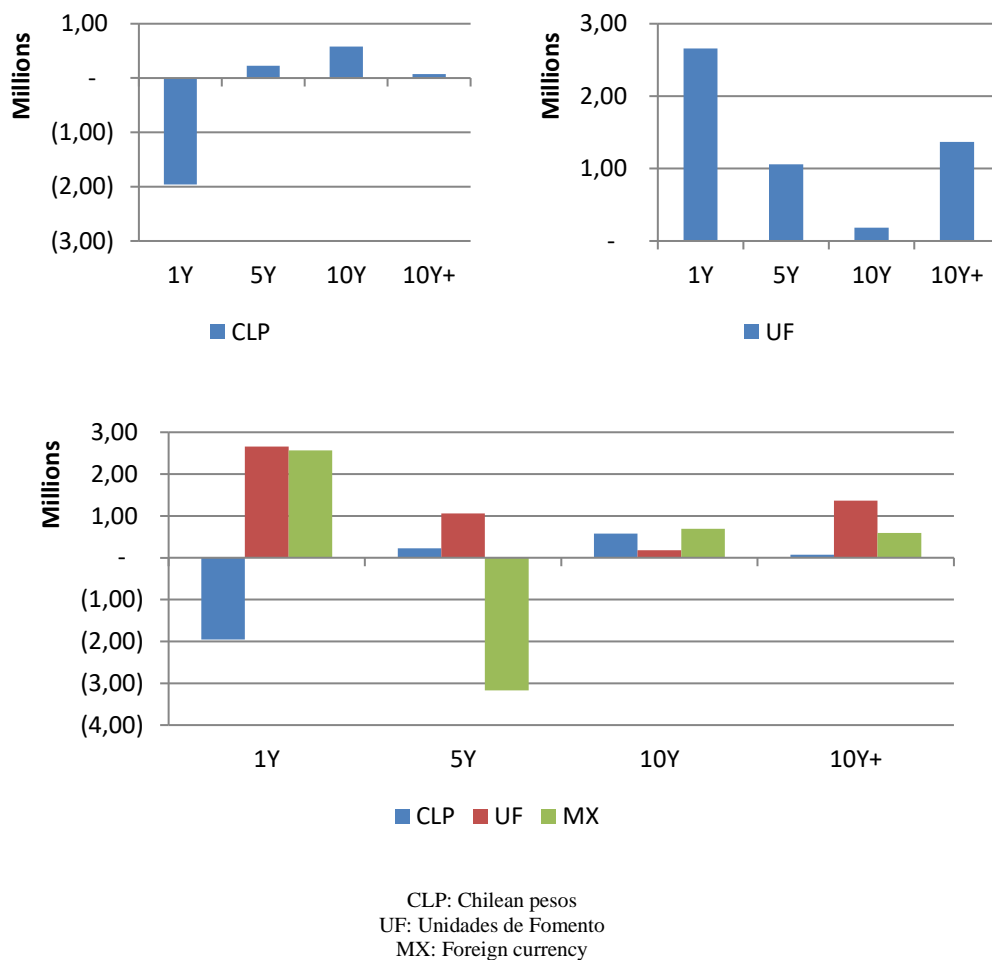
<b>LIABILITIES</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
CLP	12,702,877	4,419,158	41,394	-	17,163,429
UF	1,292,474	4,733,007	3,352,536	1,332,838	10,710,855
MX	8,958,395	8,610,249	1,479,152	87,615	19,135,411
<b>Total</b>	<b>22,953,746</b>	<b>17,762,414</b>	<b>4,873,082</b>	<b>1,420,453</b>	<b>47,009,695</b>

<b>MISMATCH</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
CLP	(1,957,827)	226,432	580,359	75,328	(1,075,708)
UF	2,659,035	1,057,342	182,069	1,367,446	5,265,892
MX	2,565,825	(3,171,572)	691,807	595,227	681,287
<b>Total</b>	<b>3,267,033</b>	<b>(1,887,798)</b>	<b>1,454,235</b>	<b>2,038,001</b>	<b>4,871,471</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
**NOTE 36 - RISK MANAGEMENT, CONTINUED**

*Fig. 8. Carrying amount to maturity range or re-pricing by currency  
Positions as of December 31, 2019 (MCh\$)*



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

*Fig. 9. Carrying amount to maturity range or re-pricing by Account  
Positions as of December 31, 2020 (MCh\$)*

<b>Assets</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
Central Bank of Chile	1,836,271	4,562	-	-	1,840,833
Domestic banks and financial institutions	946,147	1,467,389	376,644	478,269	3,268,449
Investments under agreements to resell	39,402	-	-	-	39,402
Commercial loans	9,367,938	6,386,746	1,741,995	924,548	18,421,227
Consumer loans	1,133,786	1,557,837	135,763	46,566	2,873,952
Negotiable residential mortgage loans	1,106,196	3,135,328	2,404,547	1,873,075	8,519,146
Residential mortgage loans with funding notes	8,387	4,333	30	-	12,750
Cash	3,584,889	-	-	-	3,584,889
Forwards	226,919	119,799	-	-	346,718
Chilean State	197,442	658,622	296,687	149,802	1,302,553
Consumer leasing	5	-	-	-	5
Commercial leasing operations	490,352	625,326	160,045	37,981	1,313,704
Other domestic entities	-	-	-	-	-
Other foreign entities	51,884	210,216	103,869	32,655	398,624
Other assets	4,179,774	187,435	9,763	1,773	4,378,745
Other residential mortgage loans	718,068	667,020	213,646	215,977	1,814,711
Other, excluding options	-	-	-	-	-
Swaps	4,991,980	2,183,764	1,026,788	117,437	8,319,969
<b>Total assets</b>	<b>28,879,440</b>	<b>17,208,377</b>	<b>6,469,777</b>	<b>3,878,083</b>	<b>56,435,677</b>

<b>Liabilities</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
Ordinary bonds	764,157	3,654,268	2,028,836	176,681	6,623,942
Subordinated bonds	51,670	217,940	224,266	1,416,073	1,909,949
Saving accounts with deferred withdrawal	43,605	-	-	-	43,605
Savings accounts with unconditional withdrawal	163,171	-	-	-	163,171
Demand deposits (*)	4,540,929	14,658,824	-	-	19,199,753
Term deposits	9,840,352	187,152	48	105	10,027,657
Forwards	226,885	116,285	-	-	343,170
Letters of credit	2,669	4,219	70	-	6,958
Other liabilities	1,090,598	-	-	-	1,090,598
Other, excluding options	-	-	-	-	-
Foreign loans and other obligations	1,014,305	-	7,924	-	1,022,229
Domestic loans and other obligations	803,023	2,031,716	-	-	2,834,739
Swaps	2,754,875	3,360,344	1,920,217	279,855	8,315,291
Liabilities under agreements to repurchase	80,932	1,106,422	-	-	1,187,354
<b>Total liabilities</b>	<b>21,377,171</b>	<b>25,337,170</b>	<b>4,181,361</b>	<b>1,872,714</b>	<b>52,768,416</b>

(\*) Determined in accordance with internal models.



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

*Fig. 10. Carrying amount to maturity range or re-pricing by Account  
Positions as of December 31, 2019 (MCh\$)*

<b>Assets</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
Central Bank of Chile	16,853	243,547	-	-	260,400
Domestic banks and financial institutions	675,370	1,240,627	427,613	313,024	2,656,634
Investments under agreements to resell	65,123	-	-	-	65,123
Commercial loans	10,530,098	5,153,080	1,791,531	850,607	18,325,316
Consumer loans	1,301,987	1,834,921	148,157	55,834	3,340,899
Negotiable residential mortgage loans	971,550	3,073,763	2,023,085	1,879,719	7,948,117
Residential mortgage loans with funding notes	10,159	7,220	247	-	17,626
Cash	2,492,652	-	-	-	2,492,652
Forwards	472,033	58,448	-	-	530,481
Chilean State	195,278	386,567	110,416	9,300	701,561
Consumer leasing	13	-	-	-	13
Commercial leasing operations	513,665	666,196	189,376	40,939	1,410,176
Other domestic entities	-	-	-	-	-
Other foreign entities	49,893	215,392	115,628	23,134	404,047
Other assets	4,451,261	278,330	18,111	158	4,747,860
Other residential mortgage loans	785,351	786,556	243,964	198,695	2,014,566
Other, excluding options	-	-	-	-	-
Swaps	3,689,493	1,929,969	1,259,189	87,044	6,965,695
<b>Total assets</b>	<b>26,220,779</b>	<b>15,874,616</b>	<b>6,327,317</b>	<b>3,458,454</b>	<b>51,881,166</b>
<b>Liabilities</b>	<b>1Y</b>	<b>5Y</b>	<b>10Y</b>	<b>10Y+</b>	<b>Total</b>
Ordinary bonds	386,731	3,764,574	2,297,651	262,423	6,711,379
Subordinated bonds	45,876	190,218	206,219	1,086,357	1,528,670
Saving accounts with deferred withdrawal	39,925	-	-	-	39,925
Savings accounts with unconditional withdrawal	127,803	-	-	-	127,803
Demand deposits (*)	3,193,976	10,957,035	-	-	14,151,011
Term deposits	12,054,015	174,859	6	142	12,229,022
Forwards	467,099	56,618	-	-	523,717
Letters of credit	3,162	6,964	332	-	10,458
Other liabilities	1,676,191	-	-	-	1,676,191
Other, excluding options	-	-	-	-	-
Foreign loans and other obligations	1,116,008	23,172	665,809	-	1,804,989
Domestic loans and other obligations	1,016,333	444,299	-	-	1,460,632
Swaps	2,765,017	2,144,675	1,703,065	71,531	6,684,288
Liabilities under agreements to repurchase	61,610	-	-	-	61,610
<b>Total liabilities</b>	<b>22,953,746</b>	<b>17,762,414</b>	<b>4,873,082</b>	<b>1,420,453</b>	<b>47,009,695</b>

(\*) Determined in accordance with internal models.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

The principal positions of financial investments available for sale by type of issuer and currency and risk classification as of December 31, 2019 and 2018 are stated below. The risk classification of these positions at the end of the last fiscal year is also reported.

*Fig. 11.a Fair Value of Financial Investments Available for Sale  
As of December 31, 2020 (MCh\$)  
Banco de Credito e Inversiones and City National Bank (CNB)*

	CLP	UF	USD	EUR	OTHER
<b>Sovereign bonds</b>	791,083	213,940	283,206	-	-
<b>Corporate bonds</b>	-	9,116	173,504	48,682	-
<b>Financial institutions bonds</b>	15,036	426,640	2,635,956	-	-
<b>Mortgage-funding notes</b>	-	32,204	-	-	-
<b>Term deposits</b>	429,429	-	-	-	-
<b>Investment funds (*)</b>	-	-	59,735	-	-
<b>Shares (*)</b>	-	-	159,378	-	-
<b>Total</b>	<b>1,235,548</b>	<b>681,900</b>	<b>3,311,779</b>	<b>48,682</b>	<b>-</b>

(\*) The investment funds and the shares correspond to the available-for-sale portfolio of City National Bank of Florida (CNB).

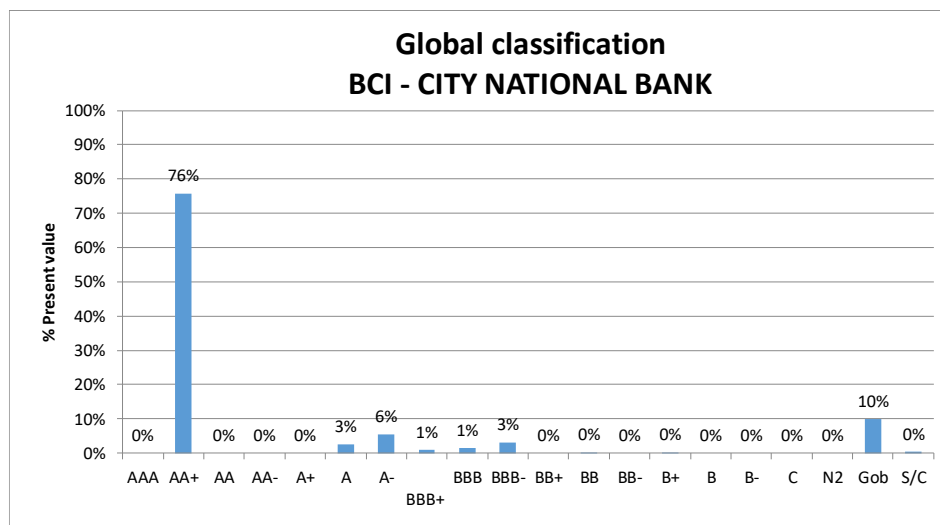
*Fig. 11.b Fair Value of Financial Investments Available for Sale  
As of December 31, 2019 (MCh\$)  
Banco de Credito e Inversiones and City National Bank (CNB)*

	CLP	UF	USD	EUR	OTHER
<b>Sovereign bonds</b>	153,490	481,999	143,257	-	-
<b>Corporate bonds</b>	4,561	1,155	160,060	-	-
<b>Financial institutions bonds</b>	-	37,779	2,140,604	-	-
<b>Mortgage-funding notes</b>	-	38,837	-	-	-
<b>Term deposits</b>	63,620	-	-	-	-
<b>Investment funds (*)</b>	-	-	38,699	-	-
<b>Shares (*)</b>	-	-	81,861	-	-
<b>Total</b>	<b>221,671</b>	<b>559,770</b>	<b>2,564,481</b>	<b>-</b>	<b>-</b>

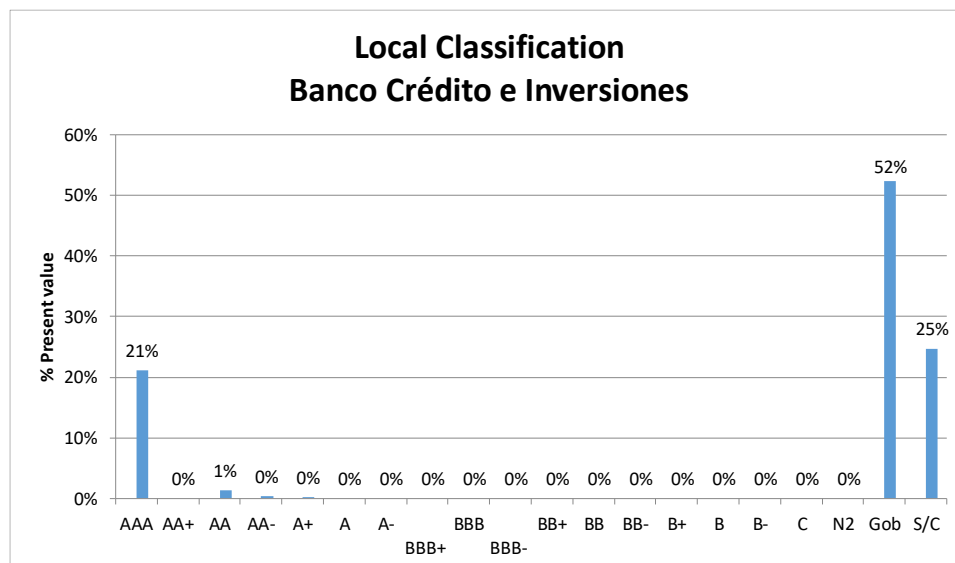
(\*) The investment funds and the shares correspond to the available-for-sale portfolio of City National Bank of Florida (CNB).

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
**NOTE 36 - RISK MANAGEMENT, CONTINUED**

*Fig. 12. Financial Investments Available for Sale  
Internationally Issued Bond Portfolio Credit Rating as of December 31, 2020 (%)  
Banco de Credito e Inversiones and City National Bank (CNB)*



*Fig. 13. Financial Investments Available for Sale  
Portfolio Risk Classification Bonds and LCH National Issue as of December 31, 2020 (%)  
Banco de Credito e Inversiones and City National Bank (CNB)*



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **b. Sensitivity analysis**

Sensitivity analysis is used to monitor the market risk of positions by sensitivity to each of the risk factors. For example, a change in the present value of 100 basis points in the interest rate is a type of risk factor. This type of model is especially useful for measuring the risk of a mismatch between assets and liabilities, i.e., essentially the banking book.

The regulatory sensitivity measurements perform these analyses by applying interest rates, exchange rates, inflation, commodities positions, shares positions, and exposure to derivative instruments, according to predetermined sensitivities.

Among the models used is Market Value Sensitivity or MVS, which measures the change in economic value of equity in the event of a parallel movement of 100 basis points in interest rates.

For a short-term horizon, the Spreads at Risk or SAR model is used, which measures the impact on results in 12 months' time of a parallel movement in rates. For both models, there are explicit internal limits measured as a ratio of capital (for MVS) and of financial margin (for SAR).

The Bank structurally generates risk rate exposure, which is mainly explained by maintaining long-term fixed rate assets and obtaining short-term financing, such as deposits. In this regard, the Bank is an active market participant in managing their interest rate risk strategy using hedge accounting.

Some of the hedging strategies are a) moving short-term risk to the long-term (moving short-term liabilities to the long-term through rate swap) and b) floating long-term borrowings with the use of rate swap.

In the scenario of 100 basis points increase, holding constant other variables, the effects compared at the end of the period ended December 31, 2020 and 2019, respectively, for the Bank are the following:

- In the short-term, exposure to interest rates as of December 31, 2020 and 2019, amounted to MCh\$23,885 and MCh\$29,946 respectively, equivalent to expecting an adverse effect on the financial margin over a 3-month horizon.
- The sensitivity rate risk applied to all items in the banking book and all deadlines, measured by MVS, as of December 31, 2020 and 2019, are MCh\$15,026 and MCh\$168,531 respectively.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **c. Value at Risk**

Value-at-Risk (VaR) is a methodology that estimates potential losses that might affect a portfolio as a result of adverse interest-rate movements and/or market-price changes over a period and for a certain level of confidence.

The VaR methodology used is a historic simulation that records the fat-tails property of the financial income; it uses a window of nine years of daily data, and it is measured at the first percentile of the P&L distribution or VaR at 99% of confidence, which is the same. The volatility updating technique is used, which records the existence of volatility clusters.

The forecast horizon is of 1 day. The square root rule is used to project this value to the regulatory horizon of ten days.

The value-at-risk model is validated by back-testing the daily results, both observed and theoretical.

Statistically, excess losses of VaR are expected to be observed on average 1% daily. As of December 31, 2020, back-test places the model in the yellow area of Basel with 5 fails in the last 250 business days.

##### **Objectives and limitations of the VaR methodology**

The objective of the VaR is to measure the risk of a portfolio of assets by determining how much you can lose of the portfolio over a period and with a given confidence level under normal market conditions.

This method is very easy to apply in portfolios that include information on relevant market variables. Furthermore, calculation does not depend on correlations and volatilities, as these are implicitly calculated using historical information. However, this means obtaining the history of associated variables for performing this calculation, which implies an effort to have such data. In addition, to have a certain degree of confidence in the measurement, in this case with VaR at 99%, this leads to the loss of 1 in every 100 days, which will be the least as predicted by the VaR, without a possible limit for this value.

- **Stress Testing VaR**

There are limitations of the VaR models, particularly in the presence of extreme events that have not been observed in recent historic information or for not capturing the intra-day movements of the portfolio; therefore, stress situations are modelled to evaluate potential impacts on the value of portfolios in the most extreme, although possible, events. The scenarios used are the following:

- I. Historic simulation scenarios that incorporate fluctuations observed during historic extreme events.
- II. Monte-Carlo simulation scenarios, which generate multiplicity of possible scenarios from the historic data.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

III. Scenarios of sensitivity that consider movements in risk factors that are not captured by the recent history.

- VaR limits

The Bank has set specific limits to the corporate VaR, as well as sublimits to the trading, balance and investment portfolios available for sale.

**d. Position Limit**

In addition to the limits of predictive risk models such as VaR and sensitivity analyzes, there are accounting limits for maximum positions.

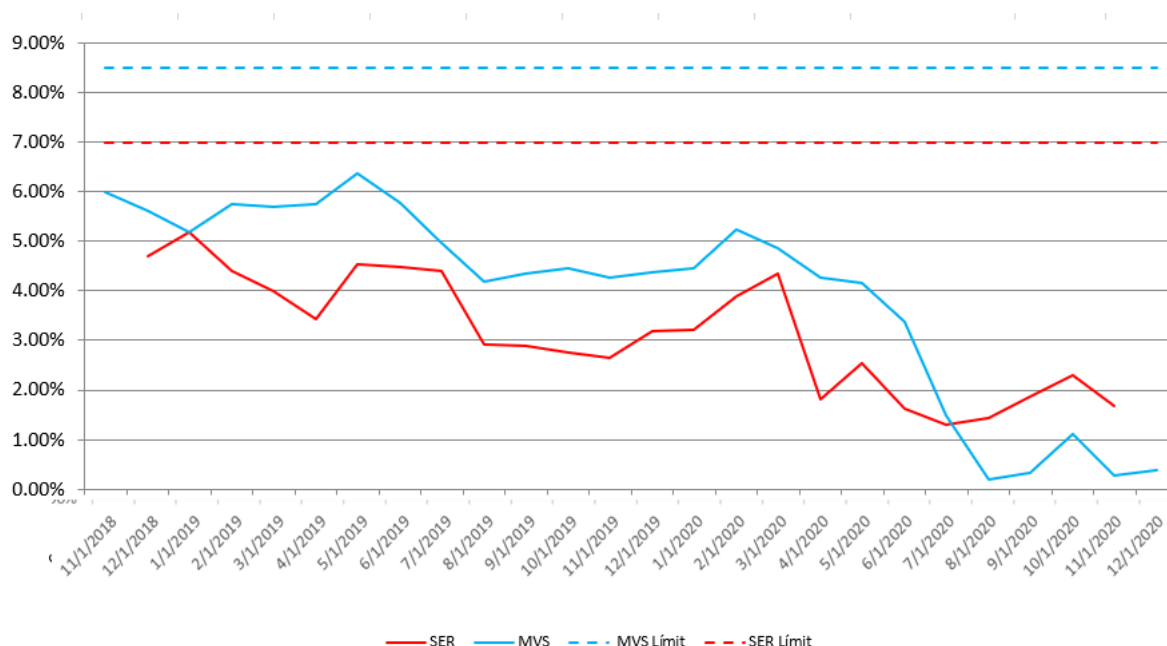
**e. Variations**

- Sensitivity analysis of the banking book.

Asset and liability management team constantly monitors the use of hedge accounting and the potential advantages of bond issuances, helping to keep the risk of interest rate limited in the banking book.

Long-term risk MVS averaged during 2020, 2.52% (5.09% during 2019) over the capital limit of 8.5%. Additionally, the short-term risk (SeR), presented a mean of 2.38% until December 2020 versus a mean of 3.74% for December 2019.

*Fig. 14. MVS - SeR  
As of December 31, 2020*

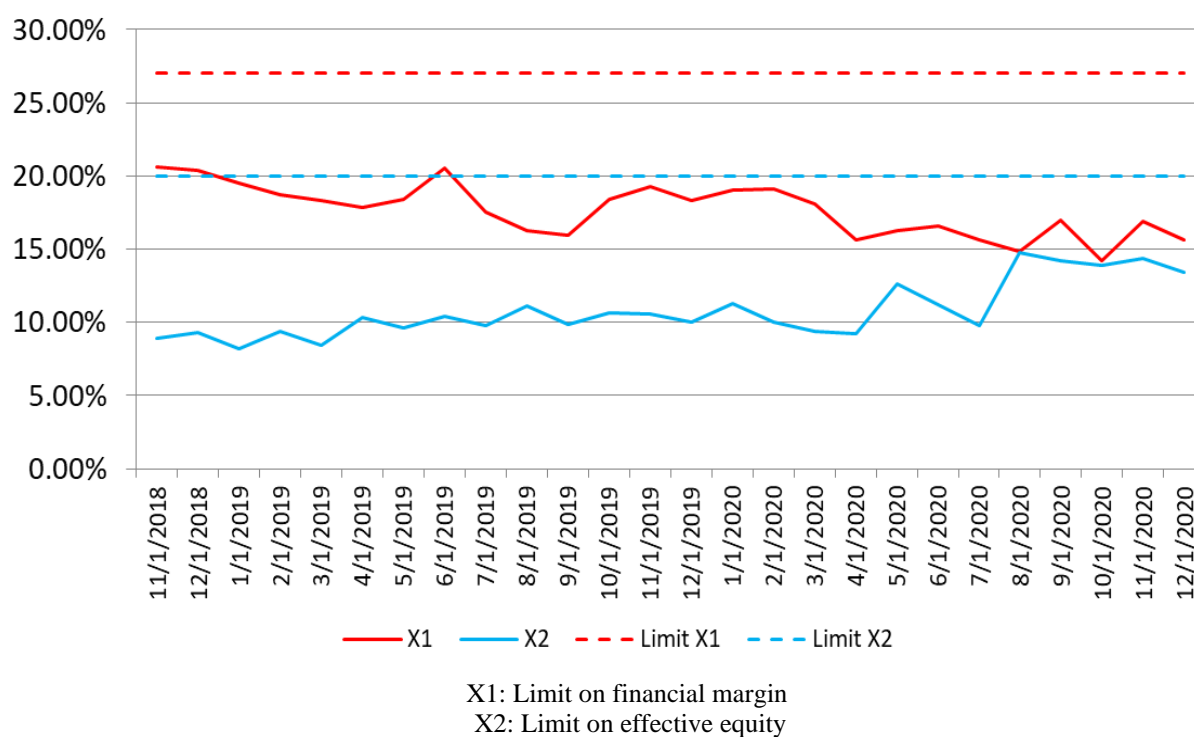


**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

The evolution of regulatory ratios X1 (short term exposure to market risk ) and X2 (long term exposure to market risk) were below the limits as of December 31, 2020, mainly due to the management of the balance sheet through hedge accounting.

*Fig. 15. Regulatory Market Risk X1 - X2  
Banco Crédito e Inversiones and City National Bank <sup>1</sup>  
As of December 31,2020*



<sup>1</sup> Financial margin values are added for X1 while consolidated equity is used for X2.

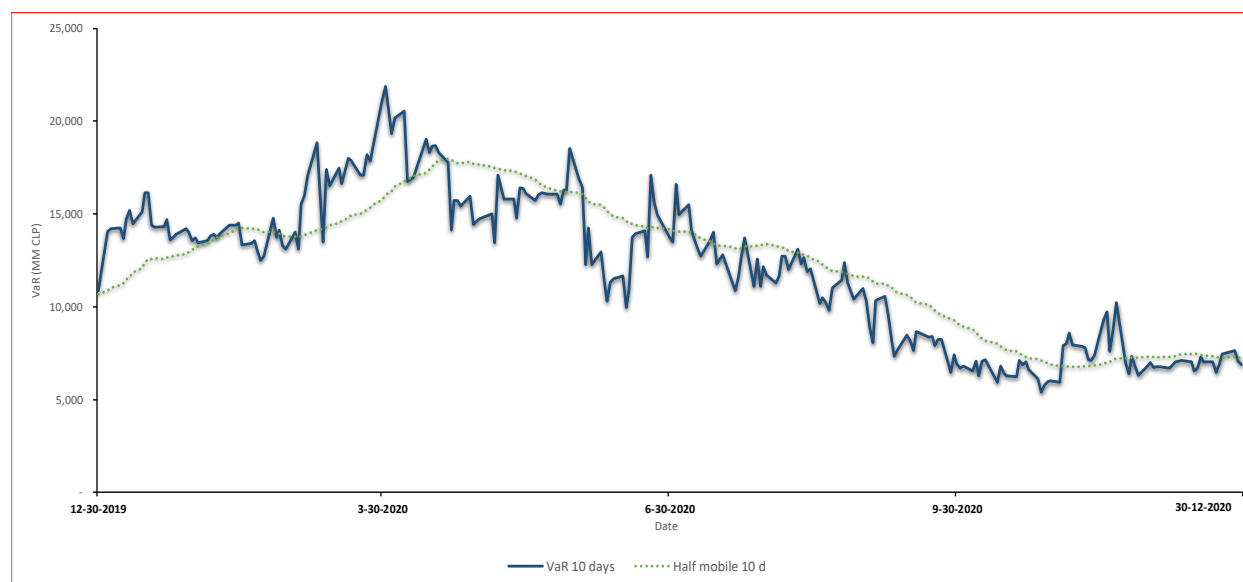
**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
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**NOTE 36 - RISK MANAGEMENT, CONTINUED**

- Value at Risk

The evolution of the 10-day VaR for the last quarter; Data as of December 31, 2020.

*Fig. 16. Consolidated Value at Risk  
As of December 31, 2020 (MCh\$)*





# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

At December 2020, the total consolidated risk averaged MCh\$12,076, measured over the 10- day regulatory horizon, and increased by 42.1% compared to December 2019. In the period between January and December, the exchange rate volatility increased dramatically as a result of both the social crisis in Chile and the impact of COVID-19 on world markets, which also has an impact on the levels of bond rates. In this period the senior management approved excesses over the limits.

On a consolidated basis, the risk of interest rate averages MCh\$7,123 while the foreign currency risk averages (FX)MCh\$7,860. In trading the aggregate average was MCh\$3,465 MCh\$3,830 for interest rate risk and MCh\$1,058 for foreign currency risk. Finally, for non-trading portfolios (investments available for sale) the total VaR averaged MCh\$2,269; MCh\$799 for interest rate risk and MCh\$1,884 for foreign currency risk.

*Fig. 17. Value at risk by portfolio and type of risk  
As of December 31, 2020 (MCh\$)*

<b>(A) Consolidated VaR by type of risk (MCh\$)</b>				
	12 months until December 31, 2020			
	Average	Maximum	Minimum	Close
FX risk	7,860	15,820	1,445	4,020
Interest rate risk	7,123	11,931	1,965	4,900
Diversification (*)	2,907	5,894	1,971	2,047
<b>Total VaR</b>	<b>12,076</b>	<b>21,857</b>	<b>5,381</b>	<b>6,873</b>
<b>(b) VaR trading portfolio by type of risk (MCh\$)</b>				
	12 months until December 31, 2020			
	Average	Maximum	Minimum	Close
FX risk	1,058	5,784	3	106
Interest rate risk	2,830	5,165	481	1,853
Diversification	423	3,291	116	96
<b>Total VaR</b>	<b>3,465</b>	<b>7,658</b>	<b>600</b>	<b>1,863</b>
<b>(c) VaR portfolio of investments available for sale by type of risk (MCh\$)</b>				
	12 months until December 31, 2020			
	Average	Maximum	Minimum	Close
FX risk	1,884	5,176	101	908
Interest rate risk	779	2,902	5	531
Diversification	394	3,033	292	409
<b>Total VaR</b>	<b>2,269</b>	<b>5,045</b>	<b>398</b>	<b>1,030</b>

(\*) Diversification is defined as the effect of correlation of total VaR.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

*Fig. 18. Value at risk by portfolio and type of risk  
As of December 31, 2019 (MCh\$)(\*\*)*

<b>(a) Consolidated VaR by type of risk (MCh\$)</b>				
	12 months until December 31, 2019			
	Average	Maximum	Minimum	Close
FX risk	4,976	17,208	1,794	11,455
Interest rate risk	5,798	10,595	3,572	7,333
Diversification (*)	2,279	8,360	515	3,406
<b>Total VaR</b>	<b>8,495</b>	<b>19,443</b>	<b>4,851</b>	<b>15,382</b>
<b>(b) VaR trading portfolio by type of risk (MCh\$)</b>				
	12 months until December 31, 2019			
	Average	Maximum	Minimum	Close
FX risk	1,045	8,646	8	156
Interest rate risk	4,047	6,470	2,628	4,330
Diversification	778	4,267	287	224
<b>Total VaR</b>	<b>4,314</b>	<b>10,849</b>	<b>2,923</b>	<b>4,262</b>
<b>(c) VaR portfolio of investments available for sale by type of risk (MCh\$)</b>				
	12 months until December 31, 2019			
	Average	Maximum	Minimum	Close
FX risk	1,636	6,470	378	5,513
Interest rate risk	449	2,657	76	184
Diversification	412	2,705	257	269
<b>Total VaR</b>	<b>1,673</b>	<b>6,422</b>	<b>197</b>	<b>5,428</b>

(\*) Diversification is defined as the effect of correlation of total VaR.

(\*\*) Summary updated at consolidated level with respect to the previous December 2019 report.

While VaR captures the Bank's daily exposure to the risks of currency and interest rate sensitivity analysis, it also evaluates the impact of a reasonably possible change in interest rates and exchange rates over one year. The longer time frame of sensitivity analysis complements VaR and helps the Bank to assess their exposure to market risk. The details of the sensitivity analysis for the risk of exchange rate and interest rate risk are set out below.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

**Sensitivity of interest rate**

The table below shows the sensitivity of fair values to reasonably possible alternative assumptions:

	Recognition in statements of income		Recognition in statements of other comprehensive income	
	Favorable	Unfavorable	Favorable	Unfavorable
	MCh\$	MCh\$	MCh\$	MCh\$
<b>As of December 31, 2020</b>				
Securities backed by assets held for trading	(88)	88	-	-
Other non-derivative assets held for trading	(6)	6	-	-
Securities backed by available for sales assets	-	-	(218)	218
<b>As of December 31, 2019</b>				
Securities backed by assets held for trading	(54)	54	-	-
Other non-derivative assets held for trading	(33)	33	-	-
Securities backed by available for sales assets	-	-	(48)	48

**Currency risk**

The currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in exchange rates. The Bank is exposed to the effects of fluctuations in prevailing exchange rates regarding its financial position and cash flows.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

The Bank's exposure to the risk of exchange rates of foreign currencies is presented in the table below:

As of December 31, 2020

Amounts in MCh\$

Assets	USD	EUR	Other
Cash	802,590	57,942	10,958
Commercial loans	1,739,304	26,736	2,506
Investments under agreement to resell	-	-	-
Commercial leasing operations	101,911	-	-
Mortgage loans LC- Credit line	-	-	-
Endorsable mortgage loans MHE	-	-	-
Other residential mortgage loans	-	-	-
Residential leasing	-	-	-
Consumer loans	19,788	-	-
Consumer leasing	-	-	-
Commercial loans - credit lines and overdrafts	-	-	-
Consumer loans - credit lines and overdrafts	-	-	-
Central Bank of Chile	-	-	-
Chilean State	-	49,484	-
Domestic banks and financial institutions	15,519	-	-
Other domestic entities	-	125	-
State and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	106,095	-	6,084
Forward	7,905,396	215,282	127,373
Futures	5,388	-	-
Swaps	16,043,011	385,603	788,077
Other, excluding options	-	-	-
Other assets	2,986,144	36,294	13,654
Delta Options	50,457	-	-
<b>Total assets</b>	<b>29,775,603</b>	<b>771,466</b>	<b>948,652</b>
Liabilities			
Demand deposits	1,085,846	62,444	726
Term deposits	1,354,029	5,894	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Liabilities under agreements to repurchase	-	-	-
Loans and other liabilities contracted MN (National Currency)	921,114	-	-
Loans and other liabilities contracted MX (Foreign Currency)	148,545	4,554	786
Letters of credit	-	-	-
Ordinary bonds	1,110,614	17,504	652,627
Subordinated bonds	-	-	-
Forward	7,905,248	230,591	151,364
Futures	5,164	-	-
Swaps	15,187,036	429,489	70,266
Other, excluding options	-	-	-
Other liabilities	577,837	17,722	1,238
Delta Options	46,659	-	-
<b>Total liabilities</b>	<b>28,342,092</b>	<b>768,198</b>	<b>877,007</b>
<b>Net</b>	<b>1,433,511</b>	<b>3,268</b>	<b>71,645</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

As of December 31, 2019

Amounts in MCh\$

Assets	USD	EUR	Other
Cash	1,092,128	55,846	11,182
Commercial loans	2,166,463	31,012	12,582
Investments under agreement to resell	-	-	-
Commercial leasing operations	104,155	-	-
Mortgage loans LC- Credit line	-	-	-
Endorsable mortgage loans MHE	-	-	-
Other residential mortgage loans	-	-	-
Residential leasing	-	-	-
Consumer loans	23,670	-	-
Consumer leasing	-	-	-
Commercial loans - credit lines and overdrafts	-	-	-
Consumer loans - credit lines and overdrafts	-	-	-
Central Bank of Chile	-	-	-
Chilean State	9,033	47,855	-
Domestic banks and financial institutions	15,322	-	-
Other domestic entities	-	639	-
State and governments bodies MX	-	-	-
Foreign banks	-	-	-
Other foreign entities	93,560	-	5,164
Forward	10,452,905	343,925	89,741
Futures	5,402	-	-
Swaps	15,764,916	330,866	802,727
Other, excluding options	-	-	-
Other assets	2,554,889	43,509	15,567
Delta Options	246,261	-	-
<b>Total assets</b>	<b>32,528,704</b>	<b>853,652</b>	<b>936,963</b>
Liabilities	USD	EUR	Other
Demand deposits	799,496	53,926	1,036
Term deposits	1,641,527	5,158	-
Saving accounts with deferred withdrawal	-	-	-
Savings accounts with unconditional withdrawal	-	-	-
Liabilities under agreements to repurchase	37,561	-	-
Loans and other liabilities contracted MN (National Currency)	1,289,624	-	-
Loans and other liabilities contracted MX (Foreign Currency)	350,230	2,389	4,666
Letters of credit	-	-	-
Ordinary bonds	1,172,764	16,874	650,027
Subordinated bonds	-	-	-
Forward	9,739,616	397,875	122,246
Futures	5,240	-	-
Swaps	14,950,506	363,173	100,157
Other, excluding options	-	-	-
Other liabilities	1,257,129	14,197	325
Delta Options	114,274	-	-
<b>Total liabilities</b>	<b>31,357,967</b>	<b>853,592</b>	<b>878,457</b>
<b>Net</b>	<b>1,170,737</b>	<b>60</b>	<b>58,506</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

*Sensitivity of currency risk*

The following tables detail the Bank's sensitivity against an increase and decrease of 10% in the Chilean peso against the relevant foreign currencies. The 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of reasonable possible changes in exchange rates.

The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and it adjusts its conversion at the end of the period, where it reports a 10% change in the exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Bank where the loan is denominated in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in earnings and other net equity when the Chilean peso goes up by 10%, compared to the corresponding currency.

In the case of a decrease of 10% of the Chilean peso against the relevant currency, a comparable impact on the earnings and other equity would be produced, and the amounts would be negative, as shown below:

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

Amounts in MCh\$	As of December 31, 2020			
	Decrease of 10%		Increase of 10%	
	USD	EUR	USD	EUR
<b>Assets</b>				
Cash	722,331	52,148	882,849	63,736
Commercial loans	1,565,374	24,062	1,913,235	29,409
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	91,720	-	112,102	-
Mortgage loans LC- Credit line	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other residential mortgage loans	-	-	-	-
Residential leasing	-	-	-	-
Consumer loans	17,809	-	21,767	-
Consumer leasing	-	-	-	-
Commercial loans LCS- Credit Line and overdraft	-	-	-	-
Consumer loans LCS- Credit line and overdraft	-	-	-	-
Central Bank of Chile	-	-	-	-
Chilean State	-	44,535	-	54,432
Domestic banks and financial institutions	13,967	-	17,071	-
Other domestic entities	-	112	-	137
State and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	95,486	-	116,705	-
Forward	7,114,856	193,754	8,695,936	236,810
Futures	4,849	-	5,927	-
Swaps	14,438,710	347,042	17,647,312	424,163
Other, excluding options	-	-	-	-
Other assets	2,687,529	32,667	3,284,757	39,926
Delta Options	45,412	-	55,503	-
<b>Total assets</b>	<b>26,798,043</b>	<b>694,320</b>	<b>32,753,164</b>	<b>848,613</b>
<b>Liabilities</b>				
Demand deposits	977,262	56,199	1,194,431	68,688
Term deposits	1,218,626	5,305	1,489,431	6,484
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Liabilities under agreements to repurchase	-	-	-	-
Loans and other liabilities contracted MN (National Currency)	829,002	-	1,013,225	-
Loans and other liabilities contracted MX (Foreign Currency)	133,690	4,099	163,399	5,009
Letters of credit	-	-	-	-
Ordinary bonds	999,552	15,753	1,221,675	19,254
Subordinated bonds	-	-	-	-
Forward	7,114,723	207,532	8,695,773	253,650
Futures	4,647	-	5,680	-
Swaps	13,668,333	386,540	16,705,740	472,438
Other, excluding options	-	-	-	-
Other liabilities	520,055	15,950	635,623	19,495
Delta Options	41,993	-	51,325	-
<b>Total liabilities</b>	<b>25,507,883</b>	<b>691,378</b>	<b>31,176,302</b>	<b>845,018</b>
<b>Net</b>	<b>1,290,160</b>	<b>2,942</b>	<b>1,576,862</b>	<b>3,595</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

Amounts in MCh\$	As of December 31, 2019			
	Decrease of 10%		Increase of 10%	
	USD	EUR	USD	EUR
<b>Assets</b>				
Cash	982,915	50,262	1,201,341	61,431
Commercial loans	1,949,816	27,911	2,383,109	34,113
Investments under agreement to resell	-	-	-	-
Commercial leasing operations	93,739	-	114,570	-
Mortgage loans LC- Credit line	-	-	-	-
Mortgage loans MHE	-	-	-	-
Other residential mortgage loans	-	-	-	-
Residential leasing	-	-	-	-
Consumer loans	21,303	-	26,037	-
Consumer leasing	-	-	-	-
Commercial loans LCS- Credit Line and overdraft	-	-	-	-
Consumer loans LCS- Credit line and overdraft	-	-	-	-
Central Bank of Chile	-	-	-	-
Chilean State	8,130	43,070	9,937	52,641
Domestic banks and financial institutions	13,790	-	16,854	-
Other domestic entities	-	575	-	703
State and governments bodies MX	-	-	-	-
Foreign banks	-	-	-	-
Other foreign entities	84,204	-	102,916	-
Forward	9,407,615	309,532	11,498,196	378,917
Futures	5,310	-	5,942	-
Swaps	14,188,424	297,779	17,341,408	363,953
Other, excluding options	-	-	-	-
Other assets	2,299,400	39,158	2,810,378	47,860
Delta Options	222,635	-	270,888	-
<b>Total assets</b>	<b>29,277,281</b>	<b>768,287</b>	<b>35,781,576</b>	<b>939,618</b>
<b>Liabilities</b>	<b>USD</b>	<b>EUR</b>	<b>USD</b>	<b>EUR</b>
Demand deposits	719,546	48,534	879,446	59,319
Term deposits	1,477,375	4,642	1,805,680	5,674
Saving accounts with deferred withdrawal	-	-	-	-
Savings accounts with unconditional withdrawal	-	-	-	-
Liabilities under agreements to repurchase	33,805	-	41,317	-
Loans and other liabilities contracted MN (National Currency)	1,160,659	-	1,418,584	-
Loans and other liabilities contracted MX (Foreign Currency)	315,207	2,150	385,253	2,628
Letters of credit	-	-	-	-
Ordinary bonds	1,055,488	15,187	1,290,040	18,562
Subordinated bonds	-	-	-	-
Forward	8,765,655	358,087	10,713,578	437,663
Futures	4,716	-	5,764	-
Swaps	13,455,456	326,856	16,445,557	399,491
Other, excluding options	-	-	-	-
Other liabilities	1,131,416	12,778	1,382,842	15,617
Delta Options	102,847	-	125,702	-
<b>Total liabilities</b>	<b>28,222,170</b>	<b>768,234</b>	<b>34,493,763</b>	<b>938,954</b>
<b>Net</b>	<b>1,055,111</b>	<b>53</b>	<b>1,287,813</b>	<b>664</b>



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### ***Limitations of sensitivity analysis***

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain the same. In fact, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger and smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not consider that the Bank's assets and liabilities are actively managed. Moreover, the financial position of the Bank may vary at the time when an actual market movement occurs. For example, the strategy of financial risk management of the Bank seeks to manage the exposure to market fluctuations. As investment markets go through different trigger levels, management actions could include selling investments, changing the allocation of the investment portfolio and taking other protective measures.

Therefore, the actual impact of a change in assumptions may not have any impact on the liabilities, while the assets remain at market value in the Consolidated Statements of Financial Position. In these circumstances, the different measurement bases of assets and liabilities could result in volatility of equity.

##### ***Price risk - own products***

The Bank is exposed to price risks of its products that are subject to general and specific fluctuations in the market.

The Bank manages price risk through periodic stress tests, which establish various scenarios of adverse market conditions; on the other hand, it has contingency plans that address mitigating actions in the corporation in order to face scenarios that expose the corporation to significant loss.

##### ***Other Price Risks***

The price risk on equity instruments is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to individual value and its issuer or factors affecting all actual market values.

The following sensitivity analysis described below have been determined based on the exposure of equity prices at the end of the reporting period.

On a scenario where the equity prices had been 1% higher - lower:

The net income of the period as of December 31, 2020, would not have been affected given that all bank's equity instruments are classified as available for sale, and no investment was impaired; notwithstanding, the possible negative effect on equity would have amounted to Mch\$15,026 while the impact for the year ended December 31, 2019 would have been MCh\$168,531.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **f. Fair value**

The area of Market Risk is responsible for defining the methodologies of valuation of assets and liabilities measured at fair value, while operations are responsible for their implementation. The fundamental principle of the task of fair value measurement is to determine the starting price of an asset or liability in an ordinary transaction in a representative market. Not only does the accounting information depend on this assessment, risk indicators such as value-at-risk are also based on these prices, so that the implied volatility on any valuation model is also very relevant.

The following international accounting rules are used, provided they are available: quotations or observable prices of identical assets or liabilities that are measurable. These are known as Level 1 inputs, Absent identical assets or liabilities, measurement is made based on observable prices. Interpolations are typically performed in this group in the case of derivatives and other instruments or matrix pricing models for fixed income instruments. This class is known as Level 2 inputs.

Finally, when it is not possible to rely on the above inputs, the measurement is performed based on inputs that are not directly observable on the market. These are the Level 3 Inputs. Note 35 presents the classification of financial instruments according to the valuation hierarchy, below is a brief explanation of that system.

Positions in foreign currency bonds, Central Bank bonds, futures contracts and other instruments traded on exchanges have very liquid markets where prices or prices for identical instruments are usually observable. These instruments are included in Level 1.

Even for liquid instruments, some markets require the existence of brokers to equate supply with demand and allow transactions to be carried out. Normally deposits and derivatives traded over-the-counter are in this segment. These have quotes from different broker, which guarantees the existence of market prices or inputs needed for valuation. Among derivative instruments are currency forwards and interest rate forwards, interest rate swaps, cross-currency swap and foreign currency options. As usual for those instruments other than those listed, valuation techniques and interpolation curves are used. Debt instruments are less liquid such as some sovereign bonds, corporate bonds and mortgage securities of domestic issue, and are valued - unless there is available pricing - based on fair value models based on directly observable prices or market factors. All these instruments are classified in Level 2 valuation.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

The base model for the valuation of fixed income securities without much liquidity in the local market is a dynamic model of interest rates using panels of incomplete data and incorporates all the recent price history of the instruments in question and instruments with similar characteristics as to issuer risk rating, duration, etc. The fair value models used (both internal and external) are tested periodically and back tested by independent parties.

Finally, all instruments whose prices or market factors are not directly observable are classified in Level 3.

##### **g. Derivative instruments**

As of December 31, 2020, the Bank had a net liability position of Mch\$336,133 in derivative instruments measured at fair value. Derivatives are classified into two groups according to their accounting treatment: (1) instruments for trading and (2) instruments with hedge accounting treatment. The trading instruments come from activities of Sales & Trading (S&T), whether from sales to third parties or hedging the risks involved in such sales. The areas responsible for Asset & Liability Management (ALM) also use derivatives to hedge their risks. They can follow the standard treatment for trading or have hedge accounting treatment under the applicable accounting standards. The recording, according to current accounting standards, may reduce fluctuations in the value of assets and liabilities or cash flows.

The market risk associated with derivative instruments is measured by VaR and stress tests.

##### **h. Counterparty risk**

The Bank manages its counterparty risk by establishing a limit for transactions (credit line) to enter with each customer in derivatives and recognizes the Credit Value Adjustment (CVA).

##### **Use of line to operate with derivative instruments**

The level of usage of the credit line approved by the Bank for each customer due to an over the counter (OTC) derivative transaction must match the credit exposure that this transaction generates to the Bank. The credit risks on these contracts exist when the recovery or mark-to-market (MTM) is positive in favor of the Bank. As these contracts are valued daily, in this there is uncertainty regarding the mark to market adjustment over the life of the operation.

MonteCarlo simulation techniques are used to estimate future peak exposures by counterparty. Specific counterparty limits ensure that the accepted risk levels are not exceeded, and proper diversification is achieved. The table below details the level of usage of the credit line by segment for the years ended December 31, 2020 and 2019.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

Segment	Use of line to operate with derivative instruments 12.31.2020	Use of line to operate with derivative instruments 12.31.2019
	MCh\$	MCh\$
<b>Retail Banking</b>	<b>1,998</b>	<b>2,650</b>
Retail Banking	-	-
Small and Medium Enterprises	1,998	2,650
<b>Wholesale Banking</b>	<b>833,033</b>	<b>902,860</b>
Commercial Banking	229,314	172,229
C&IB Commercial Division	603,719	730,631
<b>Finance division</b>	<b>661,687</b>	<b>1,118,381</b>
<b>Total</b>	<b>1,496,718</b>	<b>2,023,891</b>

**Credit Valuation Adjustment in derivatives (CVA)**

The objective of the credit valuation adjustments is to determine the counterparty risk associated with the credit exposure in OTC derivative contracts. The CVA of a derivative is defined as the difference between its market-to-market value determined without the risk of default from the counterparty and its market-to-market value with the probability of default of the counterparty. Thus, the CVA of a client can be determined from the expected exposure (EE) to counterparty risk (how much loss is expected) and the probability of default (PD) associated with the risk of default of the counterparty. The table below details. The table below details the CVA.

Credit Value Adjustment			
Segment	12.31.2020	12.31.2019	Variation
	MCh\$	MCh\$	MCh\$
<b>Retail Banking</b>	<b>32</b>	<b>70</b>	<b>(38)</b>
Retail Banking	-	-	-
Small & Medium Enterprise	32	70	(38)
<b>Wholesale Banking</b>	<b>25,727</b>	<b>25,052</b>	<b>675</b>
Commercial Banking	6,028	4,608	1,420
C&IB Commercial Division	19,699	20,444	(745)
<b>Finance division</b>	<b>409</b>	<b>546</b>	<b>(137)</b>
<b>City National Bank</b>	<b>2,807</b>	<b>2,790</b>	<b>17</b>
<b>Total</b>	<b>28,975</b>	<b>28,458</b>	<b>517</b>

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED**

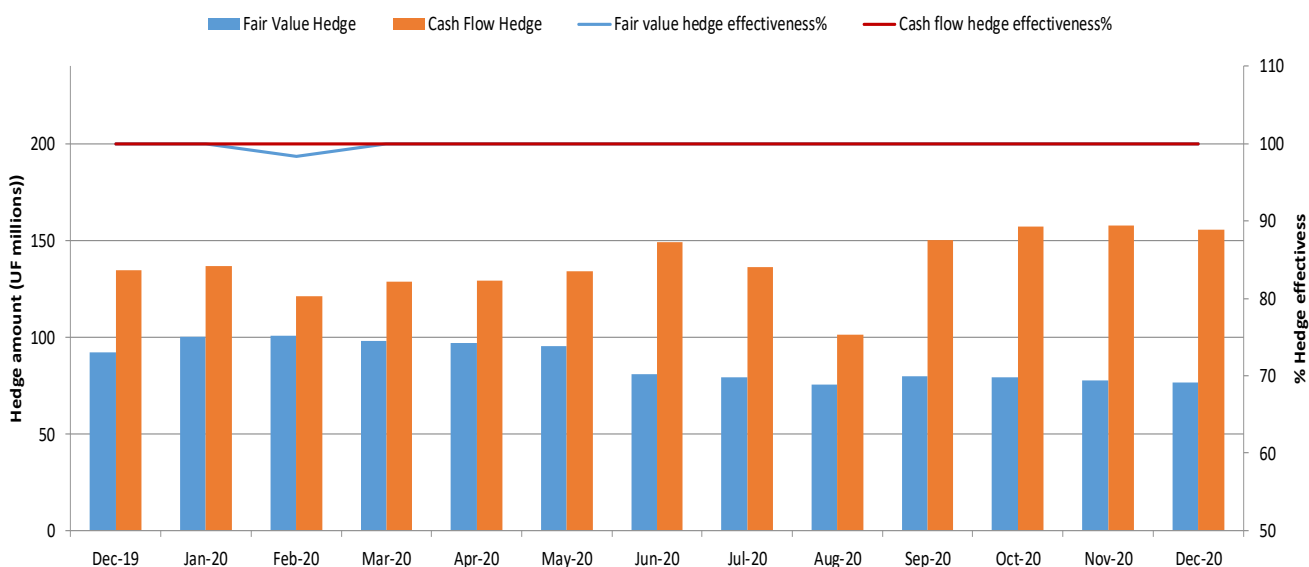
**i. Hedge accounting**

The Bank uses hedge accounting to manage the risk of fair value and cash flow to which it is exposed. Fair value hedges use derivative instruments to hedge the change in fair value of an asset or liability in the consolidated statements of financial position.

Cash flow hedges effects meanwhile are recognized initially in equity. Treatment of this type of instrument strictly follows International Accounting Standard (“IAS”) 39. Financial Risk Management is responsible for designing and validating the effectiveness of the hedges, generating effectiveness indicators that are monitored and reported to ALCO.

As of December 31, 2020, the total notional amount of cash flow hedges amounted to UF 150,246,360 whereas fair value hedges reach UF 79,672,930. As of December 31, 2019, the total notional amount of cash flow hedges amounted to UF 155,546,829 whereas fair value hedges reach UF 76,570,847.

*Fig. 19. Amount, Type and effectiveness of Hedge Accounting  
As of December 31, 2020 (UF Millions)*



## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **4. Credit Risk**

###### **Risk Management structure**

The Bank has structured its credit approval process based on personal and non-delegable discretionary limits authorized by the Board of Directors. Based on these credit faculties, the operations are approved at the different levels of Management, always requiring the concurrence of two executives with discretionary limits.

As the amount of the operation increases, pairs of senior executives both from the commercial and risk areas and from the senior management committees must approve the operation, until reaching the highest level represented by approval from the Board of Director's Executive Committee.

###### **Provision for credit risk**

According to the Financial Market Commission (CMF), the Banks should permanently maintain evaluations of their loans and contingent credit portfolios, in order to establish provisions timely and sufficiently, so as to cover possible losses, in accordance with the regulation of said Commission, contained in the Compendium of Accounting Standards, chapter B-1 referring to provisions for credit risk.

The Bank has a series of models both for the individual and the group portfolios, which are applied depending on the type of portfolio and operations. These models are approved by the Board of Directors, which is informed annually about the adequacy of the provisions.

Additionally, indicate note 1, letter ac), informs that the Bank's Board of Directors approved the constitution of additional provisions during 2020 for MCh\$104,000, MCh\$59,300 related to the Consumer Portfolio, MCh \$41,900 related to the Commercial Portfolio, and MCh\$2,800 related to the Real Estate Portfolio, and MCH \$47,263 for the City National Bank branch. These provisions were constituted to anticipate the potential impairment of the placement portfolio due to the crisis produced by the COVID-19 pandemic.

###### **Models based on the individual analysis of borrowers**

These models are applied when the companies involved, given their size, complexity or level of exposure with the entity, are required to be identified and analyzed in detail, one by one.

These models consider the analysis of issues such as the financial situation of the borrower, payment behavior, knowledge and experience of the partners and managers in the business, the degree of commitment of the same with the company and the industry in which it operates and its relative position.

**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED****Quality of the loans by type of financial asset**

Regarding the quality of the loans, these are described in accordance with the Compendium of Accounting Standards issued by the Financial Market Commission (CMF):

As of December 31, 2020						
Debt	DEBT			ALLOWANCE		
	Loans and Receivables from Banks	Loans and receivables from customers, net	Total	Loans and Receivables from Banks	Loans and receivables from customers, net	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
A1	-	110,073	110,073	-	37	37
A2	99,482	1,109,838	1,209,320	82	611	693
A3	13,229	2,132,819	2,146,048	29	2,626	2,655
A4	-	2,155,577	2,155,577	-	13,969	13,969
A5	-	2,583,798	2,583,798	-	22,053	22,053
A6	-	1,090,902	1,090,902	-	12,345	12,345
B1	-	600,028	600,028	-	9,433	9,433
B2	-	251,341	251,341	-	4,556	4,556
B3	-	57,518	57,518	-	6,656	6,656
B4	-	126,968	126,968	-	23,439	23,439
C1	-	98,965	98,965	-	1,979	1,979
C2	-	44,544	44,544	-	4,454	4,454
C3	-	28,059	28,059	-	7,015	7,015
C4	-	26,719	26,719	-	10,688	10,688
C5	-	30,929	30,929	-	20,104	20,104
C6	-	63,025	63,025	-	56,723	56,723
Collective assessment	-	13,810,496	13,810,496	-	394,363	394,363
Subsidiaries	244,321	11,187,114	11,431,435	252	198,981	199,233
<b>Total</b>	<b>357,032</b>	<b>35,508,713</b>	<b>35,865,745</b>	<b>363</b>	<b>790,032</b>	<b>790,395</b>

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 36 - RISK MANAGEMENT, CONTINUED

As of December 31, 2019						
Debt	DEBT			ALLOWANCE		
	Loans and Receivables from Banks	Loans and receivables from customers, net	Total	Loans and Receivables from Banks	Loans and receivables from customers, net	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
A1	-	193,155	193,155	-	70	70
A2	83,442	1,416,715	1,500,157	69	811	880
A3	42,485	2,391,456	2,433,941	93	3,368	3,461
A4	-	2,417,035	2,417,035	-	16,311	16,311
A5	-	2,318,233	2,318,233	-	9,649	9,649
A6	-	799,300	799,300	-	7,228	7,228
B1	-	170,241	170,241	-	2,237	2,237
B2	-	131,480	131,480	-	4,173	4,173
B3	-	144,394	144,394	-	16,232	16,232
B4	-	55,179	55,179	-	15,360	15,360
C1	-	100,422	100,422	-	2,008	2,008
C2	-	20,310	20,310	-	2,031	2,031
C3	-	25,467	25,467	-	6,367	6,367
C4	-	41,853	41,853	-	16,741	16,741
C5	-	6,530	6,530	-	4,244	4,244
C6	-	37,521	37,521	-	33,769	33,769
Collective assessment	-	12,792,831	12,792,831	-	367,144	367,144
Subsidiaries	332,218	10,818,656	11,150,874	343	160,578	160,921
<b>Total</b>	<b>458,145</b>	<b>33,880,778</b>	<b>34,338,923</b>	<b>505</b>	<b>668,321</b>	<b>668,826</b>

The analysis of the age of overdue installments and their accrued interest by type of financial assets is the following:

	Less than 30 days		Between 31 and 89 days		90 days or more		Total	
	12.31.2020	12.31.2019	12.31.2020	12.31.2019	12.31.2020	12.31.2019	12.31.2020	12.31.2019
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Loans and receivables from banks, net	-	-	-	-	-	-	-	-
Loans and receivables from customers, net	1,265,643	436,062	155,225	105,508	282,583	287,816	1,703,451	829,386
<b>Total</b>	<b>1,265,643</b>	<b>436,062</b>	<b>155,225</b>	<b>105,508</b>	<b>282,583</b>	<b>287,816</b>	<b>1,703,451</b>	<b>829,386</b>



**BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES****Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**NOTE 36 - RISK MANAGEMENT, CONTINUED****Maximum exposure to credit risk**

The exposure to credit risk varies significantly and depends on both individual risks and general market economy risks.

As of December 31, 2020

	Maximum exposure	Allowance	Net exposure after allowances	Associated collateral	Net exposure
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Trading portfolio financial assets	1,147,279	-	1,147,279	-	1,147,279
Loans and receivables to banks, net	357,032	(363)	356,669	-	356,669
Loans and receivables from customers, and credit commitments (1)	45,527,436	(813,188)	44,714,248	(15,247,171)	29,467,077
Financial investments available for sale	7,996,040	-	7,996,040	-	7,996,040
Financial investments held to maturity	25,144	-	25,144	-	25,144
Derivative financial agreements (2)	5,485,123	(33,226)	5,451,897	-	5,451,897

- (1) In this line loans and receivables are included for an amount of MCh\$35,508,713 (see Note 11) and credit commitments of MCh\$10,018,723 (see Note 23). Reported collateral is legally pledged to the Bank and there is no uncertainty regarding its possible execution or settlement.
- (2) As of December 31, 2020, no collateral was provided in favor of the Bank.

As of December 31, 2019

	Maximum exposure	Allowance	Net exposure after allowances	Associated collateral	Net exposure
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Trading portfolio financial assets	2,212,257	-	2,212,257	-	2,212,257
Loans and receivables to banks, net	458,145	(505)	457,640	-	457,640
Loans and receivables from customers, and credit commitments (3)	43,791,832	(710,990)	43,080,842	(12,248,254)	30,832,588
Financial investments available for sale	4,011,029	-	4,011,029	-	4,011,029
Financial investments held to maturity	7,369	-	7,369	-	7,369
Derivative financial agreements (4)	4,260,655	634	4,261,289	-	4,261,289

- (3) In this line loans and receivables are included for an amount of MCh\$33,880,778 (see Note 11) and credit commitments of MCh\$9,911,054 (see Note 23). Reported collateral is legally pledged to the Bank and there is no uncertainty regarding its possible execution or settlement.
- (4) As of December 31, 2019, no collateral was provided in favor of the Bank.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **Operational Risk**

###### **Goals**

BCI has adopted the Operating Risk definition of the Basel Commission, defining it as “loss risk resulting from the lack of adequacy or fail of processes, personnel, and internal systems, or due to an external event.” This definition includes technological and legal risks.

The operating risk is an inherent risk to all banking products and services, processes and systems. Therefore, effective management of the risk is a vital element of BCI’s risk management program.

###### **Description of Operating Risk Policies**

Our Operating Risk Policy sets the operating risk management framework, including all governance elements, prepared through the actions of the committees defined in this policy, in order to build a sturdy operating risk management and culture; a process of continuous operational risk identification and management; a measurement of risk; strategies for mitigating risk; and operational risk reports and culture, setting clear roles and responsibilities based on three defense lines.

The principles of the policy are the following:

- The Board of Directors and High-Level Management promote a risk culture between all BCI collaborators in matters of operating risk.
- Bci has an operating risk management framework consistent with the volume and complexity of its activities, implemented in the whole organization.
- Bci manages operating risk based on the three defense lines approach, where all collaborators assume and understand their roles and responsibilities regarding risk management.
- For Bci, risk management is a vital element for the fulfillment of its business strategy through the enhancing of its internal controlling environment, promoting safe and simple process generation and maintenance of effective controls, allowing the reduction of losses, complaints, operating and technological issues, and improving the client's experience and protecting the equity and reputation of Corporación Bci.

The policy contemplates all guidelines and requirements set forth by Comisión del Mercado Financiero (Commission for the Financial Market) and the recommendations of the Basel Committee regarding good practices of operating risk management.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **Operating risk management structure**

The Bank manages its operating risks daily, and makes decisions with a solid Corporate Governance, according to the following structure:

##### **- Committees Integrated by Directors:**

- **Executive Board Committee**, responsible for the approval of operating risk policies, assessing the relative importance of operating risks, considering the volume and complexity of operations and approval of Operating Risk Tolerance.
- **Finance and Corporate Risk Committee**, responsible for acknowledging the follow-up of the different operating risk levels for Bci.
- **Directors' Committee** acknowledges the relevant operating risks detected by the comptrollers, third line of defense, Information Security and Operating Risk Management, External Auditors, or other sources, learning about action plans or measures defined or under execution for their mitigation. It analyzes reports on inspection visits, instructions, and presentations made by regulators related to operating risk.

##### **Committees Integrated by High-level Management:**

The committees integrated by the General Manager and/or Top-level managers reporting to the General manager, with direct participation in operating risk management are:

- **Information Security and Operating Risk Committee**, headed by Bci's General Manager, responsible for operating risk strategy and management for the Bank and its Branches.
- **Information Security and Operating Risk Committee** specific for Finances, Wholesale Banking, and Retail Banking management. These committees are headed by each High-level Manager reporting directly to the General Manager of these three Business and Support Units and is responsible for the operating risk management in each Business.

##### **Committees formed for specific management of operating risks**

These committees' goal is the specific management of operating risks, and they are:

- **Information Security and Cybersecurity Committee:** The Bank has an Information Security and Cybersecurity Risk Committee, made up of representatives from various areas in the Bank, which ensures that the regulatory framework is updated for new risks and threats, and is responsible for the execution and monitoring of the annual security and compliance with specific policies.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

- **Risk Management in Outsourced Services Committee:** Committee responsible for governance of operating risk management in services outsourced to third parties and strategic suppliers.
- **Corporate Business Continuity Risk Committee:** Committee responsible for governance of the business continuity management, disaster recovery plans and crisis management.
- **New Products Committee:** Committee responsible for the risk analysis of new initiatives and the launching of products and services with identified and controlled risks.

#### **Operating Risk Management in Branches**

Regarding operating risk management in branches, operating risk work methodologies have been continuously strengthened with risk management teams in the Bank's branches, who execute the risk management program in each branch with an independent corporate governance, coordinated and aligned with policies, risk tolerance reference framework, and corporate risk governance.

#### **Operating Risk Management and Information Security.**

Responsible for designing policies, programs and methodologies for an adequate risk management, monitoring the execution of risk management activities, and risk level independently from the first line. Responsible for the development of the governance committees and risk level reporting.

The Operating Risk Management and Information Security Management actively participates in:

- **Operating Issues Management**

The Bank has systems, procedures, organization and governance allowing it to identify operating issues, assess their impact, mitigate their effects, monitor security and operating and report them in a timely manner. Issues discovered are a source for cause analysis and improvement plan implementing, which are shared with CMF.

- **Information Security and Cybersecurity**

The Bank has an information security and cybersecurity strategy based on best industry practices that is based on a comprehensive management program, whose main component is the overall information security policy approved by the Board Executive Committee, reviewed on an annual basis, and supplemented by a regulatory body of specific controls regulations, a security culture program aimed at employees, customers and suppliers, ongoing programs of vulnerability analysis and ethical hacking, and an organization formed by areas specializing in the Bank's three lines of defense, focused on the operation of security controls and specialized management of these risks.

The information Security and cybersecurity strategy contemplates the execution of various initiatives and investments to strengthen technological infrastructure, team training and specific procedures of operation and monitoring of cybersecurity, oriented towards preventing, identifying and stopping cyberattacks on the bank and its subsidiaries.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **- Business continuity and management of the crisis**

The continuity strategies and crisis management developed during the last several years have been consolidated, adding new risk scenarios and increasing the coverage plan to the different units that need to continue operating in situations of contingency.

The Bank is constantly working on strengthening of its business continuity plan, on training contingency team members and on crisis management. Plan coverage has increased according to the requirements of the Bank, including the processes that are critical.

Currently, and due to the COVID-19 pandemic affecting the World economy, the Bank has taken the measures necessary for dealing with the health crisis in order to (i) safeguard the health of our clients and collaborators through the implementation of telecommuting for those who can work from home, and protocols for preventing spread of disease for in-office work, which were successful during 2020; (ii) guaranteeing the operating continuity of our products and services, with strong support from digital and phone channels, and (iii) support clients during the crisis.

##### **- Prevention of fraud**

This function is responsible for implementing a corporate fraud prevention strategy, both internal and external, that safeguards the equity of our clients, the Bank and ensuring the reputation and corporative image of BCI. To this end, processes, technologies, methodologies and data models for optimal decision making in real time have been reinforced to prevent and anticipate emerging and sophisticated fraud risks, as well as activities to strengthen the culture and adherence to the ethical framework for the good work of the employees of the Bank and its subsidiaries.

##### **- Management of operational risk in outsourced services**

Operational Risk Management has a risk management program in outsourced services for the Bank, which aims to identify and timely manage the risks that may exist in a process contracted to a third party. This management is carried out throughout the life cycle of the outsourced service, that is, from when the service is contracted until the contractual relationship is terminated. Depending on the risks identified, decisions are made to keep risks within acceptable levels for BCI.

##### **- Insurance**

Corporación Bci has risk reduction programs through insurance policies allowing to transfer the risk of high-severity losses.

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 36 - RISK MANAGEMENT, CONTINUED**

##### **- Physical security Procedures and Controls**

Corporación has adequate security controls for physical protection of cash, negotiable instruments, precious metals and client assets.

##### **- Regulatory Management**

Bci performs all activities with strict respect and compliance of the applicable regulations, both external and internal, in all countries and jurisdictions where it operates. For this, it has a continuous review process for new external regulations, for their incorporation into the internal regulatory framework.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 37 - MATURITIES OF ASSETS AND LIABILITIES

As of December 31, 2020, and 2019, the breakdown of maturities of assets and liabilities is as follows:

#### December 31, 2020

	Current	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Subtotal up to 1 year	Between 1 and 5 years	More than 5 years	Subtotal Over 1 year	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Assets</b>									
Cash and deposits in banks	4,597,867	-	-	-	4,597,867	-	-	-	4,597,867
Items in course of collection	-	236,710	-	-	236,710	-	-	-	236,710
Trading portfolio financial assets	-	1,147,279	-	-	1,147,279	-	-	-	1,147,279
Liabilities under agreements to repurchase	-	101,300	55,148	33,800	190,248	-	-	-	190,248
Derivative financial liabilities	-	1,024,060	182,351	503,850	1,710,261	1,907,714	1,833,922	3,741,636	5,451,897
Loans and receivables to banks (*)	-	33,761	74,112	245,600	353,473	3,559	-	3,559	357,032
Loans and receivables to customers (**)	-	2,882,628	2,179,938	5,283,901	10,346,467	12,821,030	12,117,582	24,938,612	35,285,079
Financial investments available for sale	-	2,283,920	179,347	566,155	3,029,422	2,019,497	2,947,121	4,966,618	7,996,040
Financial investments held to maturity	-	-	-	-	-	-	25,144	25,144	25,144
<b>Total assets</b>	<b>4,597,867</b>	<b>7,709,658</b>	<b>2,670,896</b>	<b>6,633,306</b>	<b>21,611,727</b>	<b>16,751,800</b>	<b>16,923,769</b>	<b>33,675,569</b>	<b>55,287,296</b>
<b>Liabilities</b>									
Current accounts and demand deposits	19,726,574	-	-	-	19,726,574	-	-	-	19,726,574
Items in course of collection	-	201,438	-	-	201,438	-	-	-	201,438
Liabilities under agreements to repurchase	-	128,779	31,024	132,696	292,499	55,429	2,386	57,815	350,314
Term deposits and savings accounts	-	4,439,324	4,384,381	1,814,907	10,638,612	200,862	137	200,999	10,839,611
Derivative financial liabilities	-	195,005	192,851	1,446,093	1,833,949	2,128,715	1,830,690	3,959,405	5,793,354
Borrowings from financial institutions	-	708,824	519,382	887,661	2,115,867	4,154,832	-	4,154,832	6,270,699
Debt issued	-	26,811	98	539,547	566,456	3,600,069	3,265,099	6,865,168	7,431,624
Other financial liabilities	-	875,318	32,025	1,922	909,265	1,779	-	1,779	911,044
Lease liabilities	-	-	-	64,977	64,977	46,365	74,951	121,316	186,293
<b>Total liabilities</b>	<b>19,726,574</b>	<b>6,575,499</b>	<b>5,159,761</b>	<b>4,887,803</b>	<b>36,349,637</b>	<b>10,188,051</b>	<b>5,173,263</b>	<b>15,361,314</b>	<b>51,710,951</b>

(\*) Gross values.

(\*\*) Excludes provisions and amounts whose maturity date has already passed.

# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 37 - MATURITIES OF ASSETS AND LIABILITIES, CONTINUED

December 31, 2019

	Current Current	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Subtotal Up to 1 year	Between 1 and 5 years	More than 5 years	Subtotal Over 1 year	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Assets</b>									
Cash and deposits in banks	3,153,760	-	-	-	3,153,760	-	-	-	3,153,760
Items in course of collection	-	310,602	-	-	310,602	-	-	-	310,602
Trading portfolio financial assets	-	2,212,257	-	-	2,212,257	-	-	-	2,212,257
Liabilities under agreements to repurchase	-	73,834	82,473	39,708	196,015	-	-	-	196,015
Derivative financial liabilities	-	615,215	205,467	403,828	1,224,510	1,572,806	1,463,973	3,036,779	4,261,289
Loans and receivables to banks (*)	-	9,453	107,625	321,217	438,295	19,850	-	19,850	458,145
Loans and receivables to customers (**)	-	3,229,341	2,351,798	5,379,838	10,960,977	10,804,335	11,872,937	22,677,272	33,638,249
Financial investments available for sale	-	478,938	51	262,504	741,493	889,079	2,380,457	3,269,536	4,011,029
Financial investments held to maturity	-	-	-	-	-	-	7,369	7,369	7,369
<b>Total assets</b>	<b>3,153,760</b>	<b>6,929,640</b>	<b>2,747,414</b>	<b>6,407,095</b>	<b>19,237,909</b>	<b>13,286,070</b>	<b>15,724,736</b>	<b>29,010,806</b>	<b>48,248,715</b>
<b>Liabilities</b>									
Current accounts and demand deposits	14,180,699	-	-	-	14,180,699	-	-	-	14,180,699
Items in course of collection	-	200,976	-	-	200,976	-	-	-	200,976
Liabilities under agreements to repurchase	-	573,387	7,880	42,485	623,752	277,071	8,568	285,639	909,391
Term deposits and savings accounts	-	5,928,757	3,513,034	3,656,734	13,098,525	274,105	126	274,231	13,372,756
Derivative financial liabilities	-	642,742	204,037	454,693	1,301,472	1,668,533	1,442,360	3,110,893	4,412,365
Borrowings from financial institutions	-	1,217,662	1,194,647	645,140	3,057,449	424,812	-	424,812	3,482,261
Debt issued	-	40,818	94	130,936	171,848	3,559,143	3,285,751	6,844,894	7,016,742
Other financial liabilities	-	1,429,531	2,970	15,265	1,447,766	2,820	-	2,820	1,450,586
Lease liabilities	-	-	-	21,176	21,176	89,011	96,189	185,200	206,376
<b>Total liabilities</b>	<b>14,180,699</b>	<b>10,033,873</b>	<b>4,922,662</b>	<b>4,966,429</b>	<b>34,103,663</b>	<b>6,295,495</b>	<b>4,832,994</b>	<b>11,128,489</b>	<b>45,232,152</b>

(\*) Gross values.

(\*\*) Excludes provisions and amounts whose maturity date has already passed.



# BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 38 - FOREIGN CURRENCY

The consolidated financial statements as of December 31, 2020 and 2019 include assets and liabilities in foreign currencies or in Chilean Pesos according to the following detail:

	In foreign currency		In Chilean Pesos		Total	
	As of December, 31		As of December, 31		As of December, 31	
	2020	2019	2020	2019	2020	2019
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>ASSETS</b>						
Cash and deposits in banks	2,470,703	2,064,211	2,127,164	1,089,549	4,597,867	3,153,760
Items in course of collection	154,042	137,562	82,668	173,040	236,710	310,602
Trading portfolio financial assets	71,074	70,126	1,076,205	2,142,131	1,147,279	2,212,257
Liabilities under agreements to repurchase	-	-	190,248	196,015	190,248	196,015
Derivative financial liabilities	191,970	132,104	5,259,927	4,129,185	5,451,897	4,261,289
Loans and receivables to banks, net	356,669	457,640	-	-	356,669	457,640
Loans and receivables to customers, net	11,617,411	11,679,038	23,101,270	21,533,419	34,718,681	33,212,457
Financial investments available for sale	3,695,972	3,222,190	4,300,068	788,839	7,996,040	4,011,029
Financial investments held to maturity	25,144	7,369	-	-	25,144	7,369
Investments in other companies	-	16	26,625	27,807	26,625	27,823
Intangible assets	153,476	148,261	241,800	255,954	395,276	404,215
Property, plant and equipment, net	52,962	46,607	198,255	203,587	251,217	250,194
Right-of-use asset	60,024	73,889	144,783	157,455	204,807	231,344
Current income tax	-	9,222	36,270	80,273	36,270	89,495
Deferred income taxes	144	4,074	211,080	99,255	211,224	103,329
Other assets	972,763	988,968	337,582	418,834	1,310,345	1,407,802
<b>TOTAL ASSETS</b>	<b>19,822,354</b>	<b>19,041,277</b>	<b>37,333,945</b>	<b>31,295,343</b>	<b>57,156,299</b>	<b>50,336,620</b>
<b>LIABILITIES</b>						
Current accounts and demand deposits	11,261,139	8,433,542	8,465,435	5,747,157	19,726,574	14,180,699
Items in course of collection	98,923	115,142	102,515	85,834	201,438	200,976
Liabilities under agreements to repurchase	112,467	128,110	237,847	781,281	350,314	909,391
Term deposits and savings accounts	2,973,923	4,311,173	7,865,688	9,061,583	10,839,611	13,372,756
Derivative financial liabilities	214,343	143,963	5,579,011	4,268,402	5,793,354	4,412,365
Borrowings from financial institutions	2,115,614	3,177,441	4,155,085	304,820	6,270,699	3,482,261
Debt issued	1,758,748	1,811,585	5,672,876	5,205,157	7,431,624	7,016,742
Other financial liabilities	870,582	1,406,963	40,462	43,623	911,044	1,450,586
Lease liabilities	51,554	60,007	134,739	146,369	186,293	206,376
Current income tax	6,330	-	2,742	1,240	9,072	1,240
Deferred income taxes	10,385	22,567	11,803	1,262	22,188	23,829
Provisions	91,498	59,802	350,079	249,238	441,577	309,040
Other liabilities	268,056	237,231	809,750	740,608	1,077,806	977,839
<b>TOTAL LIABILITIES</b>	<b>19,833,562</b>	<b>19,907,526</b>	<b>33,428,032</b>	<b>26,636,574</b>	<b>53,261,594</b>	<b>46,544,100</b>

## **BANCO DE CREDITO E INVERSIONES AND SUBSIDIARIES**

### **Notes to the Consolidated Financial Statements**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

#### **NOTE 39 - SUBSEQUENT EVENTS**

On January 20, 2021, the resolution from Servicio de Impuestos Internos (Internal Revenue Service) confirming the end of activities of Sociedad de Análisis y Servicios S.A was officially received.

On January 26, 2021, Comisión para el Mercado Financiero (Commission for the Financial Market) authorized the merging of the branch societies: Sociedad de Servicios de Comercialización y de Apoyo Financiero y de Gestión SSFF Limitada and Servicios Financieros y Administración de Créditos Comerciales S.A, the latter being the company continuing its activities. Said merger aims to boost their efficiency and profitability, facilitate supervision and vigilance of support societies, achieve a higher organizational alignment, and an integrated management of the credit card business, simplifying the business management, among others.

Between January 1, 2021 and the date of issuance of these consolidated financial statements, no other subsequent events that may affect the presentation of these consolidated financial statements have been recorded or have occurred.

Alfredo Mendoza Osorio  
Corporate Accounting Manager

Eugenio Von Chrismar Carvajal  
General Manager