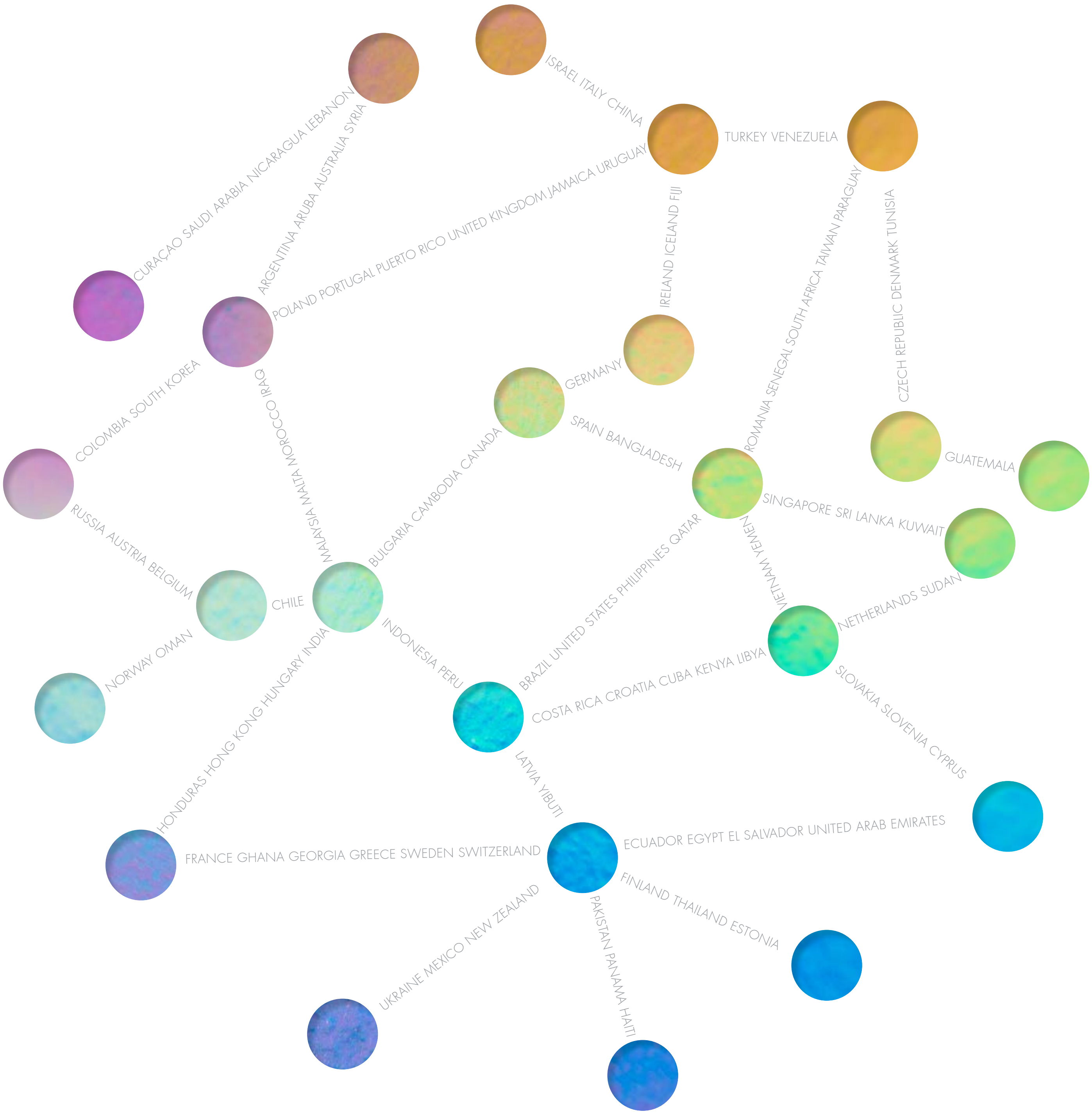
# 2019 ANNUAL REPORT




QUIÑENCO S.A.

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WITH A SOUND BASE IN CHILE, QUIÑENCO EXPANDS ABROAD, STRENGTHENING ITS GEOGRAPHIC DIVERSIFICATION.

# LETTER FROM THE CHAIRMAN

**Andrónico Luksic Craig**
Chairman of Quiñenco S.A.

**Dear Shareholders:**

As we present you this Annual Report and the Consolidated Financial Statements of Quiñenco S.A. for the 2019 fiscal year, a pandemic of yet uncertain consequences is having a tremendous impact on Chile and the world.

We are facing a threat to life, human progress, and the global economy. An evil that, to be defeated, will require great unity, commitment, and leadership. As the historian and philosopher Yuval Noah Harari recently set forth that, to defeat an epidemic, people need to trust scientific experts, citizens need to trust public authorities, and countries need to trust each other. And, unfortunately, this health emergency caught us in the midst of dwindling trust.

I think it is time for us to trust again. It is time for us to meet again in peace and to act against a virus whose defeat demands that we be united. It is time to follow the recommendations of the sanitary authorities and the technical judgment of health experts and workers. Let us respect and support those who are responsible for guiding us through these adverse times, over and above individual opinions. This mission must be addressed with discipline, sacrifice, and a spirit of great solidarity.

Today, more than ever, we value the times when we could be with our loved ones, without physical limitations, giving each other a hug, a handshake, being closer. Meeting again like this requires greater generosity and willingness to understand each other, settle our differences and leave our divisions behind us.

In the specific case of Chile, Covid-19 arrived after almost five months of a social crisis with no precedent in the last 30 years, with uncontrolled, unusual violence and a very harmful polarization. At the same time, long-time neglected social demands, primarily legitimate and relevant, emerged with unexpected strength. The pandemic found us especially weak as a country and as a society, thus requiring us to act with more energy and cohesion.

The combined effects of both phenomena are still uncertain, and the immediate future seems bleak, although I am hopeful that by redoubling our efforts, we will be able to get back on our feet. Our challenge, as a company, starts by assisting all those who work in our companies. Therefore, since the beginning of this crisis, Quiñenco's priority has been to protect people's lives. At the same time, we set ourselves to keep our activities running, to help maintain the economy of the country moving forward without affecting the supply chain.

Based on this conviction, we have implemented several initiatives since the beginning of the sanitary emergency. In October 2019, amidst the social crisis, we decided that none of our direct employees in Chile would receive a gross monthly salary of less than Ch$500,000; a few weeks ago, we committed to a four-month, zero-layoff policy, so that the direct employees of our subsidiaries in Chile could face this emergency with greater confidence.

Our operating companies have established strict controls and sanitation measures, have ensured social distancing in their facilities, have relentlessly

“EVEN AFTER THE CRISIS, WE WILL COMMIT TO CONTINUE ADVANCING IN TELEWORKING AND OTHER FORMULAS THAT ALLOW US TO IMPROVE THE QUALITY OF LIFE OF OUR WORKERS, WHILE PRESERVING THE SUSTAINABILITY, PRODUCTIVITY, AND EFFECTIVENESS OF OUR ACTIVITIES.”

looked for alternatives to support their clients to overcome this adversity, and have actively collaborated with the authority in fighting the virus. They have even innovated to help public health personnel with supplies, such as alcohol gel being produced by CCU’s industrial processes and delivered free of charge to public hospitals and outpatient facilities across the country.

Perhaps a lesson we can draw after this dramatic crisis is that teleworking, in addition to being an effective modality to develop our activities, has proven to be a real alternative to offer our workers a better quality of life, more compatible and balanced between family and work, and less reliant on long commuting times. Quiñenco and its companies are committed to promoting teleworking and all those formulas that allow us to improve the quality of life of our workers, while preserving the sustainability, productivity, and effectiveness of our activities.

At times like these, when markets tend to freeze and world growth shrinks, a basic premise that is sometimes forgotten or minimized becomes relevant. Companies must be economically sustainable and profitable to continue offering quality employment, goods and services, and promoting the progress and wellbeing of its workers, their families, and all the people they relate to.

Therefore, I may say that thanks to the long-term strategy deployed by our company, Quiñenco is in a sound position to respond to the difficult circumstances we are going through.

In terms of results, as of December 31, 2019, the company’s net income amounted to Ch$210,049 million, 16.4% up from the previous year. In the following pages you will find a thorough description of our performance and I would like to highlight two milestones for this period.

Firstly, the good performance of Hapag-Lloyd, German shipping company of which we are a main shareholder through Compañía Sudamericana de Vapores (CSAV). When we joined the company, in 2011, Hapag-Lloyd was undergoing its worst solvency crisis of its 100-year existence. In 2019, CSAV reached almost 30% ownership of Hapag-Lloyd, which reported a net profit of US$405 million and an EBITDA of US$2,223 million.

Secondly, I would also like to highlight the full repayment of the subordinated debt with the Central Bank of Chile. In April 2019, 17 years in advance of its original maturity date, SAOS, subsidiary of SM Chile, Sociedad Matriz del Banco de Chile, paid the last installment of this loan. We frequently hear uninformed opinions describing this as an interest-free loan; therefore, it is worth recalling that such debt was subscribed by the former controllers of Banco de Chile for a total of UF56 million in 1996, at a 40-year term, and an interest of UF+5%. The early payment required a great effort on the part of all the teams working at Banco de Chile, who have given the institution a consistent track record of responsibility, prudence, and profitability.

Quiñenco's sound foundation to face the complex scenario the world economy is undergoing, is only possible thanks to the fundamental collaboration of each and every individual, working hard, with dedication and energy to make this endeavor thrive. They are at the core of our concerns and activities.

We must be fully aware that in order to overcome this crisis, we need to be responsible and solidary; together and united. That is the only way we will emerge stronger as a country. I am hopeful that at the end of this journey full of obstacles, we will be able to reunite, to rediscover others, to value other people's points of view, to genuinely recognize good intentions and initiatives, and to set aside all biased opinions that have inflicted so much damage on our society.

For our part, we will do everything within our reach to regain dynamism and to move forward along the path of progress and wellbeing for all.

Let us take care of each other so we may take care of Chile.

**Andrónico Luksic Craig**
**Chairman of Quiñenco S.A.**
April 2020

# QUIÑENCO IN 2019

## RELEVANT FIGURES(*)

*As of December 31, 2019*

**129**
Countries

**68,000**
People

**86.2**
US$ billion in managed assets

**30.9**
US$ billion aggregate revenues

**5.9**
US$ billion Net value of assets (NAV)

**Quiñenco, parent company of the Luksic Group´s investments in financial and industrial services, is a highly diversified Chilean holding with growing international presence.**

*(*) Global presence, personnel employed, managed assets and aggregate revenues consider Quiñenco and its main operating subsidiaries and affiliates.*

## 2019 HIGHLIGHTS

**Quiñenco**
completed the sale of its insurance business to the multinational Chubb for approximately Ch$35,900 million.

**SM Chile**
Sociedad Matriz del Banco de Chile, through its subsidiary SAOS, paid 17 years in advance the last installment of its subordinated debt with the Chilean Central Bank. The initial loan amounted to UF 56 million at an interest rate of UF + 5%.

**CCU**
jointly with its local strategic partner, Postobón, inaugurated on the outskirts of Bogotá the new brewing plant of Central Cervecera de Colombia, which required an investment of US$474 million.

**SM SAAM**
acquired Boskalis' stake in the tug boat business operated jointly in Brazil, Panama, Mexico and Canada. The investment totaled US$194 million.

**Enex**
moved forward in its internationalization, consolidating the Road Ranger operation in the United States and entering a new country, Paraguay, upon acquiring 51% of Gasur. The Paraguayan subsidiary owns 51 service stations, most of them with convenience stores.

**CSAV**
increased its participation in Hapag-Lloyd, reaching a 30% stake in early 2020, thus ratifying its long-term commitment with the German shipping company, one of the largest and most efficient in the world.

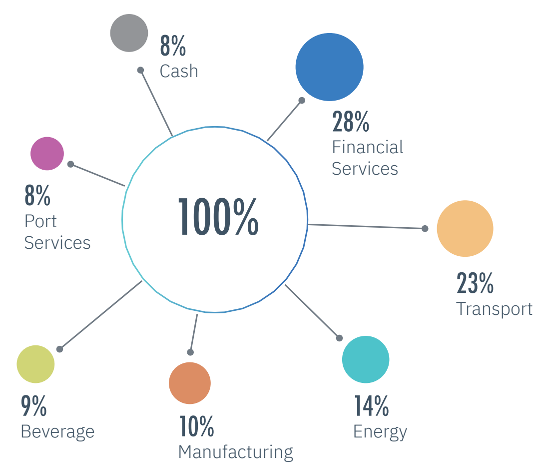
**Nexans**
subscribed contracts to build the first high-voltage submarine cable plant in the United States and supply up to 1,000 km of cables for this initiative within the framework of an agreement to develop offshore wind farms in North America.

**3**
**companies included in the DJSI Chile (Banco de Chile, CCU and SM SAAM)**

**AA**
**Risk Rating (at national level by Fitch Ratings and ICR)**

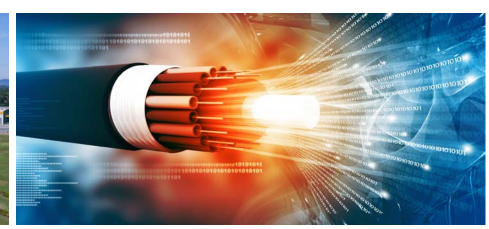
## INVESTMENT DISTRIBUTION

*(Book value at corporate level, 12-31-2019: MUS$5,888)*

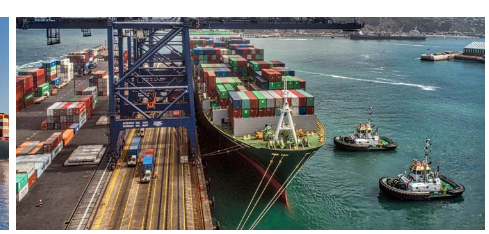



## MAIN ASSETS

*As of December 31, 2019*

| FINANCIAL SERVICES | BEVERAGE | MANUFACTURING |
|---|---|---|
| 51.3% of Banco de Chile jointly with Citigroup | 60.0% of CCU jointly with Heineken | 29.0% of Nexans held by Invexans and Techpack |
| Banco de Chile market capitalization: US$10.8 billion | CCU market capitalization: US$3.6 billion | Nexans market capitalization: US$2.1 billion |
| Presence: Chile | Presence: 6 countries | Presence: 34 countries |
| + on page 28 | + on page 34 | + on page 38 |



| ENERGY | TRANSPORT | PORT SERVICES |
|---|---|---|
| 100% of Enex | 61.5% of CSAV, which owns 27.8% of Hapag-Lloyd | 52.2% of SM SAAM |
| Book value Enex: US$815 million | CSAV market capitalization: US$1.3 billion<br>Hapag-Lloyd market capitalization: US$15.1 billion | SM SAAM market capitalization: US$770 million |
| Presence: 3 countries | Presence: 129 countries | Presence: 12 countries |
| + on page 42 | + on page 46 | + on page 50 |

Over the last 22 years, Quiñenco has demonstrated its value generation capability, with earnings of US$1.7 billion for its shareholders stemming from corporate transactions for US$4.1 billion.

# QUIÑENCO SHARES

The shares of Quiñenco S.A., founded in 1957, are traded on the Chilean stock exchanges. The Luksic Group holds an ownership stake of 82.9% and the remaining percentage is held by minority shareholders. Its market capitalization reached US$3.4 billion as of December 31, 2019.

## STOCK MARKET INFORMATION

Quiñenco's shares are traded in Chile on the Santiago Stock Exchange and the Chilean Electronic Exchange.

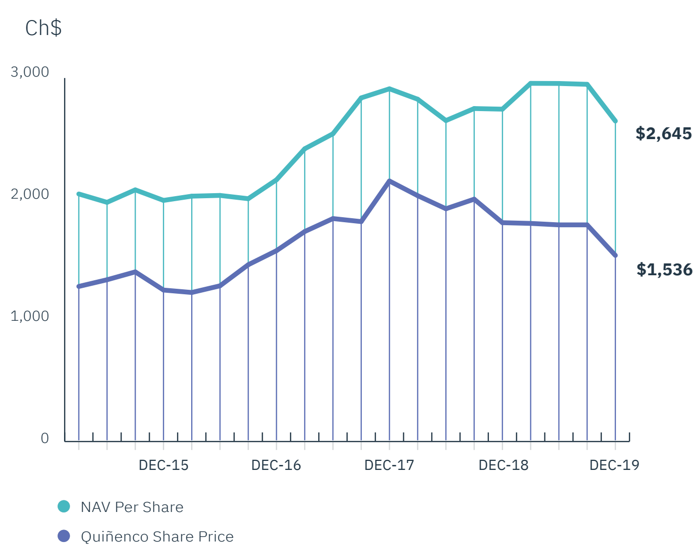
The table below contains quarterly statistics on the amounts traded, the average price and stock market presence on the Chilean stock exchanges in 2019.

**Total number of shareholders 989**

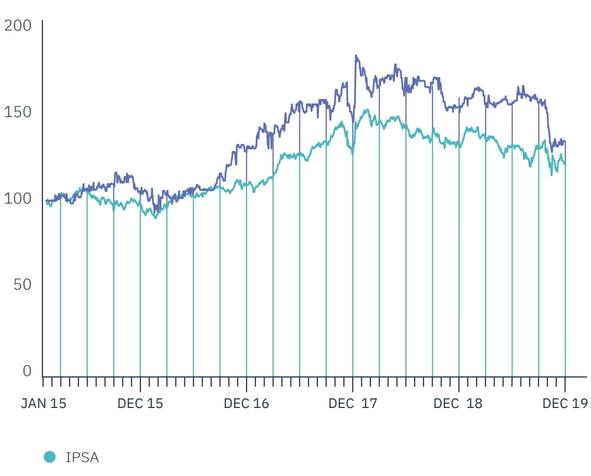
**No. of subscribed 1,662,759,593 and paid-in shares**

| 2019 | Nº. OF SHARES TRADED | TOTAL AMOUNT TRADED THCH$ | AVERAGE PRICE CH$ | STOCK MARKET PRESENCE % |
|---|---|---|---|---|
| 1st quarter | 25,225,500 | 46,781,532 | 1,854.53 | 72.22 |
| 2nd quarter | 20,626,589 | 37,314,835 | 1,809.06 | 80.00 |
| 3rd quarter | 15,573,483 | 28,348,175 | 1,820.28 | 78.89 |
| 4th quarter | 34,460,422 | 54,709,608 | 1,587.61 | 80.00 |
| **2019** | **95,885,994** | **167,154,151** | **1,743.26** | |

## NAV / SHARE PRICE EVOLUTION




## QUIÑENCO SHARE / IPSA




*Base 100 – January 2015*

## SHAREHOLDERS

At the closing of 2019, the subscribed and paid-in capital is divided into 1,662,759,593 shares. The 12 largest shareholders as of December 31, 2019 are the following:

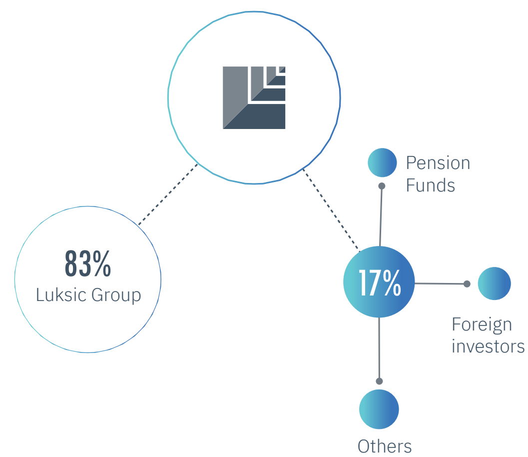
| ID NUMBER | SHAREHOLDER | NUMBER OF SHARES | % |
|---|---|---|---|
| 77.636.320-0 | Andsberg Inversiones Ltda.* | 686,536,676 | 41.29 |
| 59.039.730-k | Ruana Copper A.G. Agencia Chile* | 279,819,030 | 16.83 |
| 78.306.560-6 | Inmobiliaria e Inversiones Río Claro S.A.* | 179,938,251 | 10.82 |
| 96.536.010-7 | Inversiones Consolidadas Ltda.* | 140,971,280 | 8.48 |
| 97.004.000-5 | Banco de Chile por cuenta de terceros no residentes | 69,885,570 | 4.20 |
| 84.177.300-4 | BTG Pactual Chile S.A. Corredores de Bolsa | 55,689,186 | 3.35 |
| 76.884.110-1 | Inversiones Río Claro Ltda.* | 44,442,511 | 2.67 |
| 98.000.100-8 | A.F.P. Habitat S.A. | 27,586,131 | 1.66 |
| 96.871.750-2 | Inversiones Salta SpA* | 23,684,851 | 1.42 |
| 96.489.000-5 | Credicorp Capital S.A. Corredores de Bolsa | 22,848,723 | 1.37 |
| 76.327.982-0 | Inversiones Alaska Ltda.* | 20,041,305 | 1.21 |
| 76.265.736-8 | A.F.P. Provida S.A. | 14,546,253 | 0.87 |
| | **Total** | **1,565,989,767** | **94.18** |

**Companies related to the Luksic Group*

Quiñenco's issued and paid-in shares are 82.9% property of the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas Ltda., Inversiones Salta SpA., Inversiones Alaska Ltda., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the social rights of Andsberg Inversiones Ltda., 100% of the social rights of Ruana Copper A.G. Agencia Chile and 99.76% of the shares of Inversiones Orengo S.A.

Mr. Andrónico Mariano Luksic Craig (RUT 6.062.786-K) and his family control 100% of the shares of Inversiones Consolidadas Ltda. and Inversiones Alaska Ltda. The family of Mr. Andrónico Luksic Craig controls 100% of the shares of Inversiones Salta SpA. Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. are indirectly controlled by the Emian Foundation, where the descendants of Mr. Guillermo Antonio Luksic Craig† (RUT 6.578.597-8) hold interests. There is no joint action agreement between the company's controllers.

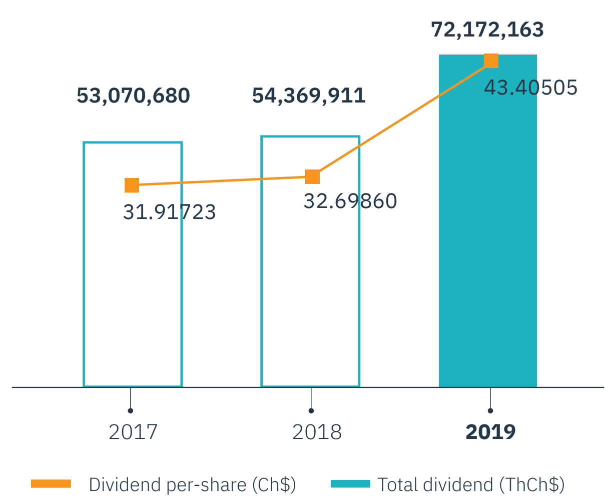
### SHAREHOLDER STRUCTURE




### Dividend policy

Quiñenco's Board of Directors will inform the Annual Shareholders' Meeting to be held on April 30, 2020, of its agreement to set as dividend policy its distribution of a definite cash dividend of at least 30% of net income for the year.

## DIVIDENDS PAID



# CORPORATE STATEMENT

## WHO WE ARE

We are the result of the entrepreneurial spirit, vision and courage of Andrónico Luksic Abaroa. Also, of the hard work and creativity of thousands of people who, in a joint effort with us, have developed companies and contributed to the progress of our country and of those in which we are present.

We have grown together with Chile, following our passion to innovate and explore opportunities. We have diversified along with the best teams and world class partners, always seeking to do the best we can, improving constantly.

We are a business conglomerate open to the world to discover, create and add value to companies and their employees, with a long term view, working in a responsible and serious way.

We wish to contribute to the growth and development of people and the community. We want to be relevant actors in the global market, always proud of our origin and committed to the entrepreneurial spirit that drives us.

## WHAT DRIVES US

“CREATE NEW PATHS, DISCOVER AND STUDY TERRITORIES THAT WILL BE THE SOURCE OF PROGRESS FOR FUTURE GENERATIONS”.

Andrónico Luksic Abaroa
(1926–2005)

## WHAT WE DO

Contribute to progress. Develop enterprises. Create value.

We contribute to the progress of Chile and each of the countries in which we are present, working with a long term view, for the benefit of society, our collaborators and shareholders, generating employment, respecting the community and the environment.

We develop enterprises innovating and managing assets of leading companies in the financial, beverage, manufacturing, transport, port, shipping, fuel distribution and retail sectors.

We create value with hard work and responsibility, facing our challenges directly or through strategic alliances with the best international partners.

## WHAT WE DREAM

We want to be the best ambassadors of Chilean entrepreneurship in a global market that is increasingly becoming more demanding and interconnected.

We want to be a business conglomerate capable of adapting to these new times, with the strength to create, innovate and seek challenges.

We want to be a point of reference through our work philosophy and the respect, learning and mutual benefit relationship that we establish with our employees and society.

## WHAT WE BELIEVE

We believe in doing things well, working with excellence, being responsible, showing integrity and awareness of our acts and decisions; respectful of other people, the environment, and the community.

## INTEGRITY

• Always do what is right.
• Honor our commitments.
• Respect the Law and its purpose.
• Be responsible for our acts and decisions.
• Communicate in a timely and honest manner, promoting a culture of transparency.

## EXCELLENCE

• Do our best in each assignment we undertake.
• Have a clear vision of where we are headed.
• Lead with high standards. Be austere, rigorous and tenacious.
• Innovate and seek opportunities with determination.
• Have the best teams, with the best talent.

## RESPECT

• Treat others as we would like to be treated.
• Be concerned about the wellbeing of our collaborators, our most valuable capital.
• Be inclusive and open. Value and respect differences.
• Build trusting relationships with the different actors in the community.
• Use natural resources efficiently; take care of and respect the environment.

# CORPORATE GOVERNANCE

Quiñenco's corporate governance practice is led by the Board of Directors, the Directors' Committee, and the Chief Executive Officer.

Quiñenco's Board of Directors is comprised of eight members, who are chosen for three years. There are no alternate directors per the Company's statutes. The last election of board members was carried out at the Annual Shareholders' Meeting held on April 28, 2017. Mr. Andrónico Luksic Craig was named Chairman of the Board and Mr. Jean Paul Luksic Fontbona, Vice President of the Board on May 4, 2017. Due to the vacancy caused by the sad passing away of our Director, Mr. Gonzalo Menéndez Duque, the Board appointed Mr. Pablo Granifo Lavín in his replacement on July 4, 2019, until the next Annual Shareholders' Meeting, where the entire Board will be renewed.

Quiñenco has a permanent commitment to the highest standards of corporate governance, in keeping with its bylaws and the legal standards in force in Chile, especially the Law of Open Stock Corporations and the Securities Law. Further information of the Directors' Committee, its activities and the corporate governance practices adopted by the Company in 2019 are provided in the section Additional Corporate Information.

A code of ethics has been adopted that is applicable to all employees, with the goal of promoting honest and ethical behavior that avoids conflicts of interest of all types and transmits our principle of transparency and respect for the rights of others. As stipulated in our corporate statement, in Quiñenco, we believe in doing things right, working with excellence; being responsible, honest, and conscious of our actions and decisions; respectful of people, the environment and the community.

Quiñenco maintains open and permanent communication with its investors through various channels, including its website, participation in conferences in Chile and abroad, development of local and international roadshows and numerous meetings with investors and analysts through the year.

## BOARD OF DIRECTORS' TRAINING ACTIVITIES

During 2019, Quiñenco's Board of Directors was trained in the modifications of Law No.20,393 and the new crimes incorporated thereto by Law No. 21,121, to understand the scope of the criminal acts that bring penal consequences on corporate entities, and the measures to be adopted by the company in order to prevent them.

## ORGANIZATIONAL CHART

QUIÑENCO’S CORPORATE GOVERNANCE PRACTICE IS LED BY THE BOARD OF DIRECTORS, THE DIRECTORS’ COMMITTEE AND THE CHIEF EXECUTIVE OFFICER.

# BOARD OF DIRECTORS

**1. ANDRÓNICO LUKSIC CRAIG**
Chairman
Company director

**2. JEAN–PAUL LUKSIC FONTBONA**
Vice-Chairman
Company director
B.Sc. Management and Science,
London School of Economics,
UK

**3. NICOLÁS LUKSIC PUGA**
Director
Commercial Engineer,
Universidad Finis Terrae

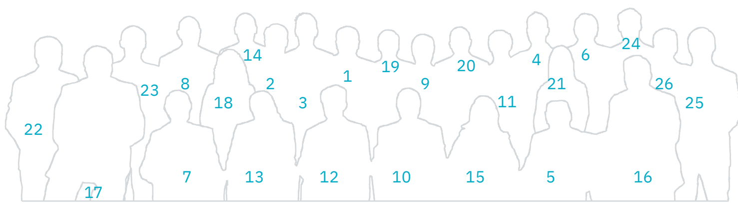
**4. ANDRÓNICO LUKSIC LEDERER**
Director
B.Sc. Business Management,
Babson College, USA

**5. FERNANDO CAÑAS BERKOWITZ***
Director
Commercial Engineer,
Universidad de Chile

**6. HERNÁN BÜCHI BUC***
Director
Civil Mining Engineer,
Universidad de Chile

**7. PABLO GRANIFO LAVÍN**
Director
Commercial Engineer
Pontificia Universidad Católica de Chile

**8. MATKO KOLJATIC MAROEVIC***
Director
Commercial Engineer,
Universidad Católica de Chile
ICAME Certificate in Marketing
Management,
Stanford University, USA




*Member of the Directors' Committee at December 31, 2019.*

## MANAGEMENT

**9. FRANCISCO PÉREZ MACKENNA**
Chief Executive Officer
(since July 1, 1998)
Commercial Engineer,
Pontificia Universidad Católica de Chile
MBA, University of Chicago, USA

**10. RODRIGO HINZPETER KIRBERG**
Chief Counsel
(since April 3, 2014)
Attorney,
Pontificia Universidad Católica de Chile

**11. DIEGO BACIGALUPO ARACENA**
Business Development Manager
(since June 5, 2017)
Industrial Civil Engineer
Pontificia Universidad Católica de Chile
MBA, MIT Sloan School
of Management, USA

**12. LUIS FERNANDO ANTÚNEZ BORIES**
Chief Financial Officer
(since July 15, 1996)
Industrial Civil Engineer,
Pontificia Universidad Católica de Chile,
MBA, Georgia State University, USA

**13. CAROLINA GARCÍA DE LA HUERTA AGUIRRE**
Corporate Affairs and Communications Manager
(since April 3, 2014)[1]
Journalist,
Pontificia Universidad Católica de Chile

**14. PEDRO MARÍN LOYOLA**
Performance Control Manager and Internal Auditor
(since October 1, 1996)
Commercial Engineer,
Pontificia Universidad Católica de Chile
M.Sc. Finance, London School of Economics, UK

**15. ANDREA TOKMAN RAMOS**
Chief Economist
(since April 3, 2014)
Commercial Engineer,
Pontificia Universidad Católica de Chile
PhD in Economics, University of California at Berkeley, USA

**16. ÁLVARO SAPAG RAJEVIC**
Sustainability Manager
(since April 3, 2014)
Attorney,
Universidad de Chile

**17. DAVOR DOMITROVIĆ GRUBISIC**
Head of Legal and Prevention Manager
(since April 3, 2014 and June 1, 2016, respectively)
Attorney,
Universidad de Chile

**18. PILAR RODRÍGUEZ ALDAY**
Investor Relations Manager
(since June 2, 2008)
Commercial Engineer,
Pontificia Universidad Católica de Chile

**19. OSCAR HENRÍQUEZ VIGNES**
General Accountant
(since October 1, 1996)
Auditor Accountant,
Universidad de Chile
Postgraduate degree in Tax Planning,
Universidad Católica de Chile
Master in Tax Management,
Universidad Adolfo Ibáñez

**20. MAURICIO LOB DE LA CARRERA**
Public Affairs Manager[2]
(since April 1, 2014)
Journalist,
Universidad Diego Portales

**21. VALERIE DE LA HARPE ZUBIAUR**
Organizational Development Manager
(since May 14, 2018)
Commercial Engineer,
Pontificia Universidad Católica de Chile

**22. RAÚL REQUENA MARTÍNEZ**
Labor Relations Manager
(since January 4, 2016)

**23. EDUARDO GARNHAM LÉNIZ**
Deputy Development Manager
(since March 6, 2017)
Industrial Civil Engineer,
Pontificia Universidad Católica de Chile
M.Sc. in Sustainable Energy Futures
Imperial College London, UK

**24. GEORGES DE BOURGUIGNON COVARRUBIAS**
Deputy Business Development Manager
(since July 17, 2017)
Commercial Engineer,
Pontificia Universidad Católica de Chile
MBA and MIA, Columbia University, USA

**25. ARTURO HIGHET GARCÍA**
Deputy Performance Control Manager
(since July 1, 2016)
Commercial Engineer,
Pontificia Universidad Católica de Chile

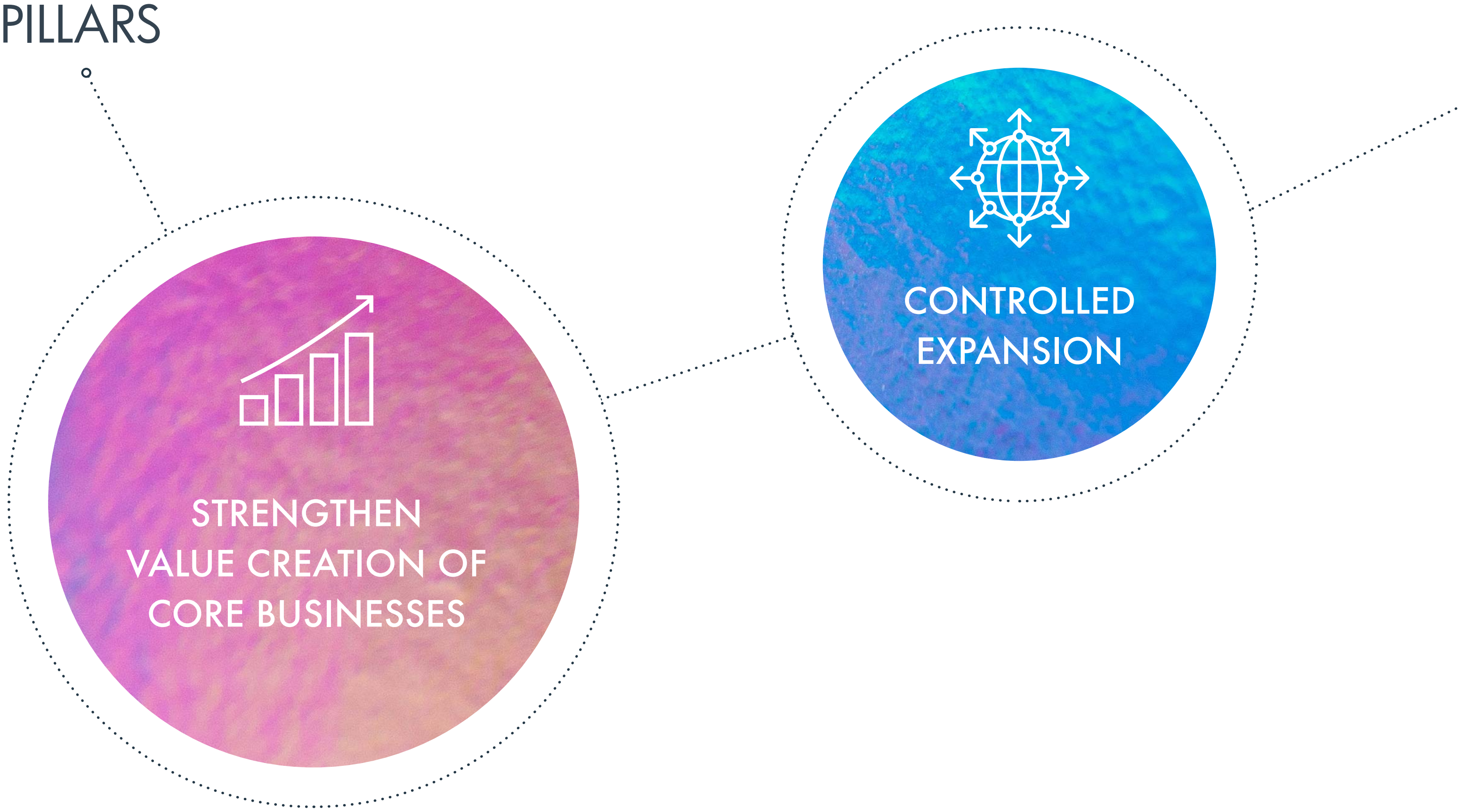
**26. PABLO BAUER NOVOA**
Attorney
(since June 12, 2017)
Attorney,
Pontificia Universidad Católica de Chile
Master of Laws, University of Chicago, USA

*1 Held the position until December 31, 2019. Afterwards, appointed as advisor to the Board.*
*2 Starting January 2, 2020, appointed as Manager of Corporate Affairs and Social Management.*

# CORPORATE STRATEGY

Quiñenco's corporate strategy seeks to maintain leadership by diversifying its investments in the industrial and financial services sectors, strengthening the value creation capability of the existing businesses, while analyzing opportunities to enter new markets or economic sectors.

## PILLARS




A fundamental objective of Quiñenco's corporate strategy is to strengthen the capability of existing businesses to create value, working together with the administration of the companies to define long-term strategies, structuring mergers and major acquisitions, promoting the adoption of best practices, and overseeing the operational and financial management.

Quiñenco keeps a controlled and gradual approach to international expansion, taking advantage of its business management experience, the location of the facilities and the strength of its products, services, and distribution networks.

## ACQUIRE BUSINESSES TO CREATE VALUE IN THE LONG TERM

QUIÑENCO CREATES VALUE FOR ITS SHAREHOLDERS AND FOR SOCIETY THROUGH THE SUSTAINABLE DEVELOPMENT OF THE COMPANIES IT INVESTS IN.

## FORM STRATEGIC ALLIANCES

Upon investing, Quiñenco privileges companies where the development of brands and franchises allows it to generate synergies and economies of scale, by complementing businesses and distribution networks. Among its investment criteria, experience, growth potential, market size and the possibility of establishing alliances with world-class partners are also very relevant, as they contribute knowledge and resources to the development of joint businesses. In addition, from a long-term perspective, the holding also evaluates possible divestments, provided the Company perceives they add value to its shareholders.

When deemed convenient, the group seeks to continue forming alliances with world-class partners to capitalize the benefits of strategic relationships. The current partnerships have enabled it to leverage its businesses with experience, knowledge and other competitive advantages resulting from the development of joint businesses.

# SUSTAINABILITY POLICY

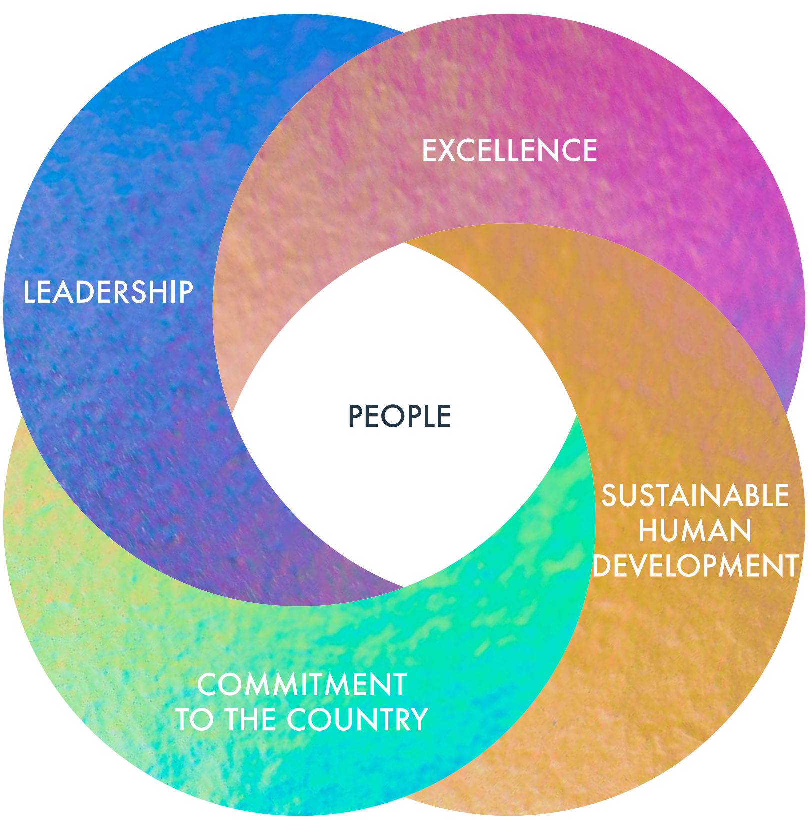
## WE CONTRIBUTE TO THE PROGRESS OF CHILE AND THE WORLD

We work for progress, open to the world to continue undertaking new businesses, discovering new horizons and creating value for companies, their shareholders and collaborators. We want to do things well, always better, with a long-term perspective.

We understand sustainability in its three dimensions: economic, social and environmental. We seek results, contributing to the economic growth and development of the people, the community and the territories where we are present.

This policy establishes Quiñenco's vision of sustainability as the central axis of its business model. It determines the decisions of the directors, managers, executives and employees of the Group, and inspires the relationship with its operating companies. This strategic policy aims to guide the company in the construction of a healthy coexistence between company and society.

We contribute to Chile's development through four strategic pillars: leadership, excellence, sustainable human development, and commitment to the country.



## LEADERSHIP

- We are active shareholders with a vocation for controlling and ensuring good management, always respecting the autonomy of each of the companies where we participate.
- We invest in leading companies in their respective industries or with the potential to become leaders.
- We develop strategic alliances with world-class partners to generate value through cooperation and sharing know-how.
- We seek the best talents to continue developing them and with them, our identity, allowing them to develop in a culture of good practices and continuous improvement.

### Who is involved or affected?

**Directors/ Executives/ Workers/ Shareholders and Investors/ Competitors/ Strategic Partners**

## EXCELLENCE

- We manage companies with high standards, aiming to be the best, results-oriented; we act with integrity, obeying our bylaws, respecting the values established in our Code of Ethics and safeguarding strict compliance with the law in its form and spirit.
- Our corporate governance practices seek to do things well, always better, and with integrity, protecting the interests of all our shareholders, especially the minority shareholders.
- We encourage our operating companies to, in the exercise of their autonomy, promote best practices in their relationship with customers, suppliers, investors and shareholders.
- We look for innovative and creative solutions for the development of our businesses.
- We ensure cutting-edge environmental management, aware of the impacts and risks entailed by the activities of our operating companies.

### Who is involved or affected?

**Executives/ Workers/ Strategic Partners/ Regulators/ Authorities/ Future generations/ Communities/ Investors and Shareholders**

## SUSTAINABLE HUMAN DEVELOPMENT

- By developing enterprises we contribute to the progress and wellbeing of people, establishing a relationship of mutual learning and benefit.
- We are prone to generating relationships and working conditions of high standards, convinced that people are the determining factor for the progress and success of the companies we participate in.
- The health and safety of our collaborators is a priority for us and our companies' work.
- We ensure that talent and professional effort are recognized and generate opportunities for development. We value and respect social diversity and inclusion.

### Who is involved or affected?

**Workers / Strategic Partners / Suppliers / Contractors / Communities**

## COMMITMENT TO THE COUNTRY

- Aware that companies are important players in society, we actively work so that both private sector practices and public policies contribute to the progress of the country and the development of all its inhabitants.
- We recognize the importance of our stakeholders and establish a reciprocal relationship with them, through an open, timely and transparent communication.
- We seek to be the best ambassadors of Chilean entrepreneurship in the world market. We know that our decisions contribute and impact the country's reputation and the opportunities for our fellow citizens.
- We contribute to generate a climate of trust, undertaking our challenges and working together in order to achieve the goals that we have set. We want to be a role model of good practices in Chile.

### Who is involved or affected?

**Society / Opinion Leaders / Media / Trade Associations / Communities / Authorities**

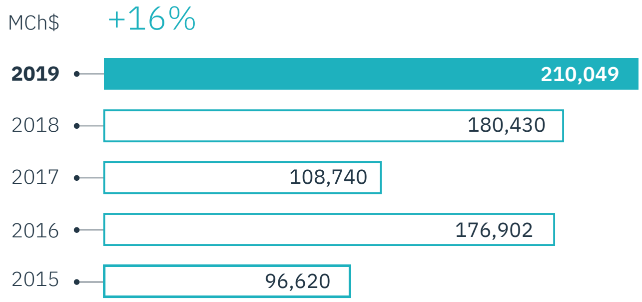
# 2019 RESULTS

## CONSOLIDATED RESULTS

### NET INCOME

**Ch$210,049 million**

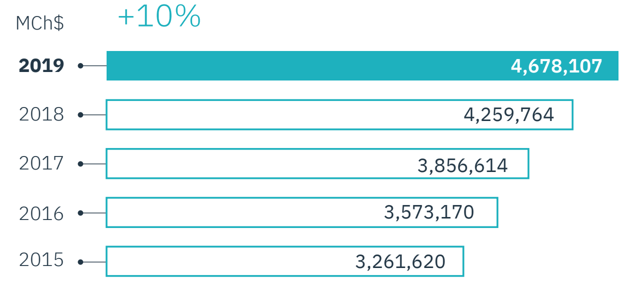
+16%




### CONSOLIDATED REVENUES

**Ch$4,678,107 million**

+10%

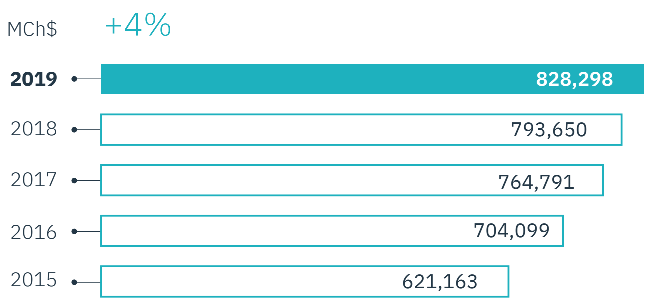



*Consolidated Revenues: correspond to the revenues from the Industrial sector plus net operating revenues from the Banking sector.*

### OPERATING INCOME

**Ch$828,298 million**

+4%

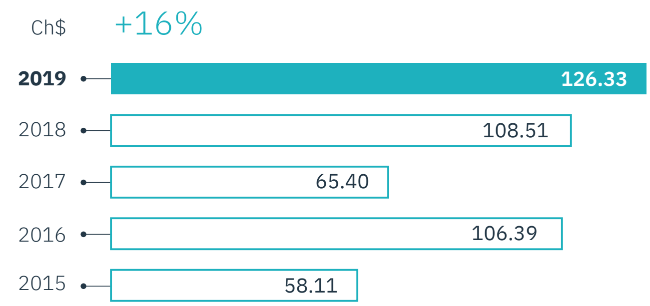



*Operating income: corresponds to operating income from the Industrial sector plus operating income from the Banking sector.*

### EARNINGS PER SHARE

**Ch$126.33**

+16%




Quiñenco presents its financial statements according to IFRS. To better understand Quiñenco's results, the financial statements separate the results of banking services (banking sector) from non-banking businesses (industrial sector). In addition, and in keeping with IFRS requirements, six business segments have been defined: Manufacturing, Financial, Energy, Transport, Port Services and Other.

Quiñenco includes the results of approximately 40 companies in its financial statements for each period. Though it consolidates its operations with most of its investments, such as Banco de Chile, CSAV, SM SAAM, Invexans and Enex, the profits and losses of other investments that are important to Quiñenco in terms of their size or impact on its financial results during a given period, such as CCU, Nexans and Hapag-Lloyd, are not consolidated with the Company. In these cases, Quiñenco's proportional share of the profit or loss is included in the non-operating results.

## CONTRIBUTION TO PROFITS BY SEGMENT

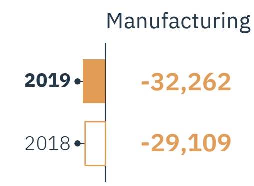
In 2019, Quiñenco's net income increased by 16.4% resulting from the good performance of most segments, particularly Transport, reflecting the gains of the German shipping company Hapag-Lloyd, and Financial, with the favorable impact related to the full repayment of the subordinated debt, offsetting a reduction in the Other segment, which included the effect of the non-recurring gain reported by CCU in 2018 related to the early termination of the Budweiser license in Argentina, while 2019 includes Quiñenco's corporate level gain from the sale of the insurance business to multinational Chubb.

NET INCOME

CONTRIBUTION BY SEGMENT
MCH$

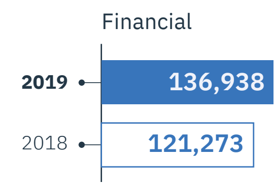
### Manufacturing / NEXANS

In the Manufacturing segment, which includes Quiñenco's share in the results of Invexans and Techpack, net profits dropped by 10.8%. Invexans reported a loss of Ch$32,343 million, due mainly to the results of its main asset, the French multinational Nexans, which reported losses in 2019 mostly resulting from the impact of significant restructuring costs, principally for its European operations. However, worth noting is the 32.4% increase in its operating income due to a 4.5% growth in organic sales, greater efficiencies, and cost reductions. In turn, Techpack reversed the loss reported the previous year from its discontinued operations, achieving profits for Ch$380 million.



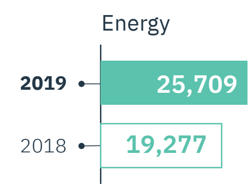

### Financial / BANCO DE CHILE

In the Financial segment, Banco de Chile showed stable results with a slight reduction of 0.3% in net profits down to Ch$593,008 million, due mainly to greater customer revenues, offset by an increase in loan loss provisions and higher operating expenses. Likewise, LQIF holding reported a loss of Ch$12,997 million, 5.2% down from 2018, due to a greater income tax credit. Noteworthy is the favorable impact of the subordinated debt held by SM Chile with the Central Bank being fully paid in April 2019, which resulted in a 12.9% increment in the contribution of the Financial segment to Quiñenco's consolidated results.



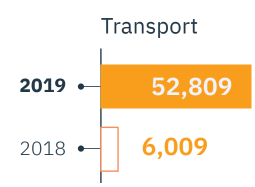

### Energy / ENEX

In the Energy segment, Enex's results increased by 33.4% and its net income reached Ch$25,709 million, based on good operational performance driven by the acquisition of the Road Ranger travel center network in the United States at the end of 2018, and good performance of local operations. Total volumes dispatched in 2019 reached 4,343 thousand cubic meters, up 8% from the previous period. The 39.5% improvement in operating income was partly offset by lower non-operating income, due to greater financial costs.



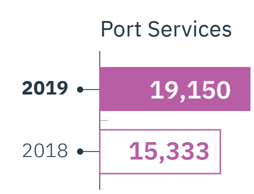

### Transport / CSAV

The variation in the contribution is due mainly to CSAV's share in the results of its main asset, Hapag-Lloyd, which had a positive evolution. The German shipping company reported net income of US$405 million, significantly up from 2018, showing a sound operational performance based on higher revenues, driven both by greater average freight rates and transported volumes. In addition, the company prioritized profitable routes and revenue management. Consequently, CSAV's net profits in 2019 amounted to Ch$88,195 million, well above the Ch$13,846 million reported in 2018. The segment's greater contribution also results from Quiñenco's higher ownership in CSAV during the last quarter and CSAV's increased stake in Hapag-Lloyd.



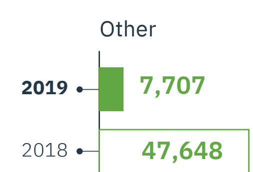

### Port Services / SM SAAM

In the Port Services segment, SM SAAM's contribution increased by 24.9% in 2019, due to improvement in all of its operating areas, especially in port terminals, where the growth of its foreign terminals offset the lower results from the Chilean ports, and in the tug boat segment, which recorded an increase in special and salvage services, in addition to its consolidation with SAAM Towage Brazil over the last two months of the year, along with efficiencies relating to its new operating model. SM SAAM's profits in 2019 were Ch$40,453 million, up 26.2% from the previous year.

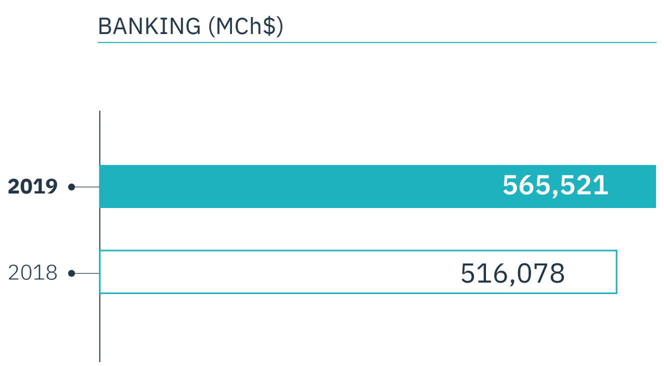



### Other

CCU's results included in the Other segment decreased due mainly to the non-recurring gain reported in the second quarter of 2018, associated with the early termination of the Budweiser license in Argentina, and the lower performance in 2019 of the International Business segment, negatively impacted by the devaluation of the Argentine peso and hyperinflationary accounting. However, worth noting is the 5.3% increase in consolidated sales volumes. In 2019, at the corporate level Quiñenco recorded a non-recurring after-tax gain of Ch$14,289 million from the sale of its participation in the insurance companies Banchile Vida and SegChile at the end of December 2019.



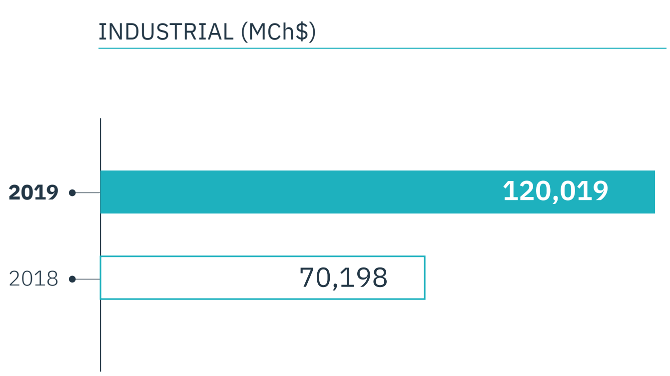
## CONTRIBUTION TO PROFITS BY SECTOR




# Ch$565,521 million

## +10%

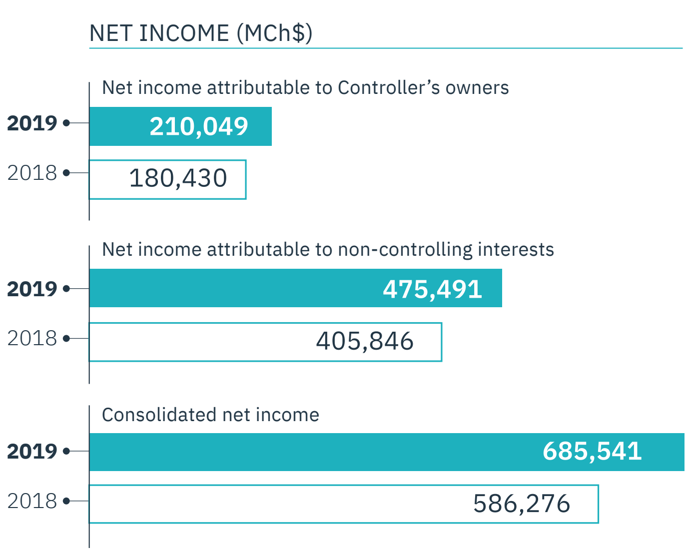
The increment in consolidated profits from the Banking sector, which includes Banco de Chile and SM Chile's results, is due mainly to lower interest from the subordinated debt held with the Central Bank of Chile, which was fully paid in April 2019, and the stable results achieved by Banco de Chile, reflecting greater operating revenues, offsetting the upturn in loan loss provisions, operating expenses, and tax expenses.




# Ch$120,019 million

## +71%

The significant improvement in consolidated results in the industrial sector is due mainly to the favorable  performance of Hapag-Lloyd during the current period and, to a lower extent, of SM SAAM, Enex and Techpack, in addition to Quiñenco's gain at a corporate level from the sale of the insurance companies Banchile Vida and SegChile in late 2019, classified in discontinued operations. These variations partly offset CCU's lower results due to the non-recurring gain from the Argentine transaction in the previous period and Nexans' losses as of December 2019, stemming from restructuring costs.




# Ch$210,049 million

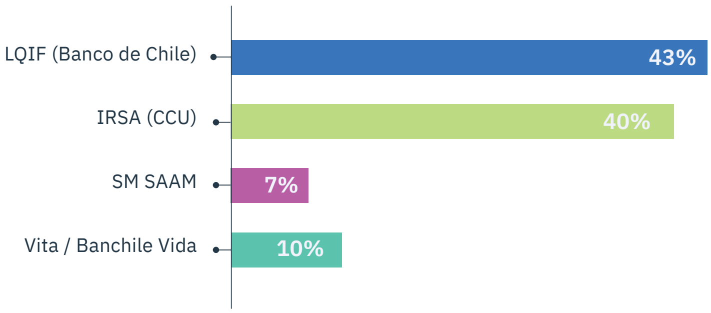
## +16%

The increase in net income attributable to the controller's owners, or net income, is based on the 16.9% growth in consolidated net income, explained by the good performance of the Industrial and Banking sectors, partly offset by the 17.2% increase in net income attributable to non-controlling interests, reflecting the participation of minority shareholders in the higher results recorded by the Financial and Transport segments.

## DIVIDENDS

### DIVIDENDS RECEIVED

*MCh$142,483 (at corporate level)*

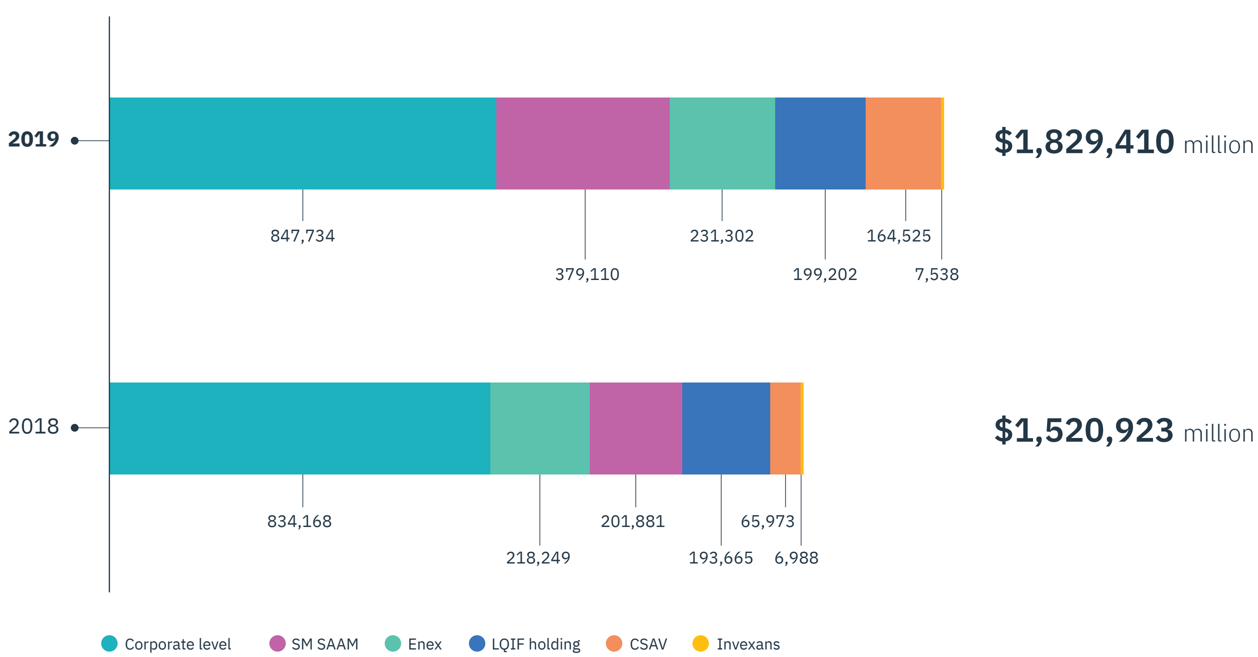



The sustained flow of dividends and the funds obtained from the sale of investments have allowed Quiñenco to maintain a low level of indebtedness and a solid financial position, with debt at the corporate level totaling Ch$847,734 million at December 2019.

## INDUSTRIAL SECTOR DEBT STRUCTURE (*)

### INDUSTRIAL SECTOR

*Stated in MCh$*




*(*) IRSA's debt of MCh$45,874 in 2019 (MCh$55,836 in 2018), where Quiñenco holds an ownership stake of 50%, is not included herein.*

# BUSINESS ACTIVITIES

# FINANCIAL SERVICES

# LQ INVERSIONES FINANCIERAS

**LQ Inversiones Financieras S.A.** (LQIF) is the company through which Quiñenco channels its investments in the financial sector. It is a closed stock company created as a Quiñenco subsidiary in 2000. Its main asset since 2001 has been its participation in Banco de Chile. As of the end of 2019, it held 51.2% of both the voting rights and the economic rights in this financial institution.

As part of a strategic alliance, Citigroup acquired a 33.0% stake in LQIF in 2008 through the contribution of its assets in Chile. Banco de Chile and Citibank Chile merged on January 1, 2008. In April 2010, Citigroup increased its stake to 50% after exercising two purchase options for 8.5% of LQIF shares each, pursuant to the Shareholders' Agreement signed with Quiñenco.

In March 2013, Banco de Chile successfully completed a capital increase of US$530 million. LQIF's Board of Directors agreed to exercise its preferential subscription rights in Banco de Chile's regular share offering period and to renounce the subscription options it had for its stake in SAOS, thus reducing its participation in the Bank slightly, to 58.4% as of December 2013.

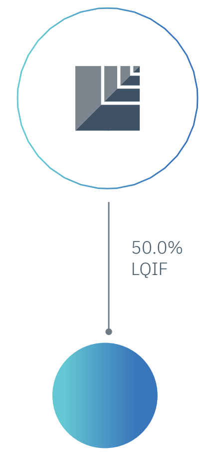
In January 2014, the Board of Directors agreed to hold a secondary offering of Banco de Chile shares to increase the stock's liquidity without altering LQIF's condition as controller. The offer concluded with the sale of 6.7 billion shares at a price of Ch$67 per share, equivalent to 7.2% of the property. In this way, LQIF's stake was reduced to approximately 51%.

During 2017, LQIF acquired close to 200 million Banco de Chile shares on the market, slightly increasing its participation, which reached 51.2% by year-end.

On April 30, 2019, the Subordinated Debt with the Central Bank of Chile was fully paid in advance. Consequently, SM Chile and its subsidiary SAOS S.A. were dissolved and SM Chile's shareholders, including LQIF and its subsidiary Inversiones LQ-SM Limitada, received on June 6, 2019 the shares held by SM Chile in Banco de Chile. Therefore, LQIF became the owner of 51.2% of the Bank's social and economic rights.

The result recorded by LQIF in 2019 shows, in addition to the sound performance of Banco de Chile, the favorable impact of paying off said subordinated debt. Hence, LQIF's net profit amounted to Ch$273,875 million in 2019, 12.9% up from 2018.

The Quiñenco group has vast and successful experience in the Chilean financial sector, where it has stood out for the following milestones: the merger between Banco Santiago and Banco O'Higgins in 1997; the sale of the resulting institution to Banco Santander Central Hispano (BSCH) in 1999; the acquisition of Banco Edwards in 1999 and Banco de Chile in 2001 and, finally, the merger with Citibank Chile in 2008, thus creating the largest bank in the country controlled by Chilean capital.




LQIF'S STAKE IN BANCO DE CHILE:

**51.2%**

LQIF

LQ INVERSIONES FINANCIERAS

FINANCIAL SERVICES


BANCO DE CHILE LED IN RESULTS, CORPORATE REPUTATION AND SERVICE QUALITY.

# BANCO DE CHILE

**Banco de Chile** is a leading financial institution in the local banking industry, with a tradition of more than 125 years and 2.2 million clients, individuals and companies, offering comprehensive solutions to their needs for financing, investment, savings, advisories and cash management.

The results obtained by Banco de Chile over the last few years made it possible in April 2019, to fully pay in advance the subordinated debt held by SAOS S.A., subsidiary of SM-Chile S.A., with the Central Bank of Chile. This brought about the increase in the number of shares outstanding and available to minority investors (free float) from 27% to 44%, resulting from the distribution of Banco de Chile shares to SM-Chile S.A.'s shareholders. Consequently, the weight of the Bank's share among the main reference indices, such as the MSCI, went up, giving further visibility and liquidity to these securities both in Chile and abroad.

In 2019, Banco de Chile maintained its focus on achieving a good balance between risk and return, based on its sound financing structure. Its credit rating enabled it to optimize its capital cost, placing bonds in Chile and the markets of Norway, Hong Kong, Japan, Australia, and Peru. These transactions included, for the first time, the issue of green bonds for a total of US$48 million over a 12-year period. The resources shall be used in financing renewable energy projects, such as photovoltaic energy generation plants, run-of-the river hydroelectric power plants, a reservoir and a power plant that generates energy through methane conversion.

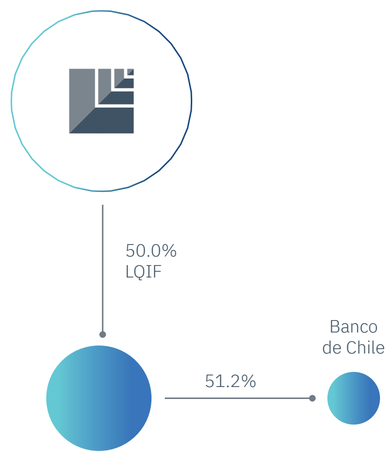
Banco de Chile's net profits amounted to Ch$593,008 million in 2019; although this represents a reduction of 0.3% compared to 2018, it accounted for 23.4% of total industry profits and a return on average capital and reserves of 18.0%. At year-end, the Bank recorded an annual growth of 7.5% in total loans, exceeding Ch$30 billion.

In 2019, the Bank was awarded the "Most Reputable Company of the 2000-2019 Decade in Chile" prize granted by Merco, among others; it also ranked first among the most attractive banks of Merco's 2019 University Talent, and second among the 100 most valued companies by university students.

## ANNUAL PERFORMANCE

Banco de Chile's strategy is based on three pillars: placing the customer at the center of all its decisions, a permanent search of greater efficiency and productivity, and a strong commitment to the progress of Chile and its inhabitants.

Through the year, the Bank advanced in the development of a new service




## BANCO DE CHILE

- Founded in 1893
- A (S&P) and A1 (Moody's) risk rating
- Listed on Chile and United States' (NYSE) stock exchanges
- Included in the Dow Jones Sustainability Chile Index
- 2.2 million active clients
- 13,555 employees
- 353 branches, 766 Cajas Chile and 1,712 ATMs
- Market capitalization: US$10.8 billion at December 2019

BUSINESS SEGMENTS

**Retail banking**

- Personal banking and SMEs across the country.

**Wholesale banking**

- Local and multi-national corporations and large companies from all industries operating in Chile.

**Subsidiaries**

- Products and services for retail and wholesale banking customers supplementing the above-mentioned services.

**Treasury**

- Products and services including forwards, interest rate swaps, investment agreements and products.

- Managing the mismatch of currencies, terms, and interest rates to maintain adequate liquidity levels and to increase the profitability of the Bank's investment portfolio.

model, which entails integrating some branches, expanding the offer, and facilitating access to products that meet specific customer requirements.

In the Retail Banking segment, the Bank implemented a platform to standardize and guide commercial management in the delivery of customized proposals. It is worth noting that the number of current account holders in the Young Customer segment grew by 9.4% in the year, being the main driver of total active clients.

The quality and innovation of its products and services were recognized by different measurements. For the second consecutive year, Banco de Chile ranked first in the ProCalidad customer satisfaction ranking, and the Global Finance Magazine distinguished Banco de Chile as the Best Digital Bank in the Country and the Best Online Bank Service Provider in Latin America, in the Corporate Banking segment.

In September 2019, the Bank launched the "Pymes para Chile" program, a comprehensive value offering for this segment. Along these lines, it established alliances with startup incubators and drafted a support plan to boost digitalization together with the foundation País Digital. After October 18, it developed a national plan to support the clients from this segment who were affected by the social crisis. Among other initiatives, the plan included the deferral of credit installments and the grant of emergency loans at lower rates for a total of Ch$23 billion to 5,000 clients of the SME banking segment and micro-entrepreneurs; advertising spaces, sponsorship of seven public-private fairs and contestable funds to support 43 micro-entrepreneur projects across the country.

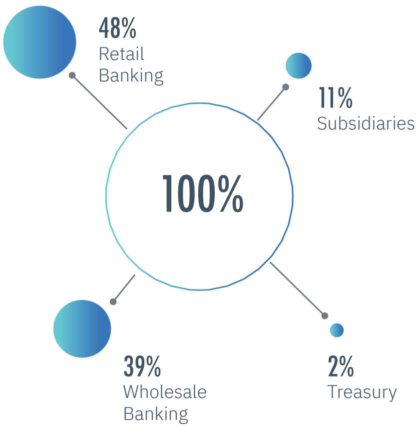
In the Wholesale banking segment, Corporate Banking further enhanced the relationship with its clients through the sustained expansion of cash management businesses, transactional volumes, investment banking and capital market revenues; in these last segments, the Bank was involved in many of the main deals of the year. It consolidated its leadership in Large Corporations, recording an increase in loans above that of the financial

2019 HIGHLIGHTS

- **Full payment in advance of the subordinated debt led to a significant increase in the free float and greater visibility of the Bank's shares.**
- **Successful placement of Banco de Chile's first green bond of US$48 million.**
- **Third edition of the Desafio Emprendedor National Contest that convened more than 30,000 participants.**
- **The "Most Reputed Company of the Decade" prize granted by Merco in Chile.**


CONTRIBUTION TO RESULTS
BY BUSINESS SEGMENT

*(Profits before taxes 2019: MCh$762,692)*




system and sustained growth of current account balances. Significant progress was made by migrating to the new Banconexión 2.0 corporate platform, which helped improve the Bank's customer experience.

As part of its sustainability strategy, the Bank made a social investment of approximately Ch$6,500 million in 2019, positively impacting more than 337,000 people directly in the country, with 238 corporate volunteer activities that convened more than 3,900 collaborators.

Among the main advances regarding this strategy, noteworthy is the third edition of the Desafío Emprendedor Contest, an initiative carried out jointly with Desafío Levantemos Chile to support and give visibility to small entrepreneurs from the country, through financing and training. The invitation to participate in the fourth edition, to be held in 2020, received 56,532 applications (87% up from 2018) which raised the total number of participants to 125,659 since its first edition in 2016.

## BEVERAGE

RECORD OF MORE THAN 30 MILLION HECTOLITERS AND NEW PRODUCTION PLANTS REINFORCED CCU'S MARKET POSITION IN LATIN AMERICA.

# CCU

**CCU** is a multicategory beverage company, with special emphasis on beer and nonalcoholic beverages, with presence in six countries in Latin America. In 2019, it started executing a strategic plan toward 2021 based on the following pillars: Profitability, Growth and Sustainability, setting objectives in six areas: profitable growth of its business units; strengthening of its brands; innovation; ExCCelencia CCU efficiency plan; comprehensive employee development; and implementation of its 2030 Environmental Vision.

At the closing of 2019, the company holds license and/or distribution agreements with Heineken, PepsiCo, Seven-up, Schweppes, Nestlé S.A., Pernod Ricard, Promarca S.A. (Watt´s) and Coors.

## ANNUAL PERFORMANCE

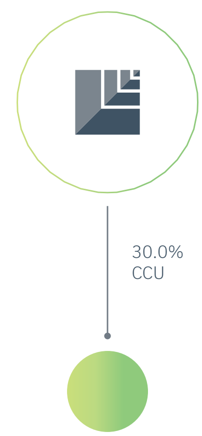
With an annual growth of 5.3% in its consolidated volumes, CCU, for the first time, surpassed 30 million hectoliters of beverages thus maintaining or increasing its market share in its main categories.

The Chile segment, which groups the categories of beer, non-alcoholic beverages and liquors increased its volumes by 4.9%, strengthening its operational scale. During the year, the company started the construction of a new plant for the production of non-alcoholic beverages in Renca, Metropolitan Region, which will be operating by late 2020 to supplement the distribution center inaugurated in 2018. Both will stand out for their high efficiency and environmental care standards.

The International Business segment, which includes businesses in Argentina, Bolivia, Paraguay, and Uruguay recorded an increase of 7.6% in volumes, mainly driven by the growth in Argentina and the consolidation of operations in Bolivia since August 2018.

As part of its brand strategy, the company signed an agreement with the Asociación del Fútbol Argentino (AFA, Argentine Football Association) which turned Schneider beer into the official sponsor of the national soccer team for the next three years. Thanks to the positive volume growth, CCU will expand its productive capacity in Argentina. Also, in Bolivia, CCU installed a new can line that will allow doubling its beer production capacity.

In May 2019, Central Cervecera de Colombia (CCC) – joint partnership between CCU and the local group Postobón– inaugurated a new plant able to produce more than three million hectoliters. The company has been commercializing the Andina beer produced by this plant since February 2019, and has gradually incorporated the production of premium brands, such as Heineken and Tecate. In July 2019, CCC launched the first non-alcoholic malt beverage, Natumalta, in line with Postobón's leadership in non-alcoholic beverages in Colombia. Toward year-end, it launched Andina Light and signed a new contract for the production, sale, and distribution of the brands Miller Lite and Miller Genuine Draft.




### COMPAÑÍA CERVECERÍAS UNIDAS

- Multi-category beverage company with operations in Chile, Argentina, Bolivia, Colombia, Paraguay, and Uruguay.
- 32 production plants and 42 distribution centers at the closing of 2019.
- Listed on Chile's Stock Exchanges since 1920, and on the New York Stock Exchange (NYSE) since 1999.
- Market capitalization: US$3.6 billion at the closing of 2019.

## OPERATING SEGMENTS

### Chile

- CCU is one of the main players in each category of the beverage market where it participates: beer, carbonated soft drinks, waters (mineral, purified and flavored), energy and sports drinks, cold tea, powdered juices, nectars and juices, pisco and other liquors.

### International Business

- Argentina: beer (second largest producer), cider, liquors, and wine.
- Uruguay: beer, mineral and flavored water, nectars, carbonated soft drinks and sports drinks.
- Paraguay: beer, mineral and flavored water, juices, nectars, carbonated soft drinks and sports drinks.
- Bolivia: beer, malt, waters, juices, and carbonated soft drinks.

### Wine

- Second largest producer and exporter of Chilean wine, with deliveries to more than 80 countries.
  (CCU participates in the business through VSPT group, which in Chile consists of the vineyards San Pedro, Tarapacá, Santa Helena, Misiones de Rengo, Leyda, Viña Mar and Casa Rivas).
- In the Chilean wine market, it holds a leadership position in terms of volume and value.
- In Argentina, it also participates in the wine segment with the brands La Celia and Tamarí. In addition, since June 2019, it incorporated to its wine portfolio the brands Colón and Graffigna pertaining to the winery Finca La Celia S.A. (subsidiary in Argentina of VSPT).

## JOINT BUSINESSES

- Colombia: CCU and the Colombian company Postobón hold equal shares of Central Cervecera de Colombia S.A.S. ("CCC"), company that manufactures, sells, and distributes beers and malts in said country.
- Austral: CCU and Maltexco hold an equal 50% ownership stake in Cervecería Austral S.A. for the joint elaboration, sale, and distribution of Austral beer in Chile.

In the Wine segment, volumes increased by 0.5% during the year due to the high competitiveness of Chilean wine in global markets; however, EBITDA grew by 25.2% in this segment as a result of lower wine costs, a favorable exchange rate for exports and the strength of its brands in Chile. In 2019, it incorporated the brands Graffigna, Colón and Santa Silvia in Argentina, after acquiring Pernod Ricard's wine business assets, and in Chile launched the TAYU 1865 wine of Viña San Pedro, produced in collaboration with the Buchahueico Mapuche Community in the Araucanía Region, pursuant to an innovative, associative and sustainable model.

During the year, CCU made progress in innovation and digital transformation with the upgrading of its operational platforms and the development of artificial intelligence tools that will enable it to enhance the use of information to build value into the sales and distribution processes. It also expanded its remote sales platform in Chile by launching "La Barra", an online home delivery site of its product portfolio.

Within the scope of sustainability, CCU fulfilled the goals of its 2020 Environmental Vision plan launched in 2010, in two aspects and in the third it reached 98.8% compliance. Over this period, the company was able to reduce water consumption per liter produced by 46% (goal: 33%) and the greenhouse gas emissions per liter produced by 29% (goal: 20%). The valuation of solid industrial waste amounted to 98.8% (the goal is 100%).

Towards the end of 2019, the company established the 2030 Environmental Vision plan, including, for the first time, the six countries where it is present. The plan contemplates more demanding goals for the three pillars mentioned above and three new lines of action with the following objectives: that 75% of the energy consumption come from renewable sources; that 100% of packaging and containers be reusable, recyclable or compostable and that, on average, these contain 50% of recycled material.

In 2019, the company joined the "Acuerdo de Producción Limpia" (Clean Production Agreement , APL) of the Industrial District in Antofagasta, integrating the work group set up with neighboring companies, the community, regional authorities and the Agencia para la Sustentabilidad y el Cambio Climático (Agency for sustainability and climate change); it advanced in the APL of zero waste to be disposed of, through seven facilities, and collaborated actively in the development of the Eco-Labeling APL with SOFOFA (business association). It additionally subscribed the "Pacto Chileno por Plástico" (Chilean plastic agreement), initiative led by Fundación Chile and the Ministry of the Environment that convenes all the value chain participants to rethink

## 2019 HIGHLIGHTS

- **Starts the construction of a new production plant for non-alcoholic beverages in Chile.**
- **Historic sales volume record, upon reaching 30 million hectoliters sold.**
- **Launching of TAYU 1865, a Pinot noir wine elaborated jointly with the Buchahueico Mapuche community.**
- **Incorporation of the brands Graffigna, Colón and Santa Silvia to VSPT's domestic portfolio in Argentina.**
- **CCU was included for the first time in the Dow Jones Sustainability MILA Pacific Alliance Index, and for the second time in the DJSI Chile.**
- **Inauguration of Central Cervecera de Colombia plant.**
- **Communication of the 2030 Environmental Vision plan in the six countries where CCU operates.**

the future of plastics. CCU already participates in the program "Mi Barrio Recicla" (My neighborhood recycles), led by the Municipality of Providencia and AB Chile (beverage trade association). This is a pilot plan for the Container and Packaging Management System required by the Recycling and the Extended Producer Responsibility (REP) Law, whose regulations should be published during 2020, to start operation in 2022.

The sustainability improvements made by CCU had a bearing on its admission, for the second consecutive year to the Dow Jones Sustainability Chile Index and, for the first time to the MILA Pacific Alliance index. The company ranked first among beverage companies in Chile in the Merco Empresas corporate reputation study, and Viña San Pedro Tarapacá S.A. ranked first in the category "Amorim Sustainability Award" of the Drinks Business' Green Awards. In addition, Viña San Pedro, CCU Chile, and Pisquera de Chile were distinguished as the most innovative companies in the industry by the 2019 Most Innovative Companies Ranking by the ESE Business School of Universidad de los Andes.

## MARKET SHARE

| BY OPERATING SEGMENTS | 2019 |
|---|---|
| Total[1] | 28.1% |
| Chile[2] | 43.8% |
| International Business[3] | 16.7% |
| Wine[4] | 17.7% |

*(1) Weighted average of all categories where CCU participates based on the market shares of each category and weighted based on the internal estimates of market sizes (February 2020). Market share source: Nielsen December 2019 for Chile and domestic wines. Ernst & Young (EY) for 2019. ID Retail for Uruguay. CCR for Paraguay. CIESMORI for beer and malt in Bolivia. Chile's Association of Wine Producers for export. Updated annually.*

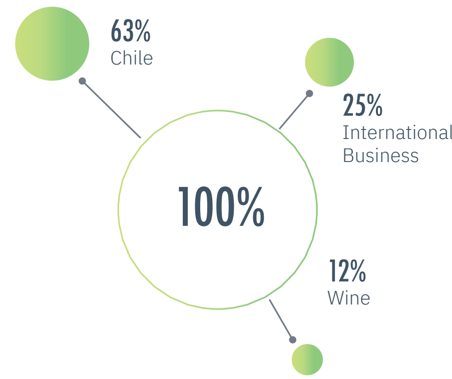
*(2) Excludes HOD and powdered juices.*

*(3) Includes beer in Argentina, carbonated soft drinks, nectars, mineral and flavored waters in Uruguay; beer, soft drinks, nectars, and mineral water in Paraguay; beer, carbonated soft drinks and malt in Bolivia.*

*(4) Including domestic wine and wine exports from Chile. Domestic wine source Nielsen, wine exports according to Chile's Association of Wine Producers; it does not include bulk wine.*

## DISTRIBUTION OF CONSOLIDATED REVENUES *

*(Total 2019: MCh$1,822,541)*




** Percentages calculated over Revenues excluding Others /eliminations*

MANUFACTURING

INVEXANS BOOSTS ACTIVITIES OF ITS UK SUBSIDIARY.

# INVEXANS

**Invexans** explores and promotes investment opportunities in companies with high development potential worldwide. Through its subsidiary Invexans Limited, established in the United Kingdom in 2018, it is dedicated to prospecting, analyzing, and developing new businesses.

In 2019, and in order to increase activity in this subsidiary, executive personnel joined the London offices where they actively assessed business opportunities in the region.

Through its subsidiary in the United Kingdom, Invexans is the main shareholder of Nexans, one of the largest cable producers worldwide, and during 2020, will add Enex to its portfolio, company which operates fuel and lubricant distribution businesses and convenience stores in Chile, the United States and Paraguay. In the Extraordinary Shareholders' Meeting conducted on March 23, 2020, Invexans S.A. approved the merger with Inversiones Río Argenta S.A., company that holds almost 100% of Enex's shares. This operation will enable it to strengthen its investment portfolio and will facilitate Enex's global expansion.

As of December 31, 2019, Invexans owns 28.5% of Nexans, company listed on Euronext Paris. Quiñenco, parent company of Invexans, also has a 0.5% share held by Tech Pack S.A. Thus, in all the group totals 29.0% ownership in Nexans.

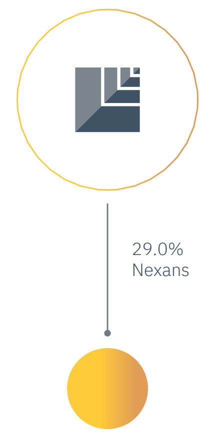
Considering the closing price, the market value of Invexans' investment in Nexans grew from US$345 million in 2018 to US$604 million in 2019.

Invexans participates in the French multinational since 2008, after receiving an 8.9% stake in Nexans from the sale of Madeco's regional cable business, company that gave rise to Nexans.

The Board members designated by Invexans are actively involved in all of Nexans' directors' committees: Compensations, Designations and Corporate Governance Committee; Strategy and Sustainable Development Committee; and Accounting, Auditing and Risk Committee.

## NEXANS

Nexans provides a great variety of power and data transmission products. The company employs close to 26 thousand people in its production facilities across 34 countries to deliver solutions and services throughout the value chain, in four main business areas: Construction (buildings, utilities and mobility), High-Voltage and Projects (including offshore wind farms, submarine interconnections, and land high-voltage), Telecommunications (data transmission, telecommunication networks, hyperscale data centers, LAN) and Industry (including renewable energies, transport, oil and gas, automation and others).




### INVEXANS

- Open stock company controlled by Quiñenco
- Listed on the Santiago Stock Exchange

### NEXANS

- French multinational founded in 1897
- One of the main players in the global cable industry
- Production plants in 34 countries
- Sales for €6,735 million in 2019
- Listed on Euronext Paris
- Market capitalization of US$2.1 billion

## BUSINESS SEGMENTS

### Construction

- Supplies power cables to the construction and repair businesses, through intermediaries or directly to end customers.
- Cables for the power distribution market.

### Industry

- Cabling and power supply solutions, data transmission and automation of clients from the natural resource industry (mining, renewable energies, oil, and gas), transport (air, railroad, maritime) and automotive market, among others.

### High Voltage and Projects

- High voltage power solutions that connect generation and consumption centers.
- Manufacturing and installation of submarine and land transmission cables.

### Telecommunications

- Cables for telecommunication companies.
- Cables and supplies for data transmission systems and networks.

Corporate social responsibility guides Nexans' internal practices and commercial activities. In 2013, Nexans was the first cable supplier to create a foundation that supports initiatives to provide access to underprivileged communities around the globe.

Its long-term strategy responds to global trends that anticipate 20% growth in the world's population and 40% in urbanization toward 2030, which imply that energy production should double over the same period.

To capture the opportunities behind this accelerated growth and drive the transition towards more sustainable energy, the company is transforming its operating model, with emphasis on agility, efficiency, and value creation for its customers in key markets and in renewable energies. The goals of the strategic plan defined in 2018 are to reach an annual EBITDA of €500 million by the end of 2021 and a return on capital employed (ROCE) above 15.5%.

Along these lines, in 2019, Nexans attained an EBITDA of €384 million and a ROCE of 11.6% (in both cases, excluding effect of IFRS 16 adoption).

The costs of restructuring the operations had an impact on its final results, recording losses of €122 million, but Nexans' operating results were €249 million in 2019, 32.4% up from 2018, as a result of growth in all segments and greater operating efficiencies.

The Construction segment registered an organic growth in sales of close to 4% led by Europe and America, both in terms of sales and margins. This growth, and the changes implemented in customer and product management under the framework of the restructuring process, drove the EBITDA of the segment, which recorded a 29% increase (excluding IFRS 16 effect) as compared to the previous year.

In the High-Voltage and Projects segment, the proper execution of its high-voltage submarine initiatives enabled Nexans to record an organic sales growth of approximately 7%. The performance of the high voltage segments was unequal: high-voltage submarine had a positive performance with 13% sales growth, while high-voltage land projects dropped by 10%, as a result of the shutdown of the Hanover (Germany) and Yanggu (China) plants. In spite of the above, the land sector's profitability improved considerably and, in general, the increase in profitability contributed to the segment's EBITDA growing by 38% (excluding IFRS 16 effect).

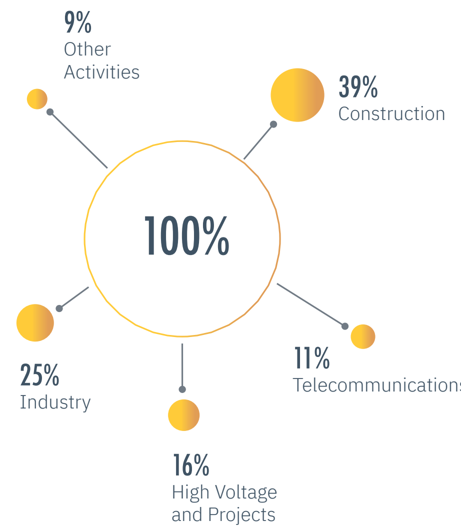
In the Telecommunications segment, Nexans had varying performance in sales and profitability: although LAN cables had stable sales, its EBITDA grew by approximately 25%; the telecommunications sector had a 4% increase in sales, although with profitability similar to last year's, and submarine telecommunication cables significantly improved sales and profitability. The segment finalized the year with almost 18% higher EBITDA (excluding IFRS 16 effect).

## 2019 HIGHLIGHTS

- **Nexans' operating income grew by 32.4% in the first year of execution of the company's transformation plan.**
- **Agreement between Nexans, Eversource and Ørsted for the development of wind farms in the United States.**

## CONTRIBUTION TO CONSOLIDATED REVENUES

*(Total 2019: €4,605 million*)*




*(*) at constant non-ferrous metal prices.*

The Industrial segment closed 2019 with stable sales as compared to 2018, prioritizing profits over volume. The vehicle harness sector boosted the sales of the segment, as the higher activity of the truck sector in United States offset the lower activity of the Chinese automotive market. In other industrial sectors, the main sources of growth came primarily from the mining, wind power and aerospace sectors within a context of weak industrial production.

In late 2019, Nexans signed an agreement with Eversource and Ørsted; the former is the largest power transmission company in northeast United States and the latter is the world's leader in the construction of submarine wind farms. The agreement will enable Nexans to supply up to 1,000 kilometers of submarine power cables to the wind farms developed by Ørsted in the United States. It will also allow Nexans to overhaul its current plant in North Carolina to turn it into the first HV submarine power cable plant in the country. Deliveries will start in 2022 and extend until 2027.

In 2019 Nexans invested €94 million in research and development and filed 54 new patents. More than 900 researchers, engineers and technicians worked in four centers, leading the company's research efforts together with external partners, especially universities. Nexans holds approximately 1,800 families of patents.


ENEX INAUGURATED 7 SERVICE STATIONS AND 10 UPA! AND UPiTA CONVENIENCE STORES IN CHILE DURING 2019.

# ENEX

**Enex** turned 100 years in 2019, and, upon celebrating this milestone it renewed its corporate image to communicate its purpose of being “the energy that moves your world” with innovation and an outstanding service experience.

Enex, Shell’s license holder and one of the largest fuel and lubricant distributors in Chile, became part of the Quiñenco group in 2011. It owns a network of 447 service stations operated under the Shell brand and participates in other business areas such as the operation of convenience stores, the sale of industrial fuels and the distribution of lubricants, asphalts, and chemical products.

Enex is the second largest fuel distributor in the country, with a market share of 21.1% of the total dispatched fuel volume in 2019 and of 24.5%[1] in the service station segment . It is also a relevant player in the lubricant market, where it operates as the exclusive distributor of Shell lubricants in the country, supplementing its offer with other products, such as Rhenus food grade oils and ACDelco spare parts, among others.

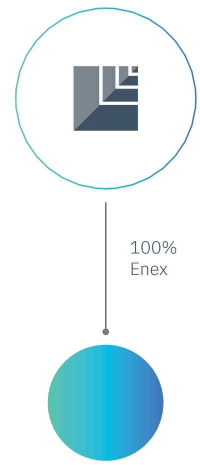
In addition, it holds a 14.9% ownership stake in Sociedad Nacional de Oleoductos (Sonacol), company that provides fuel transport services via pipelines in the country’s central region. In December 2019, Enex and its partners in this venture subscribed an agreement to entrust an investment bank with assessing a possible sale of Sonacol within a 14-month period.

The company also holds a stake in the property of 14 fuel storage plants along with other industry operators and owns a maritime terminal close to the Ventanas Port, Valparaíso region. It owns a 33.3% share of Sociedad de Inversiones de Aviación (SIAV), company that provides aviation fuel storage services at the Santiago international airport; 50% of Asfaltos Conosur S.A. and 20% of DASA, company that operates an asphalt storage and dispatch plant in Concón.

## ANNUAL PERFORMANCE

Enex started its international expansion in 2018 with the purchase of Road Ranger, the fourth largest highway travel center network in the United States. In 2019, it furthered its expansion with the purchase of 50% and a capital increase in Gasur SRL, company that operates a network of 51 service stations and convenience stores in Paraguay, changing its name to Enex Paraguay SRL.

To facilitate Enex’s global expansion, on March 23, 2020, the merger between Inversiones Río Argenta S.A. – Quiñenco’s subsidiary that is Enex’s parent company– and Invexans S.A., open stock corporation in which Quiñenco owns 99.4%, was approved. After the merger, Invexans’ plan is to consolidate Enex’s businesses, either totally or partly, under its subsidiary Invexans Limited, incorporated in




### EMPRESA NACIONAL DE ENERGÍA ENEX S.A.

- Closed stock company acquired by Quiñenco in 2011
- Second largest fuel and lubricant distributor in Chile
- Domestic network of 447 service stations and 171 convenience stores
- Network of 39 travel centers in the United States through Road Ranger
- 3,638 employees

*1 Market share as of November 2019.*

BUSINESS AREAS

### Retail: service stations and travel centers

- Retail fuel distribution in Chile under the Shell license.
- Retail fuel distribution to car and truck drivers in the United States through the Road Ranger travel center network.
- Operation of convenience stores in different formats, namely the upa! and up¡ta brands in Chile and Road Ranger in the United States.
- Operation of the food franchises and other services, such as restrooms and showers, video gaming terminals, and truck scales in the Road Ranger network.

### Industrial Fuels

- Supply to customers from the industrial, transport, mining, aviation, and power generation segments, among others.

### Lubricants

- Exclusive distributor of Shell lubricants in Chile.

### Other segments

- Asphalts (bitumen for the paving of highways, urban and rural roads, and airports).
- Liquefied Oil Gas (GLP).

the United Kingdom with the purpose of concentrating the international investments of the parent company and its related companies.

In the United States, Enex inaugurated in December 2019 a new travel center in New Boston, Texas, the first within the network's expansion plan of 38 already held by the Road Ranger chain at the time of the purchase. These travel centers are located along the main interstate roads connecting Texas and the Midwest, with presence in Illinois, Iowa, Indiana, Missouri, and Wisconsin.

In Chile, Enex inaugurated 7 service stations and continued expanding its convenience store network in 2019, inaugurating 10 upa! and up¡ta stores, some of which are operated directly and others through franchises.

In 2019, Enex's operating income and net income were up by 39.5% and 33.4%, respectively, obtaining profits of Ch$25,709 million, driven by the incorporation of Road Ranger and the good performance of Chilean operations. Total volumes dispatched amounted to 4,343 thousand cubic meters, 8% up from 2018.

The high service standard sought by the company was once again recognized by the ProCalidad 2019 National Customer Satisfaction Award in the minimarket category, where it stood out as the leader among five brands, with its upa! and up¡ta stores. Also, the Shell brand obtained the highest score in the PXI – Praxis Xperience Index 2019 ranking. With 80 points, it remained in the reputed Group A (excellent experiences) at its service stations across the country.

Enex ranked first in the Fuel segment in the 2019 Most Innovative Ranking prepared by the ESE business school of Universidad de los Andes.

Innovation is very relevant for the company; hence, in 2012 it set up Enex Innova, a corporate program aimed at enhancing innovation by facilitating the development of customer service optimization projects. An example of this is the creation in 2019 of the Pet Corner, a new space of games and accessories for pets at the Shell service stations of Carén, Mostazal, Teno, Victoria and Chillán.

Within the scope of technology, in addition to customer apps, the company has developed fleet monitoring systems based on GPS, and incorporated devices alerting driver drowsiness through an image processing sensor. In addition, to assist in tracing key safety and operating information, the company has implemented a transport management control platform and developed the Proactive Safety application.

## 2019 HIGHLIGHTS

- **Inauguration of the first travel center in the United States designed and built after the acquisition by Enex.**
- **Entry to Paraguay, through the purchase of 50% of Gasur, which changed its name to Enex Paraguay SRL.**
- **Ranked first in the customer experience ranking Praxis Xperience Index 2019.**
- **ProCalidad 2019 National Customer Satisfaction Award in the Store segment.**
- **Innovation Award granted by Universidad de Los Andes.**
- **Recognized as the best distributor of Shell lubricants in the region.**
- **Agreement to sell Enex's stake in Sonacol.**


In November 2019, Enex's Board of Directors approved a compensation policy that establishes as from January 1, 2020, a minimum salary of Ch$500,000 per month. This policy entails a pay raise of up to 28% for approximately 1,600 of our employees, mainly attendants of our service stations and the upa! and up¡ta stores.

In order to promote electromobility and energy development in Chile, in 2019 Enex increased the number of 50 kWh fast charge lines across the country to seven. Of these, 50% are located in regions, from Valparaíso to Maule. In 2020, the company expects to have at least 21 of its service stations include a fast charge point for electric bus fleets and private users, in addition to industrial clients who want to transition towards electric mobility.

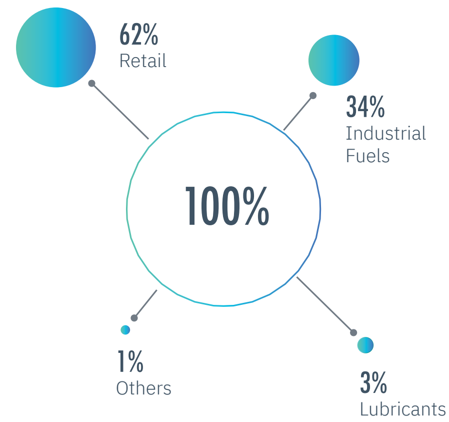
To continue advancing in this area, Enex set up the specialized area New Mobility and Market Intelligence, establishing a new standard for its service stations: Enex e-pro, a fast charge network for electric vehicles through a touch screen and a user-friendly interface. At the closing of 2019, it features three Enex e-pro electric charge lines in Santiago and Valparaíso.

In the industrial market, Enex supplied a significant part of the consumption of one of the main airlines in Santiago, as part of its alliance with World Fuel, entailing an annual growth of 29% in the fuel volume dispatched in the aviation segment. In addition, it continued to strengthen its value added product and service offering, obtaining a 44% increase in the Fuel Express (FEX) supply service volumes, which provides direct service to facilities, equipment and machinery located in agricultural, forestry and construction sites, among others, and 10% in the ShellCard Empresa fleet fuel supply card.

In the lubricant area and for the second consecutive year, Enex was recognized as the Top Macro Distributor of Shell Lubricants in the Global Commercial Competition Awards, held in Sydney, Australia, for its excellent execution of the value proposals to clients and consumers.

REVENUE DISTRIBUTION

*(Total 2019: MCh$2,570,311)*



TRANSPORT


CSAV STRENGTHENED ITS PRESENCE IN HAPAG-LLOYD, ONE OF THE MOST MODERN AND EFFICIENT SHIPPING COMPANIES IN THE WORLD.

# CSAV

**Compañía Sud Americana de Vapores** (CSAV) is, through its 27.8% ownership, the largest shareholder in Hapag-Lloyd AG (Hapag-Lloyd), the fifth largest container ship liner globally.

CSAV is part of the shareholders' agreement that controls approximately 71% of Hapag-Lloyd's ownership and, therefore, it has significant influence and is classified in its financial statements as a joint venture. As of December 31, 2019, the investment in Hapag-Lloyd represents 86.1% of the company's consolidated assets.

Hapag-Lloyd maintains a portfolio of services and a highly diversified logistics network, operating a fleet of 239 container ships with a total capacity of 1.7 million TEU. In addition, it is the main member of THE Alliance, one of the three alliances that combined concentrate more than 90% of the world's transport capacity on the east-west routes.

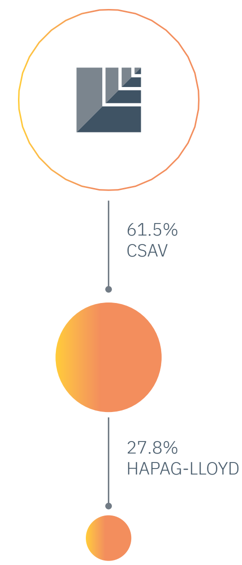
Directly, CSAV offers car carrier services from Asia, Europe, and the United States to markets on the west coast of South America (Chile and Peru, mainly), operating an equivalent capacity of around four leased vessels. In January 2020, the company decided to terminate the operations in this business area to concentrate its efforts on the management and development of Hapag-Lloyd, its main asset.

## ANNUAL PERFORMANCE

In 2019, CSAV increased its stake in Hapag-Lloyd, through purchases on German stock exchanges, reaching 27.79% at the end of the period.
On January 13, 2020, the company informed of a new increase in participation through the purchase of a significant share package from Qatar Investment Authority (QIA), allowing it to reach a total number of shares equivalent to approximately 30% of the company's equity, similar to the ownership held prior to the merger of Hapag-Lloyd with UASC in 2017.

The purchases from 2019 and January 2020 totaled an investment of US$450 million financed with a bond of US$100 million and a bridge loan. In this context, CSAV's Board informed of a capital increase which, depending on market conditions, is expected to be carried out during 2020.

Reaching a 30% stake grants CSAV the option of purchasing more shares, even if it is not part of the controlling Shareholders' Agreement, to become the owner of 51% of the company's capital without being obliged to submit a public tender offer for all the shares issued. Although the company seeks to extend the shareholders' agreement beyond 2024, these acquisitions leave CSAV in a better position to maintain influence and control over the future of Hapag-Lloyd.




## COMPAÑÍA SUD AMERICANA DE VAPORES

- Founded in 1872
- Listed on the Santiago Stock Exchange since 1893
- Market capitalization: US$1.3 billion at the closing of 2019
- Largest shareholder in the German shipping company Hapag-Lloyd AG

## HAPAG - LLOYD

- Founded in 1847
- 239 ships with a total transport capacity of 1.7 million TEU
- Present in 129 countries (392 offices)
- 121 liner services in five continents
- 12 million TEU transported in 2019
- Market capitalization as of December 2019: US$15.1 billion
- 12,996 employees

## BUSINESS AREAS

### Container shipping

- Developed through Hapag-Lloyd.

### Car Carrier services

- Services from Asia, Europe, North America, and the east coast of South America to the west coast of this region.
- PCTC-type specialized vessels (Pure Car and Truck Carrier).

In 2019, CSAV obtained its best result since the merger with Hapag-Lloyd in 2014, recording profits of US$124.6 million, 583% up from the previous year. This upturn is due mainly to the performance of the container ship business developed through Hapag-Lloyd, company which, also reached its highest profits since 2010, reporting US$405 million. The operating cash flow obtained during the period enabled Hapag-Lloyd to reduce its financial debt by US$937 million, including the pre-payment of a US$450 million bond with maturity in 2022. The debt reduction plan allowed the indebtedness ratio (net debt / EBITDA) to improve to 3.0 times, figure that is below the goal for 2019 (3.5 times) and the level of 2018 (4.6 times).

## HAPAG-LLOYD'S 2023 STRATEGY

In November 2018, Hapag-Lloyd's Board submitted a medium-term strategy based on the conviction that the competitiveness in the container shipping industry will no longer be exclusively determined by unit costs and economies of scale, but by service quality and reliability, decisive factors in the new scenario. In addition to ensuring company continuity as a global player, Hapag-Lloyd's 2023 Strategy will focus on quality leadership and profitable growth, based on a continuous and consistent management of costs and revenues and the optimization of internal processes through greater agility, digitalization and automation.

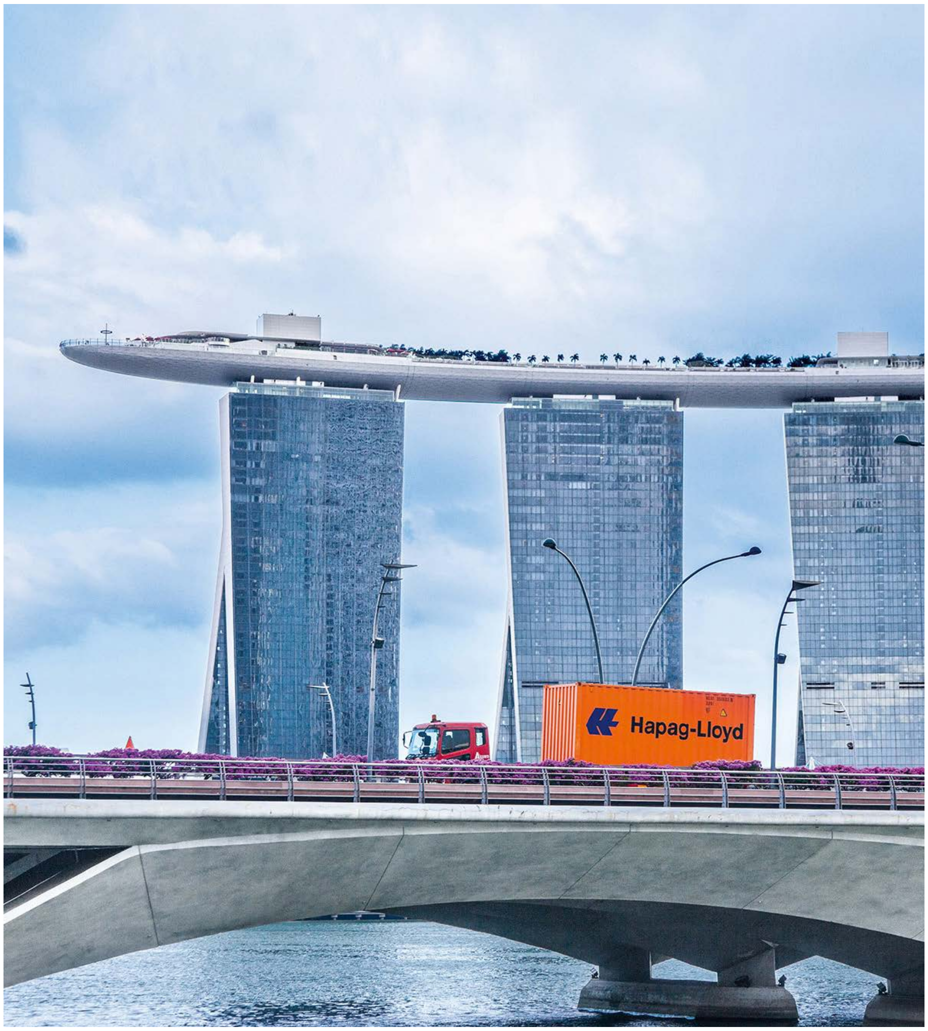
The company's carrier service volumes have doubled over the last five years thanks to the incorporation of CSAV's container business in 2014 and the merger with UASC in 2017 in addition to a higher global demand for container shipping services.

Amidst a highly competitive industrial environment, in 2019 Hapag-Lloyd achieved an EBITDA margin of 15.8%, after the positive effect of first time adoption of IFRS 16 on the accounting treatment of lease agreements, in addition to a 2.7% upturn in average freight rates and 1.4% growth in transported volumes.

To measure the success of its digitalization strategy, Hapag-Lloyd has set the objective of increasing the volume booked through its web channel to 15% of the total volume for 2023. In the fourth quarter of 2019, the proportion of containers booked through this channel was approximately 9.4% (5.2% in the same period of 2018).

## 2019 HIGHLIGHTS

- **CSAV increased its stake in Hapag-Lloyd.**
- **Hapag-Lloyd has obtained synergies and cost savings of US$1.2 billion from the mergers with CSAV and UASC.**
- **Reduction of Hapag-Lloyd's debt by approximately US$1 billion.**
- **Hapag-Lloyd's first vessel is overhauled to operate with GNL.**
- **One million TEU booked through Hapag-Lloyd's website.**



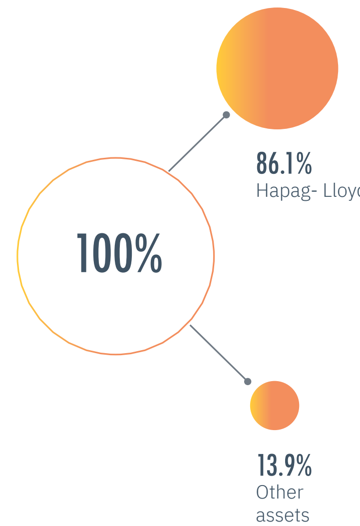

Hapag-Lloyd has one of the most modern and efficient fleets in the industry. The average age of its ships, weighted by the fleet capacity, is 8.9 years, slightly below the 9-year average of the largest container ship companies. The average size of the company's vessels is 7,141 TEU, 16% higher than the comparable average of the 10 largest maritime transport companies in the world.

Within the context of IMO 2020, the sulphur emission standard in force since January 2020, Hapag-Lloyd gave a technological leap in the industry by overhauling the "Sajir" in 2019, one of the fleet's 17 vessels designed to operate on Liquefied Natural Gas (LNG). The 15,000 TEU vessel will be the first container ship converted to operate on this fuel and is expected to start full operation during the third quarter of 2020.

For the time being, the company decided to use a new low-sulphur content fuel, while it continues to explore new alternatives. Among these, an exhaust gas cleaning system (EGCS) to purge the gases before they are released to the atmosphere, which will be tested on some of its vessels during 2020.

SHARE IN TOTAL ASSETS

*(Total 2019: MUS$2,517)*



## PORT SERVICES


SM SAAM STRENGTHENED ITS POSITION AS THE MAIN TUG BOAT OPERATOR IN AMERICA AND AMONG THE LARGEST GLOBALLY AFTER ACQUIRING BOSKALIS' STAKE IN THE JOINT VENTURES IN BRAZIL, MEXICO, PANAMA AND CANADA.

# SM SAAM

**SM SAAM** is a multinational company based in Chile, offering an extensive support network for foreign trade, with presence in twelve countries, from Prince Rupert, in Canada, to Punta Arenas, in Chile. More than three thousand six hundred people work in the company, in addition to the more than four thousand five hundred collaborators in its operating affiliates, to deliver services of excellence in cargo movement at an international level.

Through the Port Terminals Division, the company manages and operates the main terminals in Chile and the ports of Guayaquil (Ecuador), Caldera (Costa Rica), Mazatlán (Mexico); Port Everglades, (United States) and Cartagena de Indias (Colombia).

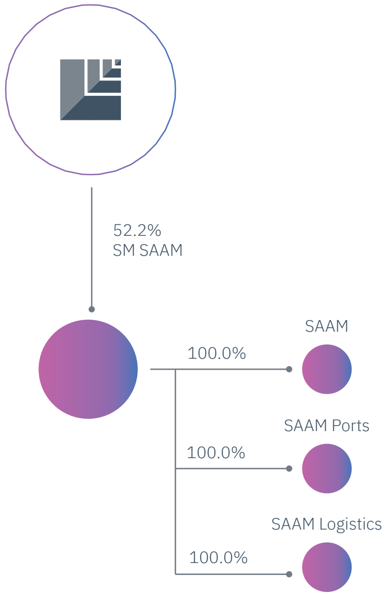
In the tug boat business, in 2019, SM SAAM consolidated its position as the leading operator in America and one of the largest globally, after acquiring Boskalis' stake in the joint ventures (50% in Brazil and 49% in Mexico, Panama and Canada). Upon completing the transaction that amounted to US$194 million, the company concentrated 100% of the operations in these countries and grouped them with those of Guatemala, Costa Rica, Ecuador, Uruguay and Chile under a single model and a new tradename: SAAM Towage.

This purchase allows the company to have a differentiating coverage in America and an attractive position to become a relevant player worldwide. In line with this strategy, in 2019 it announced the entry to El Salvador as from 2021, through the Energía del Pacífico (EDP) project, and in January 2020 it informed of the agreement to purchase 70% of Intertug S.A., company with more than 25-years' experience in port towage services in Colombia, Mexico and Central America.

In the logistics business, SAAM offers transport solutions, storage and airport services in Chile, Colombia, and Ecuador. In Chile, it is the main operator of bonded warehouses, connecting the ports of San Antonio and Valparaiso with the warehouses in Renca, Santiago, and has become the number one reefer cargo company in the south of Chile. Through Aerosan, the company provides airport services to imports, exports, passengers, and aviation at eight airports in Chile, Colombia, and Ecuador.

## ANNUAL PERFORMANCE

The transition towards a new operating model, initiated in 2018, progressed as planned and contributed to an annual growth of 21% in EBITDA at a consolidated level. The purpose of this model is to ensure SM SAAM's




## SM SAAM

- Multinational company founded in 1961
- Operations in 79 ports and 12 countries in the Americas
- Largest tug boat operator in the Americas and one of the global leaders
- Market capitalization: US$770 million as of December 2019
- 3,649 employees.

## BUSINESS AREAS

**Port Terminals**

- 10 port terminals.
- Operations in six countries: Chile, USA, Ecuador, Mexico, Colombia, and Costa Rica.
- 3.4 million TEU transferred in 2019(*).
- Services: cargo transfer (containers, bulk, loose and project cargo), storage, services for empty containers, and supplementary logistic services, such as: container consolidation and de-consolidation, lashing and unlashing, appraisal and inspections, both during vessel loading and unloading.

(*) Includes volumes from the subsidiaries and affiliates at 100%.

**Tug boats**

- Leader in tug boat services in the continent.
- 152 tug boats.
- Services in 70 ports and nine countries.
- +25,000 vessels served annually.
- 80% of azimuth-type vessels (they may turn in 360°).
- Services: berthing and un-berthing services for ships, assistance, salvage and towing, as well as specialized services for ships in offshore terminals and positioning and anchoring of oil and gas platforms, in the main ports of Chile, Mexico, Brazil, Uruguay, Ecuador, Guatemala, Costa Rica, Canada and Panama.

**Logistics**

- Operations in four countries.
- Main operator of bonded warehouses in Chile.
- Airport services in three countries and eight airports.
- +33,000 m2 of cargo terminals.
- +89,000 containers shipped.
- +6,000 flights served.
- 1.9 million t/day stored in reefers.
- Services: transport, storage and value-added services in Chile, Colombia, Ecuador, and Uruguay. Through Aerosan, the company provides airport services to imports, exports, passengers, and aviation.

sustainable growth through initiatives to enhance the company's profitability and competitive position. The new operating model – understood as an ongoing process– relies on the following pillars: organizational redesign, implement an operational excellence culture and recover growth capacity.

In the Port Terminals division, SM SAAM completed the sale of its 15% stake in Terminal Puerto de Arica (TPA); advanced with the expansion works of the Guayaquil Port Terminal docking berth, and finished the dredging works of the access channel to allow the arrival of larger size vessels, in addition to extending the term of commercial contracts. In turn, in the Caldera Port, Costa Rica, it anticipated the dredging to optimize the terminal operation, while it continues working on the port modernization project.

During the year, this division closed some collective bargaining agreements thanks to processes developed within a framework of trust, ensuring operational continuity and safety.

The sales of this division amounted to US$274 million and EBITDA reached US$105 million in 2019, accounting for an annual increase of 1% and 17%, respectively. The higher volume relating to foreign terminal transfer services and cost efficiencies offset the lower results of some Chilean terminals due to the drop in volumes caused by the domestic contingencies.

For the Tug boat division, 2019 was a year of significant progress in its growth strategy aimed at becoming the main player of the industry's consolidation process. In addition to the purchase of Boskalis, a long-term contract to operate three units at the RIPET propane gas export terminal in Canada became effective in 2019. One of these tug boats was especially built for this project and it is the first in the fleet and in Canada to have the IMO Tier III emission control certificate, which turns it into one of the most ecological vessels worldwide.

Similarly, it announced the entry to a new market starting in 2021: El Salvador, through the delivery of services to Energía del Pacífico (EDP) project in the Acajutla Port, for which the company expects to dedicate three tug boats, two of them new.

## 2019 HIGHLIGHTS

- **Successful implementation of a new operating model.**
- **Purchase of Boskalis' stake in the joint tug boat business in Brazil, Mexico, Panama and Canada for US$194 million.**
- **SM SAAM announced its entry to the tug boat market in El Salvador.**
- **Sale of a minority stake in the Terminal Puerto de Arica (TPA).**
- **Extension and inauguration of the dredging works in the access canal to the Guayaquil Port Terminal's berth.**
- **SM SAAM was invited to join the DJSI Chile and the DJSI MILA, for the fourth and the second consecutive year, respectively.**
- **Aerosan's new import distribution center located at the International Airport Arturo Merino Benítez started its operations.**

To strengthen the existing operations, during the third quarter of 2019 the company bought SAAM Itzá, a high-power and great maneuverability tug boat to assist ships in berthing and unberthing operations at the port of Quetzal and the San Jose terminals in Guatemala.

The division's activity experienced more dynamism resulting from special and salvage services, which translated into an annual growth of 10% in sales that amounted to US$207 million, and a 16% increase in EBITDA that reached US$78 million.

In the Logistics area, the results of the new operating model pushed EBITDA up to US$10 million, 35% above that of 2018.

In order to reduce its emissions, the company started to use the freight train more intensively to carry cargo from the port to the city and confirmed its commitment to reducing emissions by engaging in activities to obtain the $CO_2$-equivalent emissions quantification certificate from Huella Chile.

Since 2019, Aerosan is the only brand for the operations in Colombia, Ecuador, and Chile, as part of a corporate reorganization that seeks to position it as a regional airport services provider.

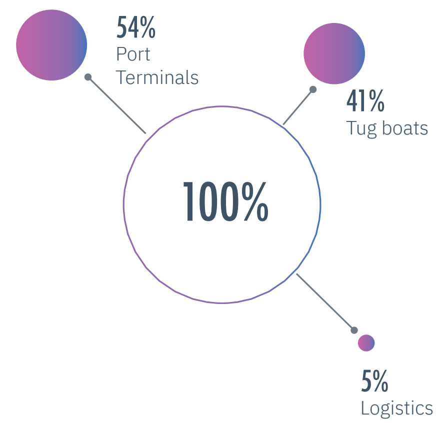
In 2019, SM SAAM was selected to join the Dow Jones Sustainability Chile Index and the MILA (Latin American Integrated Market) for the fourth and second consecutive year, respectively.

In order to communicate its performance to all stakeholders, the company published its first Integrated Annual Report in 2019, including information on environmental, social, and corporate governance, in addition to economic and financial aspects.

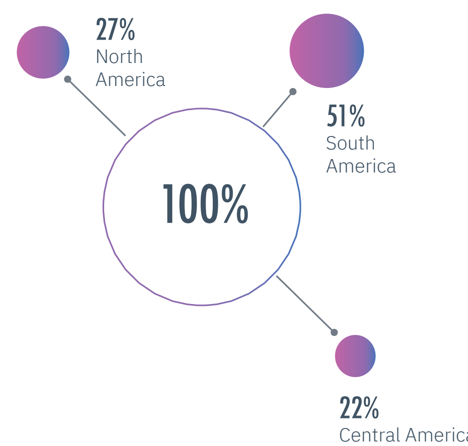
## DISTRIBUTION OF EBITDA*

*(Total 2019: US$177 million)*

### BY BUSINESS AREA




### BY MARKET




* *Corresponds to EBITDA at a consolidated level. The calculation of percentages excludes EBITDA from the corporate area.*

# ADDITIONAL CORPORATE INFORMATION

## COMPANY IDENTIFICATION

Open-stock Company incorporated as "Forestal Quiñenco S.A.", by public deed on January 28, 1957, and modified by public deed on April 15, 1957, both in the Valparaíso Notary Office of Mr. Carlos Calderón Cousiño. The incorporation of the company and the approval of its bylaws were authorized by Decree No. 5,981 of the Ministry of Finance dated July 3, 1957, registered on page 624 No. 430 of the Valparaíso Register of Commerce of 1957, and it was published in the Official Gazette No. 23,806 on July 27, 1957.

The company transferred its domicile to Santiago by a reform of its bylaws, which is set forth in public deed on March 25, 1966, granted before the Valparaíso Notary office of Mr. Rafael Luis Barahona Stahr, modified by public deed on April 13, 1966, granted before the Santiago Notary Office of Mr. Eduardo González Abbott. Such reform was approved by Resolution No. 383 of the Ministry of Finance dated May 18, 1966, which was registered on page 634 No. 387 of the Valparaíso Register of Commerce of 1966 and on page 3,787 No.1,952 of the Santiago Register of Commerce of 1966 and it was published In the Official Gazette No.26,481 on June 11, 1966. The company changed its name to "Quiñenco S.A." and agreed on a new revised text of its bylaws by a reform set forth in public deed on October 11, 1996, granted before the Santiago Notary Office of Mr. René Benavente Cash. An abstract of this reform was registered on page 26,437 No. 20,473 of the Santiago Register of Commerce of 1996 and was published in the Official Gazette on October 29, 1996. The last modification was set forth in public deed on May 5, 2014, granted before the Santiago Notary Office of Mr. Patricio Raby Benavente. An abstract of this reform was registered on page 34,212 No. 21,384 of the Santiago Register of Commerce of 2014 and it was published in the Official Gazette No. 40,853 on May 10, 2014.

### General Information

Quiñenco S.A.
RUT: 91.705.000-7
Enrique Foster Sur 20, 14th floor
Las Condes
Santiago, Chile
Telephone: (56) 22750 7100
Website: www.quinenco.cl

### Shareholder services

DCV Registros S.A.
Avenida Los Conquistadores 1730, 24th floor
Providencia
Santiago, Chile
Telephone: (56) 22393 9003
atencionaccionistas@dcv.cl

### Investor Relations

Pilar Rodríguez
Investor Relations Manager
Telephone: (56) 22750 7221
prodriguez@lq.cl

### Stock Exchanges (Quinenco)

Bolsa de Comercio de Santiago
Bolsa Electrónica de Chile

### External Auditors

EY Audit SpA
Presidente Riesco 5435, 4th floor
Las Condes
Santiago, Chile
Telephone: (56) 22676 1000

# HISTORY

## 1957

- Creation of Forestal Quiñenco S.A. to exploit eucalyptus forests to produce wood props for the underground tunnels.

## 1960-1969

- Purchase of Forestal Colcura S.A.
- Acquisition of Empresas Lucchetti S.A.

## 1970-1979

- Purchase of Hoteles Carrera S.A.

## 1980-1989

- Purchase of shares in Banco O'Higgins and Banco Santiago.
- Takeover of Manufacturas de Cobre S.A. (Madeco).
- Control over Compañía de Cervecerías Unidas S.A. (CCU) is acquired in alliance with the German group Schörghuber.
- Purchase of a majority stake in the telecommunications company VTR S.A.

## 1990-1999

- Creation of OHCH in alliance with Banco Central Hispanoamericano.
- Strategic alliance with SBC Communications Inc. to boost VTR.
- Quiñenco takes control of Banco Santiago through OHCH.
- Quiñenco is established as the financial and industrial parent company of the Luksic Group.
- Quiñenco makes a Public Share Offering on the New York and Santiago stock exchanges, raising US$279 million.
- VTR divests Startel S.A., a mobile telephone company, and VTR Larga Distancia S.A.
- Creation of Habitaria S.A. in alliance with the Spanish construction firm Ferrovial Inmobiliaria.
- Quiñenco sells its stake in the bank holding OHCH, to purchase 51.2% of Banco de A. Edwards and 8% of Banco de Chile.
- Sale of VTR Cable.
- Purchase of a 14.3% ownership stake in Entel S.A.

## 2000-2009

- Creation of LQ Inversiones Financieras S.A. (LQIF), as a subsidiary of Quiñenco.
- Acquisition of 52.7% of the voting rights in Banco de Chile, becoming its controller.
- Sale of 39.4% of the ownership stake held in Plava Laguna d.d., tourist resort on the coast of Croatia.
- Merger of Banco de Chile and Banco de A. Edwards.
- Quiñenco partners with Heineken, acquiring 50% of IRSA, the company that controls CCU.
- Sale of Hotel Carrera de Santiago.
- Sale of Lucchetti Chile S.A.
- Purchase of Calaf through a joint venture with CCU.
- Acquisition of an ownership stake of 11.4% in Almacenes Paris, which was later sold.
- Delisting of Quiñenco shares from the NYSE and end of the ADR program.
- Alliance with Citigroup in the financial sector.
- Quiñenco carries out a capital increase of Ch$65 billion.
- Merger of Banco de Chile and Citibank Chile.
- Sale of Madeco's cable unit to Nexans. As part of the operation, Madeco obtains an ownership stake of 8.9% in the French company.
- Sale of Quiñenco's stake in Entel.

## 2010-2014

- Sale of 100% of Telefónica del Sur to GTD Manquehue.
- Citigroup increases its participation in LQIF, the company that controls Banco de Chile, to 50%, after exercising two purchase options for a total amount of US$1 billion.
- Purchase of Shell's assets in Chile (Enex).
- Madeco signs an agreement with Nexans that allows it to increase its stake to 20%, acquiring significant influence in said company. The agreement was subsequently modified to increase the limit up to 28%, and finally in 2014, the agreement is terminated upon fulfilling the main objective of establishing Invexans as the reference shareholder.
- Purchase of 20.6% stake in Compañía Sud Americana de Vapores S.A.
- Quiñenco carries out a capital increase of Ch$250 billion.
- Quiñenco increases its stake in CSAV to 37.44% and obtains the same ownership stake in SM SAAM, company resulting from the spin-off of the shipping company in 2012. At a later stage, Quiñenco increases its participation in CSAV to 54.5% and in SM SAAM to 42.4%.
- Quiñenco increases its ownership stake in Madeco to 65.9%.
- Madeco splits to create Invexans, the company that manages the investment in Nexans, and another company called Madeco, for the flexible packaging and profile production units.
- Enex acquires all of Terpel's assets in Chile for US$240 million.
- Quiñenco carries out a capital increase of Ch$350 billion.
- LQIF holds a secondary offering of Banco de Chile shares, reducing its stake in Banco de Chile to 51%.
- Madeco S.A. changes its name to Tech Pack S.A. (Techpack)and shuts down the profile unit.
- Techpack acquires the Chilean flexible packaging company HYC Packaging and sells the Madeco brand to Nexans for US$1 million.
- SAAM starts joint operations with the Dutch group Boskalis in the tug boat area for Mexico, Brazil, Panama, and Canada.
- CCU acquires a stake in Bebidas Bolivianas S.A. and establishes a joint venture with the local Postobón Group in Colombia.
- Merger of CSAV and Hapag-Lloyd's container shipping businesses. As part of the transaction, CSAV becomes Hapag-Lloyd's shareholder with an initial stake of 30%. This percentage increased to 34% after a capital increase in the German shipping company.
- Quiñenco launches a public tender offer to purchase 19.55% of Invexans' shares.

## 2015

- Conclusion of the Public Offer to Purchase Shares, whereby Quiñenco acquires 17.88% of Invexans, reaching a participation of 98.3%.

- Quiñenco increases its stake in CSAV to 55.2% in February, upon completing the capital increase of the shipping company started late 2014.
- Techpack purchases 24% of Alusa S.A.'s capital, thereby consolidating directly and indirectly 100% ownership in this subsidiary.
- CCU sells brands and assets associated with Natur and Calaf products to Empresas Carozzi and partners with Carozzi to jointly develop the powdered juice business.
- SM SAAM incorporates Terminal Internacional del Sur (TISUR) to its business portfolio. As part of this transaction, SM SAAM reduces its stake in Tramarsa to 35%.
- Hapag-Lloyd AG carries out its initial public offering (IPO) in Germany, raising US$300 million. CSAV subscribes US$30 million, reducing its stake in the German shipping company to 31.35%.

## 2016

- CCU sells its 49% stake in Compañía Pisquera Bauzá, increases its participation in Manantial S.A. and in Nutrabien up to 100%, and purchases 51% of Sajonia Brewing Company SRL that produces and sells craft beer in Paraguay.
- Quiñenco purchases SM SAAM shares, reaching an ownership stake of 52.2%.
- Techpack sells its entire flexible packaging business to the Australian group Amcor for a net amount of US$216 million.
- Quiñenco launches a public tender offer for Techpack shares, reaching a 98.98% ownership stake in said company. After the exercise of withdrawal and purchase rights, Quiñenco reaches 100% of Techpack's ownership at year-end.
- Techpack acquires 0.53% stake in Nexans.

## 2017

- SM SAAM places US$111 million in bonds on the Chilean market for the first time.
- SM SAAM acquired an ownership stake of 51% in two concessions at Puerto Caldera, the largest port on the Pacific coast of Costa Rica and the second largest in terms of domestic cargo moved; the transaction involved the payment of US$48.5 million.
- SAAM sold its stake in Tramarsa, Peru for US$124 million.
- The merger between Hapag-Lloyd and UASC is completed, turning it into the fifth largest container ship liner in the world.
- CCU becomes a shareholder of American Distilling Investments (ADI), manufacturer of pisco BarSol in Peru.
- SAAM increases its stake in the Iquique Terminal Internacional (ITI) up to 100%, after purchasing an additional 15%.
- CCU signs an agreement with AB Inbev for a brand transfer in Argentina and payments of up to US$400 million over a three-year period that contemplates the early termination of the Budweiser license in Argentina.
- Hapag-Lloyd and CSAV carry out capital increases of US$414 million and US$294 million in Germany and Chile, respectively. CSAV remains the main shareholder, with 25.5% of Hapag-Lloyd's capital at year-end. Quiñenco participates in CSAV's process, increasing its participation in the shipping company to 56.2%.
- CSAV sells 100% of its subsidiary Norgistics Chile. Through this transaction, CSAV ends its participation in the logistic and freight forwarder business in Chile. The subsidiary Norgistics also starts to shut down operations in Peru, Mexico, and China.

## 2018

- CCU increases its ownership stake in Viña San Pedro Tarapacá (VSPT) to 83.01%, upon completing the public tender offer started in 2017.
- Invexans establishes a subsidiary in the United Kingdom for the analysis, execution and follow-up of international investments. All of Nexans' shares held by Invexans, equivalent to an ownership stake of 28%, were transferred to this new UK company.
- Completion of the brand exchange between CCU and AB InBev, including the early termination of the Budweiser license in Argentina. CCU's subsidiary in Argentina receives a brand portfolio and an upfront cash payment of US$316 million, to which a US$28 million yearly payment for up to a 3-year business transition term will be added.
- CCU increases its participation in Bebidas Bolivianas BBO from 34% to 51%.
- Ideal pertaining to the Bimbo group purchases Alimentos Nutrabien from Foods.
- Enex enters the United States market through the purchase of Road Ranger, the fourth largest highway travel center network in the country, for US$289 million.

## 2019

- SM SAAM sells its minority stake in Terminal Puerto Arica for US$12 million.
- On April 30, 2019, SM Chile fully pays the remaining balance of the Subordinated Debt held by its subsidiary SAOS with the Central Bank of Chile. The profits earned by Banco de Chile enabled SM Chile to pay off this obligation 17 years in advance of the original maturity date. Consequently, the free float of Banco de Chile's shares increased to 44%.
- Through its subsidiary VSPT, CCU acquires wine business assets from Pernod Ricard Argentina, strengthening its position in the Argentine domestic market.
- SM SAAM acquires Boskalis' stake in tug boat joint ventures in Brazil, Canada, Mexico and Panama for US$194 million, becoming the owner of 100% of the operations and consolidating its regional position.
- Quiñenco acquires a 5.3% stake in CSAV on the stock exchange, reaching a total of 61.5%.
- CSAV increases its participation in the shipping company Hapag-Lloyd to 27.79% at year-end.
- Quiñenco sells its stake in the insurance business through Inversiones Vita, Banchile Vida and SegChile to the multinational insurance company Chubb. The transaction amounted to approximately Ch$35,900 million.

## HEADCOUNT OF QUIÑENCO AND SUBSIDIARIES AS OF DECEMBER 31, 2019

| | CHILE | | | ABROAD | | | |
|---|---|---|---|---|---|---|---|
| COMPANY | MANAGERS AND MAIN EXECUTIVES | PROFESSIONALS AND TECHNICAL STAFF | OTHER WORKERS | MANAGERS AND MAIN EXECUTIVES | PROFESSIONALS AND TECHNICAL STAFF | OTHER WORKERS | TOTAL |
| Quiñenco | 15 | 28 | 24 | - | - | - | 67 |
| LQIF and subsidiaries | 884 | 8,298 | 4,376 | 1 | 1 | - | 13,560 |
| Invexans | 2 | 1 | 1 | 1 | - | - | 5 |
| Techpack and subsidiaries | 1 | 5 | - | 1 | - | - | 7 |
| Enex and subsidiaries | 15 | 714 | 2,146 | 15 | 46 | 702 | 3,638 |
| CSAV and subsidiaries | 4 | 37 | - | - | - | - | 41 |
| SM SAAM and subsidiaries | 52 | 552 | 584 | 66 | 651 | 1,744 | 3,649 |
| Other subsidiaries | 2 | 3 | 18 | - | - | - | 23 |
| **Total** | **975** | **9,638** | **7,149** | **84** | **698** | **2,446** | **20,990** |

## INFORMATION ON DIVERSITY

The distribution of the Board of Directors, managers (general manager and managers reporting to the CEO or to the Board) and all of the Company's personnel, by gender, nationality, age and seniority (in their positions in the case of directors and in the Company for managers and the organization) at December 31, 2019:

| GENDER | MEN | WOMEN |
|---|---|---|
| Board | 8 | - |
| Managers | 6 | 2 |
| Organization | 44 | 23 |

| NATIONALITY | CHILEAN | FOREIGN |
|---|---|---|
| Board | 8 | - |
| Managers | 8 | - |
| Organization | 65 | 2 |

| AGE | UNDER 30 | 30 -40 | 41 -50 | 51 -60 | 61 -70 | OLDER THAN 70 |
|---|---|---|---|---|---|---|
| Board | - | 2 | - | 1 | 4 | 1 |
| Managers | - | 1 | 1 | 4 | 2 | - |
| Organization | 1 | 19 | 14 | 14 | 18 | 1 |

| SENIORITY | LESS THAN 3 YEARS | FROM 3 TO 6 YEARS | MORE THAN 6 AND LESS THAN 9 YEARS | FROM 9 TO 12 YEARS | MORE THAN 12 YEARS |
|---|---|---|---|---|---|
| Board | 1 | 2 | 0 | 1 | 4 |
| Managers | 1 | 4 | - | - | 3 |
| Organization | 10 | 22 | 5 | 4 | 26 |

## SALARY GAP

The salary gap by gender in the company is as follows:

| | AVERAGE GROSS SALARY OF WOMEN / AVERAGE GROSS SALARY OF MEN (%) |
|---|---|
| Executives | 109% |
| Workers | 108% |

## PROPERTY

The Quiñenco Group's head office is located in Santiago's El Golf district, at Enrique Foster Sur 20, Las Condes, where it owns approximately 2,500 square meters of offices.

## INSURANCE

Quiñenco holds insurance policies with first-class insurance firms for all its significant assets, buildings, machinery, and vehicles, among others. The policies cover damage caused by fire, earthquakes, and other unforeseen events.

## INVESTMENT POLICY

Most of Quiñenco's resources are dedicated to companies directly or indirectly under its control. In some cases, it exercises control together with a strategic partner. This policy does not exclude the possibility of investing in additional companies or taking on businesses related to those it owns to strengthen the group's growth potential.

The head office continually seeks investment opportunities in companies aimed at mass consumption markets with well-known brands and industries where it has experience. In the past, Quiñenco has formed alliances with strategic partners who contribute know-how, financing, and experience to its businesses. The Company does not have an approved investment plan.

## FINANCING POLICY

Quiñenco finances its activities and investments with the dividends and profit distributions of the companies it participates in and from the funds obtained from the sale of assets and/or the issue of debt or equity.

The Company privileges long-term financing to maintain a financial structure that is in line with the liquidity of its assets and whose maturity profiles are compatible with the cash flow generated.

## RISK FACTORS

Quiñenco and its subsidiary and affiliated companies face the risks that are inherent to the markets and the economies where they participate, in Chile as well as abroad. These risks are reflected in the prices, costs and sales volumes of the products and services produced and sold.

Quiñenco is exposed to product price risks mainly related to the subsidiaries' inventories.

The Company mostly develops its business in Chile. For this reason, its operating results and financial position are to a great degree dependent on the general level of domestic economic activity. The Chilean economy is estimated to have grown 1% in 2019. There is no certainty regarding whether the economy will grow in the future. The factors that could have an adverse effect on the Company's businesses and the results of its operation include future slowdowns in the Chilean economy, a return to high inflation, currency fluctuations, tax reforms, changes in the regulatory frameworks of the diverse industries that its subsidiaries and affiliates participate in, increased labor costs and shortages in qualified labor, in addition to potential structural reforms to the Constitution or the laws within the framework of the constitutional process to be started in 2020.

In addition to its operations in Chile, some of the Company's industrial businesses operate and export to companies that in turn operate and export to Argentina, Colombia, Peru and other countries in Latin America and the rest of the world that on various occasions in the past have been characterized by volatile and often unfavorable economic, political and social conditions. The Company's business, results and assets can be significantly and adversely affected by events related to inflation, interest rates, currency fluctuations, government policy, price and salary controls, currency exchange regulations, taxes, expropriation, social instability and other political, economic or diplomatic events that might affect the countries that the Company operates in.

The current coronavirus/COVID-19 pandemic has raised the levels of uncertainty, adversely impacting economies and markets. A pandemic or epidemic, such as COVID-19, means a risk that the Company, its employees, suppliers, partners, subsidiaries and affiliates may be prevented from performing their business activities for an indefinite period, including the shutdown of activities at the request of government authorities, in addition to potential difficulties with the supply chains. The scope of this pandemic, and its potential impact on the company's business and financial standing cannot yet be assessed or quantified. To this date, Quiñenco and its subsidiaries have adopted precautionary measures for its employees, ensuring the continuity of the operations.

Quiñenco believes that its businesses face high levels of competition in the industries where they operate. This can be seen in the prices, costs and sales volumes of the products and services produced and sold by Quiñenco's businesses. While the Company expects its businesses to be capable of continuing to successfully compete in their respective sectors, based on past experience and its records, there is no certainty that competition will not continue to grow in the future, including a potential ongoing trend toward consolidation in certain industries. In the case of the container shipping business, potential imbalances between supply and demand, as has occurred in the container transport sector, which is reflected in an installed capacity that surpasses global demand, may generate volatility in rates. Increased competition or sustained imbalances could affect profit margins and the operating results of Quiñenco's businesses, which as a result could have a significant and adverse effect on the flow of dividends that Quiñenco receives from its businesses.

The Company, its subsidiaries and affiliates have historically required significant amounts of capital to finance their operations and to expand their businesses, which makes the management and expansion of its current businesses directly related to access to capital. In the past, Quiñenco and its subsidiaries have satisfied their capital needs with flows generated internally and/or by issuing debt or capital. However, there is no certainty regarding the future availability of capital to satisfy the growth needs and expectations of Quiñenco and its subsidiaries and affiliates. The impossibility of obtaining capital would halt Quiñenco's ability to expand existing businesses or enter into additional businesses, and it could have a significant adverse effect on the Company's financial position and results.

As a holding company, Quiñenco's profit level and its capacity to pay debt servicing obligations and dividends mainly depend on the dividends and distributions it receives from its subsidiaries, its equity investments, and affiliated companies. The payment of dividends by said subsidiaries, equity investments and affiliated companies is under certain circumstances subject to restrictions and contingencies. In addition, Quiñenco's profit level has depended on the occasional sale of assets or investments. There is no certainty that Quiñenco will be able to continue counting on the dividends or distributions of its subsidiaries and affiliates or that it will be able to generate profits from the sale of investments, as it has done in the past.

Another risk factor is related to interest rates. Part of the debt owed by Quiñenco or its subsidiaries is subject to variable interest rates, which could have a negative impact on the company at times when said rates increase. There is also another risk related to foreign currency exchange rates, given that a percentage of the debt owed by the Company or its subsidiaries could be exposed to currency fluctuation risks.

A significant number of the Company's businesses are publicly traded, and their capital value can vary depending on fluctuations in the market value. The market value of Quiñenco's investments could be affected by declines on the Chilean stock markets or other stock markets, such as the New York Stock Exchange, where CCU and Banco de Chile shares are traded. In addition, Quiñenco and its businesses could see their transaction volumes drop, something that could have a negative effect on the price and liquidity of the shares.

Furthermore, the market value of the shares in Chilean companies is in several ways affected by the economic and market conditions of other countries with emerging and developed markets. While the economic conditions in said countries could differ significantly from the economic conditions in Chile, investors' reactions to events in any of those countries could have an adverse effect on the market value of securities issued in Chile. There can be no certainty that the Chilean stock market will grow or maintain its profits or that the market value of the Company's shares might not be adversely affected by events elsewhere.

## CRIME PREVENTION MODEL LAW NO. 20,393

Quiñenco S.A. has a Crime Prevention Model on Bribery, Asset Laundering, Financing of Terrorism, Receipt or Purchase of Stolen Goods, Incompatible Negotiation, Bribery or Corruption among Private Individuals, Fraudulent Management and Misappropriation, pursuant to Law No. 20,393 that provides for the criminal responsibility of legal entities who commit these types of crimes. This prevention model was certified for the first time on December 5, 2012, for a two-year period by the company BH Compliance, which is registered for purposes hereof with the Financial Market Commission.

Such certification remains in effect for the crimes of Bribery, Asset Laundering, Financing of Terrorism and Receipt or Purchase of Stolen Goods, being renewed by BH Compliance on November 28, 2014, November 25, 2016, and November 23, 2018, each time for a two-year term.

The certification with respect to the crimes of Incompatible Negotiation, Corruption among Private Individuals, Fraudulent Management and Misappropriation, was obtained for a 2-year period on February 27, 2020.

The Prevention Model especially contemplates a procedure to raise anonymous and informal complaints by a company member or an unrelated third party and may be presented either in writing directly to the Company's offices addressed to the Prevention Manager or to the email encargadodeprevencion@lq.cl.

## DIRECTORS' COMMITTEE

Quiñenco S.A. has convened a Directors' Committee (the "Committee"), in keeping with the provisions of Article 50 bis of Law No.18,046 of Open Stock Corporations.

The Committee was appointed at Regular Board Meeting No.230, held on May 4, 2017, when the following directors were appointed to it:

- Mr. Matko Koljatic Maroevic, independent director and committee Chairman
- Mr. Gonzalo Menéndez Duque, director related to the controller; and
- Mr. Hernán Büchi Buc, director related to the controller.

The directors Messrs. Matko Koljatic and Hernán Büchi have sat on the Committee for the last three years and Mr. Matko Koljatic Maroevic has acted as independent director and chairman on these three occasions. Due to the vacancy produced by the passing away of the director Mr. Gonzalo Menéndez Duque, the Committee appointed Mr. Fernando Cañas Berkowicz in his replacement on July 4, 2019.

The members of the Committee received the following payments during 2019, with the respective comparison to the previous year:

In 2019, the directors Hernán Büchi Buc, Gonzalo Menéndez Duque† and Matko Koljatic Maroevic received the following payments for services rendered on the Directors' Committee: ThCh$46,552, ThCh$42,442 and ThCh$46,649 (in 2018 ThCh$35,461, ThCh$35,461, and ThCh$35,461), respectively. The director, Mr. Fernando Cañas Berkowitz, received ThCh$4,207 for the same concept in 2019.

The Committee met eight times in 2019. The meetings were attended by the CEO, Francisco Pérez Mackenna, the CFO, Luis Fernando Antúnez Bories. The Chief Counsel, Rodrigo Hinzpeter Kirberg, acted as the Holding Secretary of the Committee.

In 2019, the Committee was dedicated to evaluating the matters indicated in Article 50 bis of the Law of Open Stock Corporations, having undertaken the following activities:

1. In session No. 155 held on January 3, 2019, it examined the proposals of the external auditors EY Audit SpA on services relating to the analysis of the internal audit function (where it proposed to the Board not to innovate) and on a cybersecurity diagnosis (where it proposed looking for other alternatives available in the market to conduct such diagnosis).

2. It examined the reports of independent external auditors. At Session No.156 held on March 26, 2019, the Committee received the external auditors' report of the year ending on December 31, 2018, the balance sheet, and other financial statements as of that date and which were presented by management. It gave a favorable opinion of them prior to their presentation to shareholders for their approval. Likewise, in Session No.161 of September 5, 2019, the Committee received the Limited Review Report on Quiñenco S.A.'s Intermediate Consolidated Financial Statements and those of its subsidiaries through June 30, 2019. In addition, the Committee examined the Internal Control Report that the independent auditors send to the administration, the company's pay system and compensation plans and the Internal Auditing Report in session No. 163 of December 5, 2019.

3. In session No. 156 of March 26, 2019, it examined the background information for the granting of a credit line to the subsidiary Compañía Sud Americana de Vapores S.A. for up to USD 150 million, in respect of which it issued a favorable opinion to the Company's Board of Directors. Also, in that session it approved the Directors' Committee management report for the 2018 management period.

4. In Session No.157 held on April 4, 2019, it proposed the external auditors Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada to the Board of Directors for them to examine the Company's accounting, inventory, balance sheet and other financial statements corresponding to the year 2019 and for them to give their professional and independent opinion. Likewise, it proposed the company PriceWaterhouseCoopers Consultores Auditores SpA as an alternative. At the same session, the Committee also proposed hiring the following risk rating agencies: (a) for the national context, International Credit Rating Compañía Clasificadora de Riesgo Limitada and Fitch Chile Clasificadora de Riesgo Limitada; and (b) Standard & Poor's for the international context.

5. In session No.158 held on May 2, 2019, it gave the Board of Directors a favorable report on the contracting of the external auditing firm EY Servicios Profesionales de Auditoría y Asesorías SpA for a professional service not considered in the external audit, which consisted of providing a review and reprocessing of Quiñenco's provisional payments for absorbed profits (PPUA) corresponding to the 2019 tax year.

6. In Session No.159 held on July 4, 2019, it approved incorporating to the independent external auditing plan the verifications regarding the auditing processes implemented by Depósito Central de Valores and its affiliate DCV Registros S.A., of the procedures and controls relating to the company's investments in capital market instruments, and

the controls on the payment processes maintained by the company.

7. In Session No.160 of August 1, 2019, it gave the Board of Directors a favorable report on the contracting of the external auditing firm EY Servicios Profesionales de Auditoría y Asesorías SpA for a professional service not considered in the external audit, which consisted of the assessment and study of the prices involved in the transactions of the financial investment portfolio held by the Company.

8. In Session No. 162 held on November 7, 2019, it examined the background information regarding the grant of a bridge loan to the subsidiary Compañía Sud Americana de Vapores S.A., for up to USD 300 million, in addition to another loan already granted of USD 30 million, in respect of which it issued a favorable report to the Company's Board of Directors.

The Committee did not contract consulting services in 2019, nor did it incur expenses, and it did not consider it relevant to present any sort of recommendation to the Company's shareholders.

## MATERIAL INFORMATION

Material or essential information reported by Quiñenco S.A., indistinctively the "Company" or "Quiñenco" during the 2019 management period to the Financial Market Commission, hereinafter "CMF" are the following:

1. On April 4, 2019, Quiñenco S.A. informed the CMF, as material information that in a session held on that same date the Board of Directors had agreed to propose to the Annual Shareholders' Meeting to be held on April 29, 2019, the distribution of a definite dividend of Ch$72,172,163,272 corresponding to 40% of the profits attributable to the controller's owners during the 2018 management period (the "net income for the 2018 management period") made up of: (a) a minimum compulsory dividend of Ch$54,129,126,611 equivalent to 30% of net income for the 2018 management period and (b) an additional dividend of Ch$18,043,036,661 equivalent to 10% of net income for the 2018 management period. It was also informed that the definite dividend would amount to Ch$43.40505 (forty-three point forty thousand five hundred and five pesos) per share, and payment would be made as from May 9, 2019, to the shareholders registered in the respective registry as of the midnight of the fifth business day in advance of such date.

2. On July 4, 2019, Quiñenco S.A. informed the CMF, as material information that due to the vacancy caused by the sad death of Mr. Gonzalo Menéndez Duque, the Board had appointed Mr. Pablo Granifo Lavín to replace him in a meeting held on that same date pursuant to the provisions of Article 32 of the Law of Open Stock Corporations. It was also left for the record the Board's recognition to the commitment of Mr. Gonzalo Menéndez Duque to the development of the Company and the dedication, talent and rigor shown in his professional trajectory of 47 years with the group's companies.

3. On September 14, 2019, Quiñenco S.A. informed the CMF, as material information that by virtue of a securities' purchase and sale contract (hereinafter the "Purchase and Sale Contract"), the company had agreed to the following stock sales: (a) The subsidiary Inmobiliaria Norte Verde S.A. would sell both directly and indirectly to CHUBB INA International Holdings Ltd. Agencia en Chile and AFIA Finance Corporation Agencia en Chile all its respective shares held in the subsidiaries Inversiones Vita S.A., Banchile Seguros de Vida S.A. and Segchile Seguros Generales S.A. (jointly, the "Companies"), equivalent to 66.3% of the respective capital stock. (b) The companies unrelated to Quiñenco S.A. Inversiones Camino del Inca SpA and Inmobiliaria Inersa SpA, would sell to the same buyers mentioned above all their shares held in each of these companies, equivalent to 33.7% of the capital stock. It later informed that the purchase and sale price informed in letter (a) above amounted to UF 1,334,633 (one million three hundred and thirty-four thousand six hundred and thirty-three unidades de fomento) for all the shares held in those Companies, which would be paid on the closing day of the transaction in its peso-equivalent currency of the date. The notice added that both the buyers' and sellers' obligations of completing this transaction were subjected to the concurrent fulfillment of several conditions precedent, among which the following are worth mentioning: (i) the issue of favorable resolutions by the National Economic Prosecutor's Office (FNE) or, the Court for the Protection of Free Competition; (ii) the approval by the Financial Market Commission; (iii) the inexistence of any legal or regulatory, preliminary, temporary or permanent provision that forbids or makes it impossible to complete the transaction; (iv) that both the buyer and the seller are substantially in compliance with their respective obligations pursuant to the Purchase and Sale Contract; and (v) that the fundamental representations

and warranties made by the respective parties under the Purchase and Sale Contract are faithful and true in all respects (material in case of the buyers, with respect to the Companies), as of this date (or from the date they become applicable) and at the closing. It was left for the record that the closing day would not take place prior to December 30, 2019. Therefore, if all conditions remained unchanged, the closing date would precisely be December 30, 2019. It also indicated that by using as reference the financial statement information available as of June 30, 2019, they estimated that this transaction would generate at the level of Quiñenco S.A. a pre-tax gain of approximately Ch$19,000 million, which could be restated according to the price readjustment from the variation of the unidad de fomento and the Companies' results at the closing. It was left for the record that by means of this essential information it informs the CMF on the termination of the confidentiality of the notice provided by Quiñenco on May 2, 2019.

**4.** On December 23, 2019, Quiñenco informed the CMF, as material information that the shareholders of Sociedad Nacional de Oleoductos S.A. ("Sonacol"), i.e., Compañía de Petróleos de Chile Copec S.A., Esmax Inversiones S.A., Abastible S.A., Empresa Nacional del Petróleo S.A. and Empresa Nacional de Energía Enex S.A., the latter 100% owned by Quiñenco S.A., had agreed to start a process to sell all the shares issued by Sonacol. To such end, through a deed of December 20, 2019, Goldman Sachs, as the investment bank, was granted a mandate to structure and lead the bidding process for the sale of Sonacol's shares (the "Sale Process"). Information was provided that on the same date, the aforementioned shareholders subscribed an Eventual Sale Assessment Agreement that establishes certain obligations and rights on the parties in connection with the sale evaluation process. As there is no definition as yet of the reference terms or conditions for the Sale Process which purpose is to select an eventual buyer to negotiate a potential sale, the company indicated it was not then possible to reasonably quantify the effects produced on Quiñenco S.A. as a result of the Sale Process started upon the subscription of the agreements above mentioned. Finally, the company informed that the estimated sale term would be 14 months as from December 20, 2019.

**5.** On December 30, 2019, Quiñenco S.A. informed the CMF, as material information and to supplement the information included in the material fact of September 14, 2019 that after fulfilling all the conditions precedent agreed thereto, the parties had closed the sales operation set forth in the Securities' Purchase and Sale Contract of September 13, 2019 (the "Purchase and Sale Contract"), whereby: (a) the subsidiary Inmobiliaria Norte Verde S.A. sold to CHUBB INA International Holding Ltd. Agencia en Chile and AFIA Finance Corporation Agencia in Chile, both directly and indirectly all its shares held in the subsidiaries Vita S.A., Banchile Seguros de Vida S.A. and Segchile Seguros Generales S.A. (jointly, the "Companies"), equivalent to 66.3% of the respective capital stock; and (b) the companies unrelated to Quiñenco S.A. Inversiones Camino del Inca SpA and Inmobiliaria Inersa SpA, had sold to the same buyers mentioned above all their shares held in each of these companies, equivalent to the remaining 33.7% of the capital stock. It also informed that the price received by Inmobiliaria Norte Verde S.A. at the closing of this transaction amounted to Ch$35,898,596,016, equivalent as of such date to 1,268,097 Unidades de Fomento, in agreement with the stipulations of the Purchase and Sale Contract. It was finally stated that with respect to the effects of such sale and using as reference the financial statement information at September 30, 2019, they estimated that the reported transaction would generate at the level of Quiñenco S.A. a pre-tax gain of approximately Ch$23,000 million, which could vary according to the adjustment mechanism of the Purchase and Sale Agreement applicable to the review of the purchase and sale price paid at the closing.

The dividend distribution proposal informed in point 1 was approved by the Shareholders' Meeting held on April 29, 2019, so the corresponding shareholders started to receive their dividends on May 9, 2019. The total dividend amounted to Ch$72,172,163,272 accounting for 40% of the profits attributable to the Controller's Owners for 2018, equivalent to Ch$43.40505 per share. The distribution of this dividend, net of the amount provisioned, was deducted from the accumulated earnings in Equity.

The sale of 100% of Quiñenco's stake in the life and general insurance business, described in points 3 and 5 above, translated into revenues of approximately Ch$35,900 million and an after-tax gain of Ch$14,289 million in the fourth quarter of 2019. On March 2, 2020, the purchasing entities sent a negative adjustment notice for the sale price of UF27,643. Quiñenco is reviewing the equity adjustments that substantiate the aforementioned price adjustment notice, and Chubb may be notified of the amounts challenged until mid-April 2020.

As of the date of this annual report, the process of selling Enex's stake in Sonacol, described in point 4 has not yet been completed; hence, it did not have an impact on the Company's financial statements in 2019. Given the degree of progress of the sale process, it is not yet possible to reasonably quantify the effects of such process on Quiñenco.

## BOARD MEMBERS' COMPENSATION

As agreed at the Company's Annual Shareholders' Meeting, the sums paid to Directors in 2019 and 2018 for per diem, participations, and other remunerations, respectively, were as follows:

Andrónico Luksic Craig ThCh$2,347, ThCh$135,323 and ThCh$927,703 in 2019 (ThCh$862, ThCh$101,944 and ThCh$904,163 in 2018); Jean-Paul Luksic Fontbona ThCh$2,635, ThCh$135,323 and ThCh$0 in 2019 (ThCh$1,147, ThCh$101,944 and ThCh$0 in 2018); Hernán Büchi Buc ThCh$4,102, ThCh$135,323 and ThCh$0 in 2019 (ThCh$3,714, ThCh$101,944 and ThCh$0 in 2018); Gonzalo Menéndez Duque ThCh$2,034, ThCh$135,323 and ThCh$0 in 2019 (ThCh$4,004, ThCh$101,944 and ThCh$0 in 2018); Matko Koljatic Maroevic ThCh$4,392, ThCh$135,323 and ThCh$0 in 2019 (ThCh$4,004, ThCh$101,850 and ThCh$0 in 2018); Fernando Cañas Berkowitz ThCh$4,392, ThCh$135,323 and ThCh$0 in 2019 (ThCh$4,004, ThCh$101,944 and ThCh$0 in 2018); Nicolás Luksic Puga ThCh$3,218, ThCh$135,323 and ThCh$0 in 2019 (ThCh$2,597, ThCh$101,944 and ThCh$0 in 2018), Andrónico Luksic Lederer ThCh$3,521, ThCh$135,323 and ThCh$0 in 2019 (ThCh$2,854, ThCh$101,944 and ThCh$0 in 2018) and Pablo Granifo Lavín ThCh$2,067, ThCh$0 and ThCh$0 in 2019.

## EXPENDITURES ON CONSULTING SERVICES TO THE BOARD OF DIRECTORS

Expenses for consulting services to the Board of Directors totaled ThCh$25,066 in 2019.

## REMUNERATIONS OF MAIN EXECUTIVES

The remunerations received by the Company's main executives for remunerations and performance bonuses totaled ThCh$6,815,271 in 2019 (ThCh$6,553,508 in 2018).

## INCENTIVE PLAN

There was no long-term incentive plan for the Company's executives as of December 31, 2019.

## SEVERANCE PAYMENT

Severance payment made to Company's main executives amounted to ThCh$213,006 in 2019 (ThCh$0 in 2018).

## PERCENTAGE OF PROPERTY HELD BY COMPANY BOARD MEMBERS AND MAIN EXECUTIVES

At December 31, 2019, the following Board Members directly held shares in the Company:

| DIRECTOR | % OWNERSHIP |
|---|---|
| Andrónico Luksic Lederer | 0.00001% |
| Pablo Granifo Lavín | 0.0004% |

At December 31, 2019, the following main executives held shares in the Company:

| EXECUTIVE | % OWNERSHIP |
|---|---|
| Francisco Pérez Mackenna | 0.024% |
| Luis Fernando Antúnez Bories | 0.008% |
| Oscar Henríquez Vignes | 0.002% |
| Pedro Marín Loyola | 0.001% |

## SUPPLEMENTARY INFORMATION ON BUSINESS ACTIVITIES

### TECHPACK

Techpack S.A. (Techpack), a closed corporation, was formed from the division of Madeco S.A. in 2013. The main asset at the time of its formation was Madeco's manufacturing business, which included the units for the manufacturing of flexible packaging, brass mills, and aluminum and PVC profiles.

In early 2014, the shareholders agreed to restructure Techpack's assets to focus on the flexible packaging business. As part of this new approach, the name was changed from Madeco S.A. to Tech Pack S.A. In 2015, Techpack acquired 24% of Alusa S.A. from minority shareholders, reaching 100% ownership of the company.

In May 2016, Techpack concluded the sale of its entire flexible packaging business to the Australian company Amcor, the world's largest packaging producer, in a transaction totaling US$435 million. As of December 31, 2019, Quiñenco controls directly and indirectly 99.97% of Techpack.

Techpack reported net income of Ch$380 million in 2019 that compares favorably against the loss of Ch$19,874 million recorded in 2018. The variation is due mainly to expenses and price adjustments relating to Amcor's transaction recorded in 2018. To a lesser extent, there was a positive variation in the continuous results mainly due to lower overhead expenses and lower losses from exchange rate differences.

**BANCHILE VIDA and SEGCHILE**

Until December 30, 2019, Quiñenco participated through Inversiones Vita S.A. in the life insurance (Banchile Seguros de Vida, Banchile Vida) and the general insurance (SegChile Seguros Generales, SegChile) businesses. On such date, Quiñenco sold its entire direct and indirect participation in Inversiones Vita, Banchile Vida and SegChile to the multinational Chubb, for approximately Ch$35,900 million, generating an after-tax gain of Ch$14,289 million for Quiñenco.

During 2019 and up until its sale, Quiñenco's participation in the results of Inversiones Vita amounted to $8,962 million.

### Suppliers and Customers

The number of suppliers and customers that represent over 10% of the purchases or revenues by segment for Quiñenco is shown in the table below:

| SEGMENT | MANUFACTURING | FINANCIAL | ENERGY | TRANSPORT | PORT SERVICES | OTHER |
|---|---|---|---|---|---|---|
| No. of suppliers who represent at least 10% of a segment's purchases | - | - | 2 | 2 | - | - |
| No. of customers who represent at least 10% of a segment's total revenues | - | - | - | - | 1 | - |

### Main Brands

The main brands used by Quiñenco's subsidiaries and associates are detailed below:

**Quiñenco:** Quiñenco, Quinenco.

**Banco de Chile:** Banco de Chile, Banco Edwards, Banco CrediChile and Banchile.

**CCU:** In Chile and abroad, CCU and its subsidiaries own diverse registered trademarks that they sell their products under. In the domestic market, its brand portfolio in the beer category includes, among others, Cristal, Cristal CER0,0°, Escudo, Royal Guard, Morenita, Dorada, Andes, Stones, Bavaria, Kunstmann, Austral, D'olbek, Guayacán, Szot and Polar Imperial. In Argentina it has Schneider, Imperial, Palermo, Bieckert, Santa Fe, Salta, Córdoba, Isenbeck, Diosa, Norte, Iguana and Báltica. In Bolivia, Real, Capital and Cordillera. In Paraguay, the company owns the brand Sajonia.

Regarding nonalcoholic beverages in the carbonated category in Chile, CCU owns the brands: Bilz, Pap, Pop Candy, Kem, Kem Xtreme and Nobis. In the mineral waters category in Chile it holds the brands Cachantun and Porvenir; in purified waters and HOD it has the brand Nestlé Pure Life; in carbonated waters in different flavors it owns Mas and Mas Woman; in purified waters, mainly HOD, it owns the brand Manantial. In Uruguay, the company owns the brands Nativa and Nix for bottled mineral waters; in flavored waters, the Nativa MAS Brand and in carbonated waters with Nix; in nectars, it owns the brand Watt's; in isotonic beverages it owns the brand FullSport; and in energy drinks, Thor. Likewise, in Paraguay it owns the brands Pulp for carbonated beverages, Puro Sol for juices and La Fuente for waters, and Zuma for flavored waters. In Bolivia, in the carbonated soft drink category, it participates with the brands Mendocina, Free cola, Sinalco and Malta Real; in waters it participates with the brand Mendocina and in juices with the brand Natur-All.

In wine, CCU owns an extensive portfolio of nine brands that make up its subsidiary VSPT, such as Altaïr, Cabo de Hornos, Sideral, 1865, Castillo de Molina, Epica, Gato and Gato Negro of Viña San Pedro; the Reserva and Gran Reserva line of Viña Tarapacá in its versions Etiqueta Negra and Azul; Viña Leyda in its series Reserva, Single Vineyard and Lot; Misiones de Rengo Cuvée, Reserva and Varietal and Sparkling Wines; in addition to Alpaca, Reservado and Siglo de Oro Reserva of Viña Santa Helena; in the sparkling wines category, Viñamar in its versions Extra Brut, Brut and Rosé and, finally, Manquehuito in the coolers category. In Argentina, it holds the brands La Celia, Colón, Graffigna and Santa Silvia.

In the pisco category of liquors, CCU owns the brands: Mistral, Campanario, Horcón Quemado, Control C, Tres Erres, Espíritu de los Andes, La Serena, Iceberg, Ruta Cocktail, Sabor Andino Sour and Sol de Cuba, and the respective line extensions, if applicable. In the rum category, the company owns the brands Sierra Morena and Cabo Viejo. Also, in the liquor segment, CCU owns the Fehrenberg and Barsol brands, and is the exclusive distributor in Chile of the brands Pernod Ricard in the traditional channel. In cider, it owns the brand Cygan.

In the cider category in Argentina, CCU owns the brands Real, La Victoria and 1888. In addition, it owns the brand El Abuelo in the liquor category.

CCU also holds important licenses for national and international brands in Chile, which are mentioned in the section licenses, franchises, royalties, or concessions.

In August 2019, CCU's affiliate, CPCh, announced its decision to engage in the sale of its total stake in Americas Distilling Investments LLC, amounting to 40%, owner of the Peruvian company Bodega San Isidro SRL and the Barsol brand.

**Invexans:** Invexans.

**Techpack:** Techpack.

**Enex:** Enex, Shell, Road Ranger, Gasur, upa! upita, Select, Helix, Shell V-Power, Shellcard, Rimula, Pennzoil, Gadus, Spirax, Tellus, Rhenus, ACDelco, Krynex.

**CSAV:** The main brand used by the company is CSAV.

**SM SAAM:** The company and its subsidiaries have its trade name and legal name registered in the Brand Registry, as well as certain services and products.

**Licenses, franchises, royalties, or concessions**

The licenses, franchises, royalties and /or concessions held by Quiñenco, its subsidiaries or associates are described below:

**Banco de Chile:** It holds a license agreement on the use of the brand "Banchile," granted by Banco de Chile to Banchile Seguros de Vida S.A., Chubb Seguros Chile S.A., and Chubb Seguros de Vida Chile S.A. According to this agreement, the Bank authorizes those companies to use the name Banchile in the denomination of insurance products for its distribution through the Bank's channels. The agreement is in force since June 4, 2019. Also, the Bank authorized Banchile Seguros de Vida S.A. to use such denomination in its business name until such company merges with Chubb Seguros de Vida Chile S.A.

In addition, there is a Trademark License contract for the use of certain Citigroup Inc. brands subscribed on November 29, 2019, which superseded a previous agreement subscribed on October 22, 2015. Under such contract, Citigroup Inc. grants Banco de Chile the gratuitous and non-exclusive right to use some Citigroup trademarks within the Chilean territory. The contract enforcement is subject to the term of the Cooperation Contract in force between Banco de Chile y Citigroup Inc., which lasts for two years starting on January 1, 2020, successively renewable for a 2-year period, upon the parties' agreement. In the event such renewal is not agreed to, the contract shall be automatically renewed for one (1) additional year.

**CCU:** CCU's main license contracts held directly or through its subsidiaries, are listed below:

| LICENCE | EXPIRATION DATE | LICENSEE | TERRITORY |
|---|---|---|---|
| Aberlour, Absolut, Ballantine's, Beefeater, Blender's Pride, Borzoi, Chivas Regal, Cuvee MUMM, Dubonnet, Elyx, G.H. MUMM, Havana Club, Jameson, Kahlúa, Level, Long John, Longmorn, Malibu, Martell, Olmeca, Orloff, Passport, Pernod, Perrier Jouet, Ricard, Royal Salute, Sandeman, Scapa, Strathisla, The Glenlivet, Wyborowa, 100 Pipers, for Chile (1) | June 2027 | Pernod Ricard Chile S.A. | Chile |
| Adrenaline, Adrenaline Rush (9) | February 2028 | South Beach Beverage C., Inc. | Chile |
| Amstel for Argentina (2) | July 2022 | Amstel Brouwerij B.V. | Argentina |
| Austral for Chile (4) | July 2020 | Cervecería Austral S.A. | Chile |
| Blue Moon for Chile (5) | December 2021 | Coors Brewing Company | Chile |
| Coors for Chile (6) | December 2025 | Coors Brewing Company | Chile |
| Crush, Canada Dry (Ginger Ale, Agua Tónica and Limón Soda) for Chile (7) | December 2023 | Schweppes Holding Limited | Chile |
| Frugo for Chile | Indefinite | Promarca S.A. | Chile |
| Gatorade for Chile (8) | December 2043 | Stokely Van Camp Inc. | Chile |
| Grolsch for Argentina | May 2028 | Asahi Premium Brands | Argentina |
| Heineken for Bolivia (9) | December 2024 | Heineken Brouwerijen B.V. | Bolivia |
| Heineken for Chile, Argentina and Uruguay (10) | 10 years renewable | Heineken Brouwerijen B.V. | Chile, Argentina, and Uruguay |
| Heineken for Colombia (11) | March 2028 | Heineken Brouwerijen B.V. | Colombia |
| Heineken for Paraguay (1) | May 2023 | Heineken Brouwerijen B.V. | Paraguay |
| MAS for Uruguay (15) | December 2028 | Aguas CCU-Nestlé Chile S.A. | Uruguay |
| Miller for Argentina (11) | December 2026 | Coors Brewing Company | Argentina |
| Miller and Miller Genuine Draft for Colombia (7) | December 2026 | Coors Brewing Company | Colombia |
| Nestlé Pure Life for Chile (7) | December 2022 | Nestlé S.A., Societé de Produits Nestlé S.A. and Nestec S.A. | Chile |
| Paulaner for Paraguay | April 2022 | Paulaner Brauerei GmbH & Co KG | Paraguay |
| Pepsi, Seven Up and Mirinda for Chile | December 2043 | Pepsico, Inc., Seven-Up International, through Bebidas CCU-Pepsico SpA. | Chile |
| Red Bull for Chile (12) | Indefinite | Red Bull Panamá S.A. | Chile |
| Schneider for Paraguay | May 2023 | Compañía Industrial Cervecera S.A. | Paraguay |
| Sol for Chile and Argentina (10) | 10 years renewable | Heineken Brouwerijen B.V. | Chile and Argentina |
| Sol for Colombia (3) | March 2028 | Heineken Brouwerijen B.V. | Colombia |
| Sol for Paraguay | January 2023 | Heineken Brouwerijen B.V. | Paraguay |
| Té Lipton for Chile | March 2020 | Pepsi Lipton International Limited | Chile |
| Tecate for Colombia (3) | March 2028 | Heineken Brouwerijen B.V. | Colombia |
| Warsteiner for Argentina (14) | May 2028 | Warsteiner Brauerei Haus Cramer KG | Argentina |
| Watt's for Uruguay | 99 years | Promarca Internacional SpA. | Uruguay |
| Watt's (nectars, fruit-based beverages, and others) in rigid containers, except for cardboard in Chile | Indefinite | Promarca S.A. | Chile |
| Watt's for Paraguay (13) | July 2026 | Promarca Internacional Paraguay S.R.L. | Paraguay |

*(1) 3-year term renewable contract.*
*(2) After the initial expiry, automatically renewable under identical conditions (Rolling Contract), every year for a 10-year period, except in the case of notifying non-renewal.*
*(3) The contract shall remain in force as long as Heineken's license contract for Colombia remains in effect.*
*(4) 2-year term renewable license; subject to compliance with the conditions set forth in the contract.*
*(5) After the initial expiry, it will be renewed until December 2025; since 2025 it will be automatically renewed under identical conditions (Rolling Contract), every year for a period of 5 years, subject to compliance with the conditions set forth in the contract.*
*(6) After the initial expiry, automatically renewable under identical conditions (Rolling Contract), every year for a period of 5 years, subject to compliance with the conditions set forth in the contract.*
*(7) 5-year term renewable license; subject to compliance with the conditions set forth in the contract.*
*(8) The license was renewed for as long as the Bebidas CCU-PepsiCo SpA's Shareholders' Agreement remains in force.*
*(9) 10-year term license automatically renewable every year for a period of 5 years, except in the case of notifying non-renewal.*
*(10) 10-year license automatically renewable under identical conditions (Rolling Contract), every year for a period of 10 years, except in the case of notifying non-renewal.*
*(11) After the initial expiry, automatically renewable under identical conditions every year for a 5-year period (Rolling Contract), except in the case of notifying non-renewal.*
*(12) Indefinite contract; notice of termination six months in advance.*
*(13) The sublicense is automatically and successively renewed for two 5-year periods each, in agreement with the terms and conditions set forth in the International Sublicense agreement of December 28, 2018 between Promarca Internacional Paraguay S.R.L. and Bebidas del Paraguay S.A.*
*(14) In advance to the term expiry, the parties will negotiate its renewal for another 5 years.*
*(15) Contract renewable for successive 10-year periods.*

**Enex:** It holds the license and use of the Shell brand in service stations for the sale of fuels in force until May 1, 2023. In addition, Enex is the macro distributor of Shell lubricants in Chile, contract that expires in July 2020.

**CSAV:** The company does not hold licenses, franchises, royalties, or concessions. It should be noted that in December 2014, CSAV granted Hapag-Lloyd an indefinite royalty free license to use the brand CSAV, as part of its container shipping business.

**SM SAAM:** Operates the following port concessions:

**Iquique Terminal Internacional (ITI – Chile)**

| | |
|---|---|
| Owned by: | 99.9% SAAM Puertos S.A.<br>0.1% SAAM Inversiones SpA |
| Volume transferred, 2019: | 2,315,283 t / 270,186 TEU |
| Number of docking berths: | 2 |
| Pier length: | 624 m |
| End of concession: | 2030 |
| Extension option: | Extended |

**Antofagasta Terminal Internacional (ATI – Chile)**

| | |
|---|---|
| Owned by: | 35% SAAM Puertos S.A.<br>35% Grupo Empresas Navieras S.A.<br>30% Inversiones Punta de Rieles Ltda. |
| Volume transferred, 2019: | 2,864,485 t / 85,408 TEU |
| Number of docking berths: | 2 |
| Pier length: | 575 m |
| End of concession: | 2033 |
| Extension option: | Extended |

**San Antonio Terminal Internacional (STI – Chile)**

| | |
|---|---|
| Owned by: | 50% SAAM Puertos S.A.<br>50% SSA Holding International Chile Ltda. |
| Volume transferred, 2019: | 11,909,460 t / 1,200,829 TEU |
| Number of docking berths: | 3 |
| Pier length: | 930 m |
| End of concession: | 2024 |
| Extension option: | +5 years |

**San Vicente Terminal Internacional (SVTI – Chile)**

| | |
|---|---|
| Owned by: | 50% SAAM Puertos S.A.<br>50% SSA Holding International Chile Ltda. |
| Volume transferred, 2019: | 4,319,890 t / 369,978 TEU |
| Number of docking berths: | 5 |
| Pier length: | 1,084 m |
| End of concession: | 2029 |
| Extension option: | Extended |

**Portuaria Corral (Corral- Chile)**

| | |
|---|---|
| Owned by: | 50% SAAM Puertos S.A.<br>50% Sociedad de Inversiones Portuarias Ltda. |
| Volume transferred, 2019: | 1,236,022 t |
| Number of docking berths: | 1 |
| Pier length: | 146 m |
| End of concession: | Own |

**Florida International Terminal (FIT – USA)**

| | |
|---|---|
| Owned by: | 70% SAAM Florida Inc.<br>30% Agunsa Miami Inc. |
| Volume transferred, 2019: | 1,673,800 t / 269,692 TEU |
| Number of docking berths: | 4 |
| Pier length: | 1,402 m |
| End of concession: | 2025 |
| Extension option: | +5 +5 years |

**Terminal Portuario Guayaquil (TPG - Ecuador)**

| | |
|---|---|
| Owned by: | 99.99% SAAM Puertos S.A.<br>0.01% Inversiones San Marcos Ltda. |
| Volume transferred, 2019: | 6,310,863 t / 862,084 TEU |
| Number of docking berths: | 2 |
| Pier length: | 480 m |
| End of concession: | 2071 |

**Puerto Caldera (Costa Rica)**

| | |
|---|---|
| Owned by: | 51% SAAM Puertos S.A.<br>21% Comercializadora R y S S.A.<br>19% Logística de Granos<br>9% M&R Inversiones S.A.S. |
| Volume transferred, 2019: | 5,847,117 t / 303,771 TEU |
| Number of docking berths: | 4 |
| Pier length: | 800 m |
| End of concession: | 2026 |

**Terminal Marítima Mazatlán (TMAZ - Mexico)**

| | |
|---|---|
| Owned by: | 99.7% SAAM Puertos S.A.<br>0.3% SAAM S.A. |
| Volume transferred, 2019: | 1,041,819 t / 50,103 TEU |
| Number of docking berths: | 6 |
| Pier length: | 1,296 m |
| End of concession: | 2032 |
| Extension option: | +12 years |

**Puerto Buenavista (PBV – Colombia)**

| | |
|---|---|
| Owned by: | 33.3% SAAM Puertos S.A.<br>33.3% Cía. de Puertos Asociados (COMPAS)<br>33.3% Yara Colombia S.A. |
| Volume transferred, 2019: | 423,071 t |
| Number of docking berths: | 1 |
| Pier length: | 211 m |
| End of concession: | 2037 |
| Extension option: | Extended |

# CONSOLIDATED FINANCIAL STATEMENTS

QUIÑENCO S.A. AND SUBSIDIARIES
SANTIAGO, CHILE AS OF DECEMBER 31, 2019 AND 2018

# CONTENTS

**Independent Auditor's Report**
**(A free translation from a report originally issued in Spanish)**

To the
Shareholders and Directors of
Quiñenco S.A.:

We have audited the accompanying consolidated financial statements of Quiñenco S.A. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of 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**

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with instructions and standards of preparation and presentation of financial information issued by the Chilean Commission for the Financial Market ("CMF") as described in Note 2 (b) to the consolidated financial statements. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of the subsidiaries Invexans S.A., Compañía Sud Americana de Vapores S.A. and SM SAAM S.A. whose total assets represent, as a whole, 7.1% and 7.0% of the total consolidated assets as of December 31, 2019 and 2018, respectively, and total ordinary revenue representing 13.2% and 13.9% of the total consolidated ordinary revenues for the years then ended, respectively. We did not audit the consolidated financial statements of the associate Compañía Cervecerías Unidas S.A., recorded in the consolidated financial statements under the equity method, which represent a total asset of ThCh$408,718,725 and ThCh$396,050,293 as of December 31, 2019 and 2018, and net accrued income of ThCh$39,940,034 and ThCh$92.859.612 for the years then ended. These financial statements were audited by other auditors, whose reports have been provided to us, and our opinion, regarding the included amounts of the subsidiaries and associates mentioned above, is only based on the reports of those auditors. We conduct our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

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 preparation and fair presentation of the consolidated financial statements of the entity in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entity. 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, based on our audit and the reports of the other auditors, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Quiñenco S.A. and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with instructions and standards of preparation and presentation of financial information issued by the Chilean Commission for the Financial Market ("CMF") as described in Note 2 (b) to the consolidated financial statements.

**Accounting Basis**

The subsidiary Banco de Chile (controlled through LQ Inversiones Financieras S.A.) is regulated by the Chilean Commission for the Financial Market ("CMF"), and therefore, it is required to apply the accounting standards established by this CMF for the preparation of their consolidated financial statements. This regulator has instructed that companies that maintain investments in bank subsidiaries may use, for the purposes of preparing their consolidated financial statements, the information provided directly by bank subsidiaries without being subject to conversion adjustments. Consequently, the Company has consolidated the Bank's financial statements without any translation adjustment. In accordance with the foregoing, the Company has chosen to consolidate the financial statements of the subsidiary Banco de Chile, without making any conversion adjustments to International Financial Reporting Standards.

Juan Francisco Martínez A.
EY Audit SpA

Santiago, March 26, 2020

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of December 31, 2019 and 2018

| ASSETS | NOTE | 12/31/2019 THCH$ | 12/31/2018 THCH$ |
|---|---|---|---|
| **Non-banking sector** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4 | 551,692,639 | 295,396,896 |
| Other financial assets, current | 5 | 47,232,930 | 236,544,547 |
| Other non-financial assets, current | 6 | 25,837,701 | 40,984,707 |
| Trade and other receivables, current | 7 | 208,040,780 | 222,385,740 |
| Related party receivables, current | 8 | 28,346,212 | 28,197,643 |
| Inventory, current | 9 | 119,803,622 | 99,026,213 |
| Current tax assets | | 29,730,441 | 30,519,798 |
| **Total current assets other than assets or disposal groups classified as held for sale or for distribution to the owners** | | **1,010,684,325** | **953,055,544** |
| Non-current assets or disposal groups classified as held for sale | 10 | 15,163,877 | 20,935,421 |
| **Non-current assets or disposal groups classified as held for sale or for distribution to the owners** | | **15,163,877** | **20,935,421** |
| **Total current assets** | | **1,025,848,202** | **973,990,965** |
| NON-CURRENT ASSETS | | | |
| Other financial assets, non-current | 11 | 42,421,432 | 153,130,987 |
| Other non-financial assets, non-current | 12 | 31,011,345 | 44,925,544 |
| Receivables, non-current | | 10,852,238 | 10,999,599 |
| Related party receivables, non-current | 8 | - | - |
| Inventory, non-current | 9 | 858,805 | 733,677 |
| Investments accounted for using the equity method | 13 | 2,455,513,148 | 2,242,318,214 |
| Intangible assets other than goodwill | 14 | 399,447,881 | 389,355,208 |
| Goodwill | 15 | 945,195,674 | 923,618,048 |
| Property, plant and equipment | 18 | 1,016,578,958 | 802,297,761 |
| Right-of-use leased assets | 19 | 236,113,801 | - |
| Investment properties | 20 | 17,220,409 | 17,518,281 |
| Non-current tax assets | | 312,973 | - |
| Deferred tax assets | 21 | 241,494,195 | 250,699,488 |
| **Total non-current assets** | | **5,397,020,859** | **4,835,596,807** |
| **Total non-banking sector assets** | | **6,422,869,061** | **5,809,587,772** |
| BANKING SECTOR ASSETS | | | |
| Cash and bank deposits | 41.5 | 2,392,165,380 | 880,080,172 |
| Transactions pending settlement | 41.5 | 584,671,840 | 580,334,542 |
| Trading instruments | 41.6 | 1,872,356,188 | 1,745,365,732 |
| Repurchase agreements and securities lending | 41.7 | 142,329,024 | 97,289,292 |
| Financial derivative contracts | 41.8 | 2,786,216,315 | 1,513,945,145 |
| Loans and advances to banks | 41.9 | 1,139,431,905 | 1,494,306,248 |
| Customer loans and receivables | 41.10 | 29,334,048,005 | 27,307,226,427 |
| Investment instruments held for sale | 41.11 | 1,357,846,278 | 1,043,441,782 |
| Investments in other companies | 41.12 | 50,757,583 | 44,560,291 |
| Intangible assets | 41.13 | 58,307,172 | 52,061,347 |
| Property, plant and equipment | 41.14 | 220,262,591 | 215,872,914 |
| Right-of-use leased assets | 41.14 | 150,664,672 | - |
| Current taxes | 41.15 | 357,053 | 713,054 |
| Deferred taxes | 41.15 | 320,948,248 | 277,922,067 |
| Other assets | 41.16 | 862,965,768 | 673,375,797 |
| **Total banking sector assets** | | **41,273,328,022** | **35,926,494,810** |
| **Total assets** | | **47,696,197,083** | **41,736,082,582** |

*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of December 31, 2019 and 2018

| LIABILITIES | NOTE | 12/31/2019 THCH$ | 12/31/2018 THCH$ |
|---|---|---|---|
| **Non-banking sector** | | | |
| CURRENT LIABILITIES | | | |
| Other financial liabilities, current | 22 | 138,185,192 | 93,079,425 |
| Lease liabilities, current | 19 | 26,938,817 | - |
| Trade and other payables | 23 | 217,598,908 | 209,074,376 |
| Related party payables, current | 8 | 2,301,475 | 592,412 |
| Other provisions, current | 24 | 12,679,722 | 22,709,784 |
| Current tax liabilities | | 21,878,400 | 10,702,500 |
| Provisions for employee benefits, current | 25 | 24,303,501 | 19,790,235 |
| Other non-financial liabilities, current | 26 | 76,996,538 | 66,649,765 |
| **Total current liabilities other than liabilities included in disposal groups classified as held for sale** | | **520,882,553** | **422,598,497** |
| Liabilities included in disposal groups classified as held for sale | 10 | 387,434 | 568,605 |
| **Total current liabilities** | | **521,269,987** | **423,167,102** |
| NON-CURRENT LIABILITIES | | | |
| Other financial liabilities, non-current | 22 | 1,725,595,785 | 1,458,620,744 |
| Lease liabilities, non-current | 19 | 211,349,479 | - |
| Trade and other payables, non-current | 23 | - | - |
| Related party payables, non-current | 8 | - | - |
| Other provisions, non-current | 24 | 33,692,240 | 37,627,205 |
| Deferred tax liabilities | 21 | 163,270,702 | 178,420,857 |
| Provisions for employee benefits, non-current | 25 | 21,031,119 | 18,858,578 |
| Other non-financial liabilities, non-current | 27 | 45,411 | 79,866,410 |
| **Total non-current liabilities** | | **2,154,984,736** | **1,773,393,794** |
| **Total non-banking sector liabilities** | | **2,676,254,723** | **2,196,560,896** |
| BANKING LIABILITIES | | | |
| Demand deposits and other obligations | 41.17 | 11,256,216,519 | 9,511,759,294 |
| Transactions pending settlement | 41.5 | 352,120,994 | 335,575,444 |
| Repurchase agreements and securities lending | 41.07 | 308,733,408 | 303,820,010 |
| Time deposits and other borrowings | 41.18 | 10,856,068,479 | 10,650,349,355 |
| Financial derivative contracts | 41.08 | 2,818,121,294 | 1,528,356,656 |
| Obligations with banks | 41.19 | 1,563,276,760 | 1,516,759,351 |
| Debt instruments issued | 41.20 | 8,813,414,200 | 7,471,613,552 |
| Subordinated obligation with the Chilean Central Bank | | - | 60,393,272 |
| Other financial obligations | 41.21 | 156,230,211 | 118,013,419 |
| Lease liabilities | 41.14 | 146,012,685 | - |
| Current taxes | 41.15 | 76,289,193 | 20,939,159 |
| Deferred taxes | 41.15 | - | - |
| Provisions | 41.22 | 530,976,466 | 487,653,617 |
| Other liabilities | 41.23 | 643,090,207 | 413,246,148 |
| **Total banking sector liabilities** | | **37,520,550,416** | **32,418,479,277** |
| **Total liabilities** | | **40,196,805,139** | **34,615,040,173** |
| Equity | | | |
| Issued capital | 29 | 1,223,669,810 | 1,223,669,810 |
| Retained earnings | | 1,588,184,889 | 1,461,989,026 |
| Share premium | 29 | 31,538,354 | 31,538,354 |
| Other reserves | 29 | 643,041,125 | 496,154,031 |
| **Equity attributable to owners of the controller** | | **3,486,434,178** | **3,213,351,221** |
| Non-controlling interests | | 4,012,957,766 | 3,907,691,188 |
| **Total equity** | | **7,499,391,944** | **7,121,042,409** |
| **Total liabilities and equity** | | **47,696,197,083** | **41,736,082,582** |

*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF INCOME

for the years ended December 31, 2019 and 2018

| INCOME STATEMENT | NOTE | 01/01/2019 12/31/2019 THCH$ | 01/01/2018 12/31/2018 THCH$ |
|---|---|---|---|
| **Non-banking sector** | | | |
| Revenue | 30 a) | 3,010,183,741 | 2,666,436,710 |
| Cost of sales | | (2,616,195,196) | (2,345,297,550) |
| Gross margin | | 393,988,545 | 321,139,160 |
| Other revenue by function | | 10,936,825 | 11,759,771 |
| Distribution costs | | - | - |
| Administrative expenses | | (329,781,455) | (289,718,069) |
| Other expenses by function | 30 b) | (4,117,367) | (4,772,507) |
| Other gains (losses) | 30 c) | 352,512 | 10,275,407 |
| **Operating income** | | **71,379,060** | **48,683,762** |
| Finance income | | 18,668,544 | 15,692,492 |
| Finance costs | 30 d) | (74,343,941) | (55,908,802) |
| Impairment losses | | - | - |
| Share of income (loss) of associates and joint ventures accounted for using the equity method | 13 | 122,805,999 | 110,851,193 |
| Exchange differences | | (421,005) | (10,447,394) |
| Gain (loss) from indexation adjustments | | (26,631,635) | (26,039,017) |
| Net income before taxes | | 111,457,022 | 82,832,234 |
| Income tax expense | 21 | (13,173,168) | (3,161,225) |
| Net income from continuing operations | | 98,283,854 | 79,671,009 |
| Net income (loss) from discontinued operations | 10 | 21,735,585 | (9,472,686) |
| **Non-banking sector net income** | | **120,019,439** | **70,198,323** |
| BANKING SECTOR | | | |
| Interest and indexation income | 41.25 | 2,111,646,073 | 1,999,548,082 |
| Interest and indexation expense | 41.25 | (741,593,578) | (678,184,501) |
| Net interest and indexation income | | 1,370,052,495 | 1,321,363,581 |
| Fee income | 41.26 | 589,171,853 | 505,116,077 |
| Fee expenses | 41.26 | (131,870,774) | (145,159,664) |
| Net fee income | | 457,301,079 | 359,956,413 |
| Net gain (loss) from financial operations | 41.27 | 116,409,427 | 139,854,304 |
| Net exchange gain (loss) | 41.28 | 30,886,630 | 2,702,069 |
| Other operating income | 41.33 | 40,548,197 | 50,861,321 |
| Provisions for loan losses | 41.29 | (347,274,500) | (281,410,249) |
| Total net operating revenues | | 1,667,923,328 | 1,593,327,439 |
| Payroll and personnel expenses | 41.30 | (475,599,337) | (442,893,421) |
| Administrative expenses | 41.31 | (329,703,349) | (331,477,121) |
| Depreciation and amortization | 41.32 | (70,541,395) | (37,680,934) |
| Impairment | 41.32 | (2,555,287) | (333,798) |
| Other operating expenses | 41.34 | (32,605,084) | (35,976,027) |
| Total operating expenses | | (911,004,452) | (848,361,301) |
| **Operating income** | | **756,918,876** | **744,966,138** |
| Result of investments in other companies | 41.12 | 6,450,481 | 7,255,066 |
| Interest on subordinated debt with the Chilean Central Bank | | (28,164,600) | (79,534,161) |
| Net income before taxes | | 735,204,757 | 672,687,043 |
| Income tax expense | 41.15 | (169,683,320) | (156,609,295) |
| Net income from continuing operations | | 565,521,437 | 516,077,748 |
| **Banking sector net income** | | **565,521,437** | **516,077,748** |
| **Consolidated net income** | | **685,540,876** | **586,276,071** |
| | | | |
| **Net income attributable to owners of the controller** | | **210,049,493** | **180,430,410** |
| Net income attributable to non-controlling interests | | 475,491,383 | 405,845,661 |
| Consolidated net income | | 685,540,876 | 586,276,071 |

*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF INCOME

for the years ended December 31, 2019 and 2018

| STATEMENT OF COMPREHENSIVE INCOME | 01/01/2019 12/31/2019 THCH$ | 01/01/2018 12/31/2018 THCH$ |
|---|---|---|
| Consolidated net income | 685,540,876 | 586,276,071 |
| COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT FOR THE YEAR | | |
| Other comprehensive income (loss) from revaluation of defined-benefit pension plans | (9,537,730) | 289,089 |
| Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method, which will not be reclassified to the income statement for the year | (5,424,080) | 1,503,435 |
| **Total other comprehensive income (loss) that will not be reclassified to the income statement for the year** | **(14,961,810)** | **1,792,524** |
| COMPONENTS OF OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO THE INCOME STATEMENT FOR THE YEAR | | |
| Currency translation differences | | |
| Gain (loss) from currency translation differences | 141,255,895 | 168,795,945 |
| Other comprehensive income (loss) from currency translation differences | 141,255,895 | 168,795,945 |
| FINANCIAL ASSETS HELD FOR SALE | | |
| Gains (losses) from new measurements of financial assets held for sale | 2,376,274 | (4,341,533) |
| Other comprehensive income from financial assets held for sale | 2,376,274 | (4,341,533) |
| Cash flow hedges | | |
| Gain (loss) from cash flow hedges | (974,910) | (18,940,176) |
| Other comprehensive income (loss) from cash flow hedges | (974,910) | (18,940,176) |
| | | |
| **Total other comprehensive income (loss) that will be reclassified to the income statement for the year** | **142,657,259** | **145,514,236** |
| | | |
| Other components of other comprehensive income | 127,695,449 | 147,306,760 |
| | | |
| **Total comprehensive income** | **813,236,325** | **733,582,831** |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO | | |
| Owners of the controller | 337,744,942 | 327,737,170 |
| Non-controlling interests | 475,491,383 | 405,845,661 |
| **Total comprehensive income** | **813,236,325** | **733,582,831** |

*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2019 and 2018

| STATEMENT OF CASH FLOWS | NOTE | 01/01/2019 12/31/2019 THCH$ | 01/01/2018 12/31/2018 THCH$ |
|---|---|---|---|
| **Cash flows provided by (used in) operating activities** | | | |
| NON-BANKING SECTOR | | | |
| Proceeds from operating activities | | | |
| Proceeds from the sale of goods and provision of services | | 3,461,937,786 | 3,088,735,903 |
| Proceeds from premiums and claims, annuities and other policy benefits | | 195,594 | 90,164,918 |
| Proceeds from other operating activities | | 5,204,271 | 7,025,193 |
| PAYMENTS FOR OPERATING ACTIVITIES | | | |
| Payments to suppliers for goods and services | | (3,043,305,556) | (2,868,843,063) |
| Payments to and on behalf of employees | | (167,992,994) | (166,201,488) |
| Payments for premiums and claims, annuities and other policy obligations | | (6,391,015) | (5,113,918) |
| Other payments for operating activities | | (51,401,713) | (53,909,335) |
| Net cash flows provided by operating activities | | 198,246,373 | 91,858,210 |
| Income taxes paid | | 1,551,716 | (13,539,224) |
| Other receipts | | 1,113,696 | 1,585,390 |
| **Net cash flow provided by non-banking sector operating activities** | | **200,911,785** | **79,904,376** |
| BANKING SECTOR | | | |
| Consolidated net income for the year | | 564,843,974 | 515,116,759 |
| Charges (credits) to income not involving cash movements | | | |
| Depreciation and amortization | | 73,096,682 | 38,014,732 |
| Provisions for loan losses | | 395,249,514 | 341,988,831 |
| Adjustment to market value of trading instruments | | 293,772 | (663,288) |
| Net income on investment in companies with significant influence | | (6,039,252) | (6,810,724) |
| Net gain on sales of assets received in lieu of payment | | (10,792,963) | (8,778,709) |
| Gain on sales of property, plant and equipment | | (90,317) | (3,631,885) |
| Write-off of assets received in lieu of payment | | 8,778,447 | 6,637,593 |
| Other charges (credits) not involving cash movements | | 8,879,991 | (120,020,543) |
| Net change in accrued interest, indexation and fees on assets and liabilities | | 146,777,065 | 161,168,898 |
| Changes in assets and liabilities that affect operating cash flows | | | |
| Net (increase) decrease in obligations with banks | | 354,307,633 | (734,330,442) |
| (Increase) decrease in customer loans and receivables | | (2,343,162,329) | (2,687,964,262) |
| Net (increase) decrease in trading instruments | | 2,800,828 | 211,058,522 |
| Increase (decrease) in demand deposits and other obligations | | 1,690,418,959 | 689,024,254 |
| Increase (decrease) in repurchase agreements and securities lending | | 1,710,626 | 98,569,902 |
| Increase (decrease) in time deposits and other borrowings | | 184,394,775 | 579,827,247 |
| Increase (decrease) in obligations with banks | | (114,881,499) | (255,546,514) |
| Increase (decrease) in other financial obligations | | 42,663,705 | (8,752,897) |
| Loans from Chilean Central Bank (long-term) | | - | - |
| Loans repaid to the Chilean Central Bank (long-term) | | - | (564) |
| Foreign loans received (long-term) | | 2,007,151,079 | 1,799,976,656 |
| Foreign loans repaid (long-term) | | (1,847,514,239) | (1,223,795,472) |
| Other long-term borrowings | | - | 14,560 |
| Repayments of other long-term borrowings | | (4,004,931) | (9,813,708) |
| Subordinated obligation provision with the Chilean Central Bank | | 28,164,600 | 79,534,161 |
| Others | | (46,693,650) | (7,818,968) |
| **Subtotal of net cash flow provided by (used in) banking sector operating activities** | | **1,136,352,470** | **(546,995,861)** |
| **Total net cash flows provided by (used in) operating activities** | | **1,337,264,255** | **(467,091,485)** |

*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2019 and 2018

| CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES | 01/01/2019 12/31/2019 THCH$ | 01/01/2018 12/31/2018 THCH$ |
|---|---|---|
| NON-BANKING SECTOR | | |
| Cash flows provided by the loss of control of subsidiaries or other businesses | 47,098,596 | 369,666 |
| Cash flows used in obtaining control of subsidiaries or other businesses | (196,429,716) | (155,099,977) |
| Cash flows from sale of non-controlling interests | 8,382,264 | - |
| Payments to purchase non-controlling interests | (213,118) | - |
| Other proceeds from the sale of equity or debt instruments of other entities | 1,985,821,419 | 2,111,734,457 |
| Other payments to acquire equity or debt instruments of other entities | (1,743,728,474) | (2,255,116,819) |
| Other proceeds from the sale of joint ventures | 1,041,202 | - |
| Other payments to acquire interests in joint ventures | (83,365,150) | (17,525,076) |
| Loans to related parties | - | - |
| Proceeds from the sale of property, plant and equipment | 4,006,129 | 15,400,485 |
| Purchases of property, plant and equipment | (88,533,297) | (68,437,072) |
| Purchases of intangible assets | (2,414,377) | (5,494,929) |
| Purchases of other long-term assets | - | - |
| Proceeds from other long-term assets | - | - |
| Cash advances and loans to third parties | - | - |
| Payments received from related parties | 131,140 | 2,139,988 |
| Dividends received | 95,163,835 | 58,606,805 |
| Interest received | 23,477,572 | 13,580,174 |
| Other receipts (payments) | 9,213,475 | (10,306,481) |
| **Net cash flow provided by (used in) non-banking sector investing activities** | **59,651,500** | **(310,148,779)** |
| BANKING SECTOR | | |
| Net (increase) decrease in investment instruments held for sale | (302,427,131) | 463,557,542 |
| Lease contract payments | (31,098,140) | - |
| Purchases of property, plant and equipment | (43,511,146) | (28,064,910) |
| Sales of property, plant and equipment | 92,115 | 3,640,326 |
| Investments in other companies | (671,411) | (30,440) |
| Dividends received from investments in other companies | 963,796 | 855,363 |
| Sale of assets received in lieu of payment | 30,795,297 | 31,402,591 |
| Net (increase) decrease in other assets and liabilities | 103,134,867 | (162,958,050) |
| Others | (20,928,307) | (23,512,306) |
| **Subtotal net cash flow provided by (used in) banking sector investing activities** | **(263,650,060)** | **284,890,116** |
| **Total net cash flow used in investing activities** | **(203,998,560)** | **(25,258,663)** |

*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2019 and 2018

| | NOTE | 01/01/2019 12/31/2019 THCH$ | 01/01/2018 12/31/2018 THCH$ |
|---|---|---|---|
| CASH FLOWS PROVIDED BY (USED IN) NON-BANKING SECTOR FINANCING ACTIVITIES | | | |
| Proceeds from share issuances | | - | - |
| Proceeds from issuing other equity instruments | | - | - |
| Payments for other interests in equity | | - | (2,115,964) |
| | | | |
| Proceeds from long-term loans | | 201,797,099 | 377,442,429 |
| Proceeds from short-term loans | | 140,967,017 | 192,587,879 |
| Total loan proceeds | | 342,764,116 | 570,030,308 |
| Loans from related parties | | - | - |
| Loan repayments | | (168,215,511) | (301,295,465) |
| Payments for lease liabilities | | (47,152,258) | (1,627,752) |
| Dividends paid | | (146,849,647) | (121,876,296) |
| Interest paid | | (59,683,194) | (44,976,916) |
| Other cash receipts (payments) | | (2,070,907) | (1,089,456) |
| **Net cash flow provided by (used in) non-banking sector financing activities** | | **(81,207,401)** | **97,048,459** |
| Banking sector | | | |
| Redemption of letters of credit | | (3,268,300) | (4,387,569) |
| Bonds issued | | 2,625,176,942 | 2,157,586,801 |
| Bonds repaid | | (1,546,571,525) | (1,436,231,653) |
| Payment of subordinated obligation with the Chilean Central Bank | | (90,299,887) | (152,930,211) |
| Dividends paid | | (137,891,296) | (114,854,550) |
| **Subtotal net cash flow provided by banking sector financing activities** | | **847,145,934** | **449,182,818** |
| **Total net cash flow provided by financing activities** | | **765,938,533** | **546,231,277** |
| Net increase (decrease) in cash and cash equivalents, before the effect of exchange rate changes | | 1,899,204,228 | 53,881,129 |
| Effect of exchange rate changes on cash and cash equivalents | | 34,532,636 | 142,523,495 |
| Net increase (decrease) in cash and cash equivalents | | 1,978,661,264 | 196,404,624 |
| Cash and cash equivalents as of start of the year (1) | | 2,549,371,864 | 2,355,437,655 |
| **Cash and cash equivalents as of end of the year** | **4 c)** | **4,483,108,728** | **2,551,842,279** |

*(1) The starting balance for 2019 does not include the cash and cash equivalents from the sale of Inv.Vita S.A. for ThCh$ 2,470,415, which was included in the consolidated financial statements for 2018.*



*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

# STATEMENT OF CHANGES IN EQUITY

for the years ended December 31, 2019 and 2018

| | COMMON SHARES | | OTHER RESERVES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ISSUED CAPITAL THCH$ | SHARE PREMIUM THCH$ | REVALUATION SURPLUS THCH$ | CURRENCY TRANSLATION RESERVES THCH$ | CASH FLOW HEDGE RESERVES THCH$ | GAINS OR LOSSES ON REVALUATION OF FINANCIAL ASSETS HELD FOR SALE RESERVE THCH$ | OTHER MISCELLANEOUS RESERVES THCH$ | TOTAL OTHER RESERVES THCH$ | RETAINED EARNINGS (ACCUMULATED LOSSES) THCH$ | EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLER THCH$ | NON-CONTROLLING INTERESTS THCH$ | TOTAL EQUITY THCH$ |
| **Opening balance as of 01/01/2019** | **1,223,669,810** | **31,538,354** | **1,031,342** | **111,244,302** | **(8,931,056)** | **14,868,232** | **377,941,211** | **496,154,031** | **1,461,989,026** | **3,213,351,221** | **3,907,691,188** | **7,121,042,409** |
| Increase (decrease) due to changes in accounting policy (Note 3) | - | - | - | - | - | - | - | - | (1,291,124) | (1,291,124) | (8,088) | (1,299,212) |
| Increase (decrease) for prior period adjustments | - | - | - | - | - | - | - | - | - | - | - | - |
| Restated opening balance | 1,223,669,810 | 31,538,354 | 1,031,342 | 111,244,302 | (8,931,056) | 14,868,232 | 377,941,211 | 496,154,031 | 1,460,697,902 | 3,212,060,097 | 3,907,683,100 | 7,119,743,197 |
| Changes in equity | | | | | | | | | | | | |
| **Comprehensive income** | | | | | | | | | | | | |
| Gain (loss) | - | - | - | - | - | - | - | - | 210,049,493 | 210,049,493 | 475,491,383 | 685,540,876 |
| Other comprehensive income | - | - | - | 141,255,895 | (974,910) | 2,376,274 | (14,961,810) | 127,695,449 | - | 127,695,449 | - | 127,695,449 |
| Comprehensive income | - | - | - | 141,255,895 | (974,910) | 2,376,274 | (14,961,810) | 127,695,449 | 210,049,493 | 337,744,942 | 475,491,383 | 813,236,325 |
| Shares issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - | (81,057,888) | (81,057,888) | - | (81,057,888) |
| Increase (decrease) for changes in interest in subsidiary that do not involve loss of control | - | - | - | - | - | - | 27,767,478 | 27,767,478 | - | 27,767,478 | (27,767,478) | - |
| Increases (decreases) due to transfers and other changes | - | - | - | - | - | - | (8,575,833) | (8,575,833) | (1,504,618) | (10,080,451) | (342,449,239) | (352,529,690) |
| **Total changes in equity** | **-** | **-** | **-** | **141,255,895** | **(974,910)** | **2,376,274** | **4,229,835** | **146,887,094** | **127,486,987** | **274,374,081** | **105,274,666** | **379,648,747** |
| **Closing balance as of 12/31/2019** | **1,223,669,810** | **31,538,354** | **1,031,342** | **252,500,197** | **(9,905,966)** | **17,244,506** | **382,171,046** | **643,041,125** | **1,588,184,889** | **3,486,434,178** | **4,012,957,766** | **7,499,391,944** |
| **Opening balance as of 01/01/2018** | **1,223,669,810** | **31,538,354** | **1,031,342** | **(57,596,526)** | **10,009,120** | **19,209,765** | **372,377,898** | **345,031,599** | **1,363,473,367** | **2,963,713,130** | **3,589,077,338** | **6,552,790,468** |
| Increase (decrease) due to changes in accounting policy | - | - | - | - | - | - | - | - | (3,644,900) | (3,644,900) | (190,102) | (3,835,002) |
| Increase (decrease) for prior period adjustments | - | - | - | - | - | - | - | - | (2,471,900) | (2,471,900) | (2,263,651) | (4,735,551) |
| Restated opening balance | 1,223,669,810 | 31,538,354 | 1,031,342 | (57,596,526) | 10,009,120 | 19,209,765 | 372,377,898 | 345,031,599 | 1,357,356,567 | 2,957,596,330 | 3,586,623,585 | 6,544,219,915 |
| Changes in equity | | | | | | | | | | | | |
| **Comprehensive income** | | | | | | | | | | | | |
| Consolidated net income | - | - | - | - | - | - | - | - | 180,430,410 | 180,430,410 | 405,845,661 | 586,276,071 |
| Other comprehensive income | - | - | - | 168,795,945 | (18,940,176) | (4,341,533) | 1,792,524 | 147,306,760 | - | 147,306,760 | - | 147,306,760 |
| Comprehensive income | - | - | - | 168,795,945 | (18,940,176) | (4,341,533) | 1,792,524 | 147,306,760 | 180,430,410 | 327,737,170 | 405,845,661 | 733,582,831 |
| Shares issued | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - | (75,877,091) | (75,877,091) | - | (75,877,091) |
| Increase (decrease) for changes in interest in subsidiary that do not involve loss of control | - | - | - | - | - | - | (10,682,296) | (10,682,296) | - | (10,682,296) | 10,682,296 | - |
| Increases (decreases) due to transfers and other changes | - | - | - | 44,883 | - | - | 14,453,085 | 14,497,968 | 79,140 | 14,577,108 | (95,460,354) | (80,883,246) |
| **Total changes in equity** | **-** | **-** | **-** | **168,840,828** | **(18,940,176)** | **(4,341,533)** | **5,563,313** | **151,122,432** | **104,632,459** | **255,754,891** | **321,067,603** | **576,822,494** |
| **Closing balance as of 12/31/2018** | **1,223,669,810** | **31,538,354** | **1,031,342** | **111,244,302** | **(8,931,056)** | **14,868,232** | **377,941,211** | **496,154,031** | **1,461,989,026** | **3,213,351,221** | **3,907,691,188** | **7,121,042,409** |

*The accompanying notes 1 to 42 form an integral part of these consolidated financial statements.*

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

## Note 1 – Corporate information

### (a) Company information

Quiñenco S.A. (hereinafter "Quiñenco" or "the Company") is a publicly held corporation, with ID number 91.705.000-7, domiciled at Enrique Foster Sur 20, Las Condes, Santiago. The Company is registered in the Securities Registry under No. 0597 and is subject to the regulatory authority of the Financial Market Commission (hereinafter the "CMF").

These consolidated financial statements have been approved by the Board of the Company at its meeting held on March 26, 2020.

### (b) Description of operations and principal activities

The Company mainly has investments in the industrial and financial services sectors in numerous areas of the Chilean economy. The Company provides banking and financial services through the indirect subsidiary Banco de Chile (hereinafter "the Bank"); it produces and sells soft drinks, wine, beer and other beverages through the indirect associate company Compañía Cervecerías Unidas S.A. (hereinafter "CCU"), an investment registered under the equity method through Inversiones y Rentas S.A.; it manufactures cables through the subsidiary Invexans S.A. (hereinafter "Invexans"); it participates in the distribution and sale of products and services in the areas of fuels and lubricants, through the subsidiary Enex S.A. (hereinafter "Enex"); In addition, it participates in the shipping and port services business through the subsidiaries Compañía Sud Americana de Vapores S.A. (hereinafter "CSAV") and Sociedad Matriz SAAM S.A. (hereinafter "SM SAAM"), respectively.

The Company's businesses are as follows:

**Financial services:** Quiñenco has a direct and indirect shareholding in Banco de Chile, through its 50.00% holding of the share capital, as of December 31, 2019 and 2018, of the subsidiary LQ Inversiones Financieras S.A. (hereinafter "LQIF"). LQIF is a company formed by Quiñenco in 2000 in order to channel its investments in the financial sector. Since 2001, its principal investment is its controlling shareholding in Banco de Chile, one of the largest financial institutions in Chile. Banco de Chile is listed in Chile and on the New York Stock Exchange (NYSE).

As of December 31, 2019 and 2018, LQIF directly and indirectly holds 51.15% of Banco de Chile.

As of December 31, 2019, LQIF directly holds 46.34% of Banco de Chile and indirectly holds 4.81% through its subsidiary Inversiones LQSM Limitada. As of December 31, 2019, LQIF no longer has control over Sociedad Matriz del Banco de Chile S.A. (hereinafter "SM Chile") as a result of the liquidation of the latter following the payment and elimination of its subordinated debt.

As of December 31, 2018, LQIF held 27.18% of Banco de Chile directly and 23.97% indirectly, through its subsidiaries Inversiones LQSM Limitada and SM Chile. As of December 31, 2018, LQIF held 58.24% of SM Chile, which held 12.02% directly and 28.31% indirectly through its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. (hereinafter "SAOS"). In all, LQIF had a direct and indirect interest in the Bank of 51.15% as of December 31, 2018.

As of December 31, 2019 and 2018, LQIF holds 51.15% and 34.10%, respectively, of the dividend rights in the Bank.

**Beverages and food:** The Company has an indirect shareholding in CCU through the ownership of 50% of Inversiones y Rentas S.A. (hereinafter "IRSA"). IRSA is a joint venture with the Dutch brewery group Heineken Americas B.V. (hereinafter "Heineken"). As a result, Heineken holds 50% of IRSA and is thus a partner of Quiñenco, being the joint controllers of 60.00% of CCU as of December 31, 2019 and 2018.

**Note 1 – Corporate information (continued)**

**(b) Description of operations and principal activities (continued)**

**Manufacturing:** Quiñenco has a 99.38% interest in the subsidiary Invexans as of December 31, 2019, and 98.68% as of December 31, 2018. Its most important asset is a 28.50% interest in the French company Nexans. Additionally, Quiñenco has a 0.53% indirect interest in Nexans through its subsidiary Tech Pack. Nexans is a global player in the cable industry, offering a wide range of cables and cabling systems and with an industrial presence in 34 countries and trading activities throughout the world. Nexans is quoted on the NYSE Euronext exchange in Paris.

Quiñenco also has a 99.97% interest in the subsidiary Tech Pack as of December 31, 2019 and 2018.

**Fuels and Lubricants:** Quiñenco has an indirect interest of 100% in the subsidiary Enex whose main activity is the distribution and sale of products and services in the areas of fuels and lubricants for motor vehicles, industry, aviation and shipping, asphalts (bitumen) and chemicals. The company markets its products mainly using the Shell brand.

**Transport:** Quiñenco has a 61.45% and 56.17% interest in the subsidiary Compañía Sud Americana de Vapores S.A. (CSAV), as of December 31, 2019 and 2018, respectively. This company is mainly involved in cargo shipping and its most important asset is a 27.79% interest in the shipping company Hapag-Lloyd A.G.

**Port Services:** Quiñenco has a 52.20% interest in the subsidiary SM SAAM S.A. as of December 31, 2019 and 2018. The subsidiary SM SAAM S.A. provides towage, port terminal and logistics services.

**(c) Employees**

The following table shows the number of employees of Quiñenco and its subsidiaries:

| **Number of Employees** | **12/31/2019** | **12/31/2018** |
|---|---|---|
| Quiñenco | 67 | 69 |
| LQIF and subsidiaries | 13,560 | 13,835 |
| SM SAAM | 3,649 | 3,162 |
| Enex and subsidiaries | 3,638 | 3,726 |
| Tech Pack and subsidiaries | 7 | 9 |
| CSAV | 41 | 42 |
| Invexans | 5 | 4 |
| Other subsidiaries | 23 | 97 |
| **Total employees** | **20,990** | **20,944** |

**Note 2 – Summary of significant accounting policies**

**(a) Period covered**

These consolidated financial statements cover the following annual periods:

- Consolidated statements of financial position as of December 31, 2019 and 2018.
- Consolidated statements of comprehensive income: for the years ended December 31, 2019 and 2018.
- Consolidated statements of cash flows and changes in equity for the years ended December 31, 2019 and 2018.

**Note 2 – Summary of significant accounting policies (continued)**

**(b) Basis of preparation**

The information contained in these consolidated financial statements is the responsibility of the Company's Board of Directors, which expressly states that during the years 2019 and 2018 the instructions and standards for preparation and presentation of financial information issued by the Financial Market Commission (hereinafter "CMF"), which include the application of International Financial Reporting Standards (hereinafter "IFRS") issued by the International Accounting Standards Board (hereinafter "IASB"), have been fully applied, with the following exceptions, as established by the Financial Market Commission for the preparation of these financial statements:

The consolidated financial statements of the banking entities were directly consolidated with the subsidiary Banco de Chile, which was consolidated with SM Chile as of December 31, 2018, as the subordinated obligation with the Chilean Central Bank was fully repaid on April 30, 2019. Accordingly, SM Chile and SAOS were dissolved under the provisions of Law 19,396. Subsequently, the shares held by SM Chile in Banco de Chile were distributed to SM Chile's shareholders on June 6, 2019, and LQIF lost control over SM Chile and discontinued consolidation.

Banco de Chile and SM Chile, subsidiaries[1] of LQ Inversiones Financieras S.A. are regulated by the CMF. Article 5 of Law 21,000 created the CMF and Article 5 authorizes it to issue generally applied accounting standards for the entities that it regulates. The Corporations Law, in turn, requires compliance with generally accepted accounting principles.

Under this legislation, banks should follow the accounting criteria issued by the CMF in its Compendium of Accounting Standards (hereinafter the "Compendium") and, in all matters not covered by these and which are not contradicted by its instructions, they should follow generally accepted accounting criteria as set out in the technical instructions issued by the Chilean Institute of Accountants, which coincide with IFRS issued by the IASB. In the case of differences between these generally accepted accounting principles and the accounting criteria issued by the CMF, the latter shall prevail.

The banking subsidiaries therefore have partially followed IFRS through the application of the Compendium issued by the CMF, generating the following differences:

- Provisions for loan losses: The Bank currently considers in its provisioning model both estimated and incurred losses, as established by the CMF. In this sense, this CMF model differs from IFRS as the latter only considers losses incurred; this could generate possible adjustments for this concept.
- Impaired loans: The present CMF treatment states that interest revenue cannot be recognized in income on an accrual basis. Under IFRS, the financial asset is not written off, a provision is made for impairment, and interest is generated, based on the interest rate used for discounting the cash flows, not considering therefore the suspension of the recognition of revenue.
- Assets received in lieu of payment: The present treatment considers the lesser of their initial value plus any additions and the net realizable value. Assets that have not been disposed of within a year are written off gradually over an additional period established by the CMF. Under IFRS, the write-off of the assets is not considered while they have an economic value.
- Business combinations - goodwill: As established by the CMF, assets originating before December 31, 2008, with respect to goodwill will maintain the original valuation criteria used in 2008, i.e. they will be amortized until their extinction. Goodwill that has been extinguished will not return to assets.
- Financial instruments (IFRS 9): This standard includes new principles-based requirements for classification and measurement and introduces a more prospective model of expected loan losses for impairment accounting and changes to hedge accounting. Application of this standard is mandatory for periods beginning on or after January 1, 2018. However, this legislation has not yet been approved by the CMF, which is required for it to apply to these consolidated financial statements by the banking subsidiary.

[1] For IFRS purposes, "subsidiary" is any company in which the parent company has the capacity and intention of exercising control, which is generally obtained when it owns more than 50% of the capital with voting rights or can choose or appoint most of its directors or managers, and is, therefore, equivalent to the concept of affiliate established in Article 86 of Corporations Law 18,046.

**Note 2 – Summary of significant accounting policies (continued)**

**(b) Basis of preparation (continued)**

The Company has complied with CMF Circular 506 issued on February 13, 2009, which allows companies with investments in banking entities to register and value these entities based on financial statements prepared in accordance with standards established by the CMF, without being required to make conversion adjustments to IFRS. The accounting policies used by the banking entities to prepare their financial statements are described in Note 2 (dd) onward.

The specific provisions for corporations contained in Law 18,046 and its regulations have also been considered.

For comparison purposes, the Company and its subsidiaries have made minor reclassifications to their annual consolidated financial statements as of December 31, 2018, which do not affect their interpretation.

For the convenience of the reader, these financial statements have been translated from Spanish to English.

**(c) IFRS standards and interpretations of the IFRS Interpretations Committee**

The standards, interpretations, improvements and amendments to IFRS that come into effect on January 1, 2019 are detailed below. The Company has applied these standards and concluded that they will not significantly affect the financial statements, except for IFRS 16 as described in Note 3.

| | Standards and Interpretations | Obligatory application |
|---|---|---|
| **IFRS 16** | Leases | January 1, 2019 |
| **IFRIC 23** | Uncertainty over income tax treatments | January 1, 2019 |

| | Amendments | Obligatory application |
|---|---|---|
| **IFRS 3** | Business combinations – previously held interests in a joint operation | January 1, 2019 |
| **IFRS 9** | Financial instruments – prepayment features with negative compensation | January 1, 2019 |
| **IFRS 11** | Joint arrangements – previously held interests in a joint operation | January 1, 2019 |
| **IAS 12** | Income taxes – income tax consequences of payments on instruments classified as equity | January 1, 2019 |
| **IAS 23** | Borrowing costs – borrowing costs eligible for capitalization | January 1, 2019 |
| **IAS 28** | Investments in associates – long-term investments in associates or joint ventures | January 1, 2019 |
| **IAS 19** | Employee benefits – plan amendment, curtailment or settlement | January 1, 2019 |

Management estimates that adopting the new standards, improvements and amendments that have been issued but have not yet become effective as of the date of these consolidated financial statements and which are detailed below, will not have a significant effect on its financial statements when they are applied.

| | New Standards and Interpretations | Obligatory application |
|---|---|---|
| **Conceptual Framework** | Conceptual Framework (revised) | January 1, 2020 |
| **IFRS 17** | Insurance contracts | January 1, 2021 |

| | Amendments | |
|---|---|---|
| IFRS 3 | Definition of a business | January 1, 2020 |
| IAS 1 and IAS 8 | Definition of material | January 1, 2020 |
| IFRS 9, IAS 9 and IFRS 7 | Reference interest rate reform | January 1, 2020 |
| IFRS 10 and IAS 28 | Consolidated financial statements – sale or contribution of assets between an investor and its associate or joint venture | To be determined |

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

## Note 2 – Summary of significant accounting policies (continued)

### (d) Consolidation

These consolidated financial statements include the assets, liabilities, income and cash flows of the Company and its subsidiaries. The effects of significant transactions with subsidiaries have been eliminated and the interest of the minority investors is shown in the consolidated statement of financial position and consolidated comprehensive income statement in the account Non-controlling interests.

The financial statements of the following subsidiaries have been consolidated:

| ID number | Subsidiary | Country | Functional currency | Ownership interest (*) 12/31/2019 Direct | Indirect | Total | 12/31/2018 Total |
|---|---|---|---|---|---|---|---|
| 76.077.048-5 | Inversiones Caboto S.A. and Subsidiary | Chile | CLP | 99.9999 | 0.0001 | 100.0000 | 100.0000 |
| 76.136.898-2 | Inversiones Río Argenta S.A. and Subsidiary | Chile | CLP | 99.9999 | 0.0001 | 100.0000 | 100.0000 |
| 76.284.393-5 | Cabletron S.A. | Chile | CLP | 99.9800 | 0.0200 | 100.0000 | 100.0000 |
| 77.253.300-4 | Inversiones Rio Bravo S.A. and Subsidiary | Chile | CLP | 81.4038 | 18.5962 | 100.0000 | 100.0000 |
| 87.011.000-6 | Inv. O'Higgins Punta Arenas S.A. | Chile | CLP | 75.5579 | 0.0000 | 75.5579 | 75.5579 |
| 91.000.000-4 | Industria Nacional de Alimentos S.A. | Chile | CLP | 71.9576 | 27.9769 | 99.9345 | 99.9345 |
| 91.527.000-K | Empresa El Peñón S.A. and Subsidiary | Chile | CLP | 98.1293 | 0.0000 | 98.1293 | 98.1122 |
| 95.987.000-4 | Inversiones Río Grande S.p.A. and Subsidiaries | Chile | CLP | 99.9898 | 0.0102 | 100.0000 | 100.0000 |
| 96.611.550-5 | Unitron S.A. | Chile | CLP | 99.9999 | 0.0001 | 100.0000 | 100.0000 |
| 96.657.700-2 | Inversiones Ranquil S.A. | Chile | CLP | 99.9975 | 0.0007 | 99.9982 | 99.9982 |
| 96.892.490-7 | Protección y Seguridad S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.929.880-5 | LQ Inversiones Financieras S.A. and Subsidiaries | Chile | CLP | 47.3520 | 2.6480 | 50.0000 | 50.0000 |
| 76.275.453-3 | Tech Pack S.A. and Subsidiaries | Chile | USD | 80.7634 | 19.2078 | 99.9712 | 99.9712 |
| 90.160.000-7 | Compañía Sud Americana de Vapores S.A. and Subsidiaries | Chile | USD | 20.4150 | 41.0353 | 61.4503 | 56.1749 |
| 76.196.715-5 | Sociedad Matriz SAAM S.A. and Subsidiaries | Chile | USD | 15.6396 | 36.5592 | 52.1988 | 52.1988 |
| 91.021.000-9 | Invexans S.A. and Subsidiaries | Chile | USD | 75.9412 | 23.4363 | 99.3774 | 98.6801 |
| 93,802,000-0 | Hidrosur S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.572.580-6 | Inversiones y Bosques S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 93.493.000-2 | Hoteles Carrera S.A. | Chile | CLP | 0.0000 | 99.1960 | 99.1960 | 99.1801 |
| 96.635.350-3 | Inmob. e Inv. Hidroindustriales S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.847.140-6 | Inmobiliaria Norte Verde S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 99.568.590-6 | Inversiones Río Azul S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.912.450-5 | Inversiones Vita S.A. | Chile | CLP | 0.0000 | 0.0000 | 0.0000 | 66.3000 |
| 96.917.990-3 | Banchile Seguros de Vida S.A. | Chile | CLP | 0.0000 | 0.0000 | 0.0000 | 99.9000 |
| 76,620,816-9 | Segchile Seguros Generales S.A. | Chile | CLP | 0.0000 | 0.0000 | 0.0000 | 99.9000 |
| 92.011.000-2 | Empresa Nacional de Energía ENEX S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 89.467.400-8 | Dicomac Ltda. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 94.625.000-7 | Inversiones Enex S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76.376.573-3 | Empresa de Soluciones Mineras ESM SpA. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76.896.773-3 | Enex Investments Chile SpA | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Enex Investments US, Inc. | USA | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Road Ranger, LLC | USA | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96,999,360-0 | Inversiones LQ-SM Limitada | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.805.890-8 | SM-Chile S.A. | Chile | CLP | 0.0000 | 0.0000 | 0.0000 | 58.2400 |
| 96.803.910-5 | Soc. Administradora de la Obligación Subordinada SAOS | Chile | CLP | 0.0000 | 0.0000 | 0.0000 | 58.9200 |
| 97.004.000-5 | Banco de Chile | Chile | CLP | 0.0000 | 51.1500 | 51.1500 | 51.1500 |
| 96.767.630-6 | Banchile Administradora General de Fondos S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.543.250-7 | Banchile Asesoría Financiera S.A. | Chile | CLP | 0.0000 | 99.9600 | 99.9600 | 99.9600 |
| 77.191.070-K | Banchile Corredores de Seguros Ltda. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.571.220-8 | Banchile Corredores de Bolsa S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |

## Note 2 – Summary of significant accounting policies (continued)

### (d) Consolidation (continued)

| ID number | Subsidiary | Country | Functional currency | Ownership interest (*) 12/31/2019 Direct | Indirect | Total | 12/31/2018 Total |
|---|---|---|---|---|---|---|---|
| 96.932.010-K | Banchile Securitizadora S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.645.790-2 | Socofin S.A. | Chile | CLP | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Invexans Limited | England | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 91.524.000-3 | Inmobiliaria Techpack S.A. | Chile | USD | 0.0000 | 99.9700 | 99.9700 | 99.9700 |
| 94.262.000-4 | Soinmad S.A. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76,009,053-0 | Madeco Mills S.A. | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.619.180-5 | Logística Techpack S.A. | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Inversiones Inmobiliaria Flexa S.A.S | Colombia | USD | 0.0000 | 0.0000 | 0.0000 | 50.0000 |
| Foreign | Decker Industrial S.A. | Argentina | USD | 0.0000 | 99.7200 | 99.7200 | 99.7200 |
| Foreign | H.B. San Luis S.A. | Argentina | USD | 0.0000 | 99.7200 | 99.7200 | 99.7200 |
| Foreign | Metacab S.A. | Argentina | USD | 0.0000 | 99.7200 | 99.7200 | 99.7200 |
| Foreign | Norgistics (China) Ltd. (Shenzhen) | China | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.838.050-7 | Compañía Naviera Rio Blanco S.A. | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | CSAV Germany Container Holding GmbH | Germany | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Corvina Shipping Co. S.A. and Subsidiaries | Panama | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Tollo Shipping Co. S.A. and Subsidiaries | Panama | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Navibras Comercial Maritima e Afretamentos Ltda. | Brazil | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76.028.729-6 | Norgistics Holding S.A. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Norgistics México S.A. de C.V. | Mexico | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Norgistics Perú S.A.C. | Peru | USD | 0.0000 | 0.0000 | 0.0000 | 100.0000 |
| 92.048.000-4 | SAAM S.A. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76,729,932-K | SAAM Logistics S.A. | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76.757.003-1 | SAAM Ports S.A. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96,973,180-0 | SAAM Internacional S.A. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76.002.201-2 | SAAM Puertos S.A. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76.708.840-K | Inmobiliaria San Marco Ltda. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 76.479.537-7 | SAAM Inversiones SpA | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| 96.720.220-7 | Inversiones San Marco Ltda. and Subsidiaries | Chile | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | SAAM Remolques S.A. de C.V. and Subsidiaries | Mexico | USD | 0.0000 | 100.0000 | 100.0000 | 51.0000 |
| Foreign | SAAM Towage Brasil S.A. and Subsidiaries | Brazil | USD | 0.0000 | 100.0000 | 100.0000 | 0.0000 |
| Foreign | Concesionaria SAAM Costa Rica S.A. | Costa Rica | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Ecuaestibas S.A. | Ecuador | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | SAAM Remolcadores Colombia S.A.S | Colombia | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Inversiones Habsburgo S.A. | Panama | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Inversiones Alaria S.A. II | Panama | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |
| Foreign | Saam Remolcadores Panamá S.A. | Panama | USD | 0.0000 | 100.0000 | 100.0000 | 100.0000 |

**(*)**: These are ownership percentages in the parent companies that are direct subsidiaries of Quiñenco S.A. and their ownership percentages in their own subsidiaries that are not consolidated.

**Note 2 – Summary of significant accounting policies (continued)**

**(d) Consolidation (continued)**

The subsidiaries Invexans, LQIF, CSAV and Sociedad Matriz SAAM are registered in the Securities Registry under the numbers 251, 730, 76 and 1091, respectively, and are subject to inspection by the Financial Market Commission.

The company controls a subsidiary if and only if it has:

- Power over the subsidiary (rights that give it the power to direct the subsidiary's relevant activities).
- Exposure or rights to variable returns from its involvement in the subsidiary.
- It can influence these returns by exercising its power over the subsidiary.

The subsidiaries Inversiones Vita S.A., Banchile Vida and SegChile Seguros Generales, included in the consolidated financial statements of Quiñenco as of December 31, 2018, are subject to the regulatory authority of the CMF, and are included in the consolidated financial statements for Inversiones Rio Bravo S.A. On September 14, 2019, Quiñenco S.A. informed the CMF of a Material Event that it had agreed to sell its shares in these companies, subject to complying with various suspensive conditions. These suspensive conditions were fulfilled and the transaction closed on December 30, 2019. As a result of this transaction, they are presented as discontinued operations in the consolidated income statements for 2019 and 2018.

The subsidiary LQIF is included in the consolidated financial statements as Quiñenco controls the subsidiary by having the majority of the members of the Board, a situation which in the management's opinion should not change in the short term. The subsidiary Banco de Chile is included in the consolidated financial statements of LQIF and is subject to the regulatory authority of the CMF.

The subsidiary Enex S.A. is included in the consolidated financial statements of Inversiones Río Argenta S.A. and subsidiary.

**(e) Estimates**

Certain estimates have been used by the management of Quiñenco and its respective subsidiaries in the preparation of the consolidated financial statements, in order to quantify some of the assets, liabilities, revenue, expenses and commitments that appear in them. These estimates basically refer to:

The valuation of assets and goodwill for determining any losses through impairment.
- The assumptions made in the actuarial calculation of liabilities and obligations to employees.
- The useful lives and residual values of property, plant and equipment and intangible assets other than goodwill.
- The assumptions used to calculate the fair value of financial instruments.
- The assumptions used for calculating estimates of the recoverability of trade receivables and receivables from customers.
- The assumptions used for calculating estimates of inventory obsolescence.
- The probability of occurrence and the amount of liabilities of uncertain amount or that are contingent.
- The determination of the fair value of non-financial assets for assessing impairment.
- The recoverability of deferred tax assets based on estimates of future income. This recoverability depends in the last instance on the Company's capacity to generate taxable income throughout the year in which the deferred tax assets are deductible. In the analysis, the year of the reversal of deferred tax liabilities is taken into account, and the estimates of taxable benefits, on the basis of internal projections that are updated to reflect the most recent trends. The determination of the suitable classification of taxable items depends on various factors, including the estimate of the time and recoverable value of the deferred tax assets and the expected timing of the tax payments. The actual flows of receipts and payments of income tax may differ from the estimates made by the Company as a consequence of changes in fiscal legislation or unforeseen future transactions that might affect the tax balances.

Despite these estimates having been made on the basis of the best information available as of the date of issuance of these consolidated financial statements, it is possible that events may occur in the future that force their modification (upward or downward) in the following periods, which would be made prospectively, recognizing the effects of the change in estimate in the corresponding future consolidated financial statements.

**Note 2 – Summary of significant accounting policies (continued)**

**(f) Presentation of the consolidated financial statements**

**Statement of Financial Position**

The Company and its subsidiaries have determined a mixed presentation format of their consolidated statement of position as follows:

**(f1)** Quiñenco, its non-banking subsidiaries and principal associates operate in the businesses of food and beverages, manufacturing, fuels and lubricants, transport and port services, among which there is a similar operating cycle. They have therefore chosen a presentation format based on current value (classified).

**(f2)** The banking subsidiaries have no clearly-defined operating cycle and have chosen a liquidity format as required by the CMF.

Therefore, the assets and liabilities of the banking and non-banking sectors are presented separately.

**Statements of Comprehensive Income**

Quiñenco and its subsidiaries show their consolidated classified statements of income by function. However, as the industrial sector shows differences in the classification of their operations with the business of the banking sector, the Company has opted to show the businesses of the industrial sector grouped and show the banking entities separately.

**Statements of Cash Flows**

The CMF requires banking institutions to prepare the statement of cash flows under the indirect method. Consequently, Quiñenco has chosen to show its consolidated statement of cash flows by a mixed presentation, the direct method for the industrial sector and indirect method for the banking sector.

**(g) Functional currency and foreign currency translation**

These consolidated financial statements are shown in Chilean pesos, which is the Company's functional and presentational currency.

Each subsidiary determines its own functional currency and the items included in the consolidated financial statements are measured using that functional currency.

The functional currency of the operations of CCU (associate), Banco de Chile and Enex is the Chilean peso.

The functional currency of the operations of the subsidiaries Invexans, Tech Pack, CSAV and SM SAAM is the US dollar. At the reporting date, the assets and liabilities of these companies are translated to Quiñenco's presentation currency (Chilean pesos) at the exchange rate on the date of the consolidated statement of financial position, but the statements of comprehensive income and cash flows are translated at the average exchange rate of each month, unless this average is not a reasonable approximation of a specific significant transaction. Exchange differences arising from the translation are taken directly to a separate component of equity under Other reserves. Transactions in currencies other than the functional currency are considered to be in foreign currency and are initially recorded at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency on the date of the consolidated statement of financial position. All exchange differences are recorded as a charge or credit to comprehensive income.

Net differences in foreign currency arising from investment or hedging operations of a foreign entity are controlled directly in equity until the disposal of the investment when they are shown as a charge or credit to comprehensive income. The income of taxes and credits attributable to these operations are shown as a charge or credit to equity until the disposal of the investment.

**Note 2 – Summary of significant accounting policies (continued)**

**(g) Functional currency and foreign currency translation (continued)**

Any goodwill purchased and adjustment to fair value of the book value of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated to Chilean pesos at the closing date of the consolidated financial statements. Non-monetary items measured in terms of historic cost in foreign currency are translated using the exchange rates on the date when the fair value was determined.

Assets and liabilities presented in Unidades de Fomento (UF - Chilean monetary unit indexed to inflation) are valued at the closing value of this currency as of the date of the consolidated statement of financial position, as published by the National Institute of Statistics.

The exchange rate for the US Dollar and the UF with respect to the Chilean peso as of December 31, 2019 and 2018, is as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| US dollar (USD) | 748.74 | 694.77 |
| Unidad de Fomento (UF) | 28,309.94 | 27,565.79 |

**(h) Inventory**

The subsidiary companies value inventory at the lower of cost and net realizable value. The cost price (basically the weighted average cost, FIFO in CSAV) includes the costs of direct materials and, if appropriate, personnel costs, the indirect costs incurred in transforming the raw materials into finished products and general expenses incurred in transferring the inventory items to their location and present conditions.

The net realizable value represents the estimated sale price less all termination costs and costs to be incurred in the marketing, sale and distribution processes.

Trade discounts, rebates obtained and other similar items are deducted in the determination of the cost price.

Spare parts are valued at historical acquisition cost and recognized in the income statement using the FIFO method. Spare parts with low turnover are mainly used to repair and maintain major assets, tug boats and cranes. These are strategic inventories and given their unpredictable demand, they are classified as non-current inventory.

Subsidiaries evaluate the net realizable value of inventories at the end of each financial year, recording an impairment loss in comprehensive income when they are overstated. When the circumstances that previously caused the reduction have ceased to exist, or when there is clear evidence of an increase in the net realizable value due to a change in financial circumstances or prices of the principal raw materials, the previous estimate is amended.

**(i) Property, plant and equipment**

**(i1) Cost**

The elements of property, plant and equipment are valued initially at cost, which includes the purchase price, import duties and any cost directly attributable to placing the asset in an operating condition for its intended use.

**Note 2 – Summary of significant accounting policies (continued)**

**(i) Property, plant and equipment (continued)**

**(i1) Cost (continued)**

The elements of property, plant and equipment that are built (work in progress) may include the following accrued concepts during the construction period:

(i) Financial expenses related to the external financing directly attributable to the acquisition or production, whether of a specific or generic nature.
Regarding generic financing, the capitalized financial expenses are obtained by applying a capitalization rate that will be determined with the weighted average of all the interest costs of the entity on the loans that have been outstanding during the year.

(ii) Personnel expenses and others of an operational nature effectively used in the construction of the property, plant and equipment.

After initial recognition, property, plant and equipment continues to be measured using the acquisition cost method, less accumulated depreciation and impairment losses.

The costs of expansion, modernization or improvements that represent an increase in productivity, capacity or efficiency or an increased useful life, are capitalized by increasing the value of the assets.

Expenses in repairs, conservation and maintenance are recognized as a charge or credit to comprehensive income at the time they are incurred.

The resultant gain or loss on the disposal or withdrawal of an asset is calculated as the difference between the proceeds of the disposal and the book value, which is charged or credited to comprehensive income for the year.

**(i2) Depreciation**

Depreciation is calculated using the straight-line method, by distributing the acquisition cost less the estimated residual value over the estimated useful life of each asset, as follows:

| **Group of assets** | **Estimated years of useful life** |
|---|---|
| Buildings and infrastructure | 20 to 100 |
| Installations | 5 to 33 |
| Machinery and equipment | 5 to 40 |
| Vessels | 16 - 25 |
| Ships, tug boats, barges and boats | 10 to 30 |
| Transport equipment | 3 to 10 |
| Engines and equipment | 7 |
| Other property, plant and equipment | 2 to 10 |
| Port terminal infrastructure | Concession period |
| Leasehold facilities and property improvements | Lease term |

Land is shown separately from buildings or installations as it is understood that it has an infinite useful life and is therefore not subject to depreciation.

The depreciation of property, plant and equipment under construction starts when the assets are ready to be used.

Port terminal infrastructure includes assets not controllable by the granting entity. The useful lives of these assets may exceed the concession period when the asset is transferable to other operations.

Estimated useful lives are reviewed annually and any change in estimates is recognized prospectively.

**Note 2 – Summary of significant accounting policies (continued)**

**(j) Leases**

IFRS 16 introduced a single model for lease accounting with effect from January 1, 2019, and requires lessees to recognize assets and liabilities for all leases with a term of over 12 months. A lessee is required to recognize a 'right-of-use leased asset' representing its right to use the underlying leased asset and a 'lease liability' representing its lease obligations.

Quiñenco and subsidiaries initially recognize any right-of-use leased asset at cost, adjusted for any revaluation of the lease liability, less accumulated depreciation and accumulated impairment losses. Right-of-use leased assets are depreciated over the lease term.

Subsequently, the lease liability is increased to reflect accrued interest and is reduced by lease payments made. The book value of the lease liability is revalued if there is a change in the lease conditions, such as changes in the term, the lease installments, or the purchase option. Interest expense is recognized as a financial cost in the statement of income for the period.

A lease is a contract or part of a contract that transfers the right to use an asset for a period of time, in exchange for payment, in which substantially all the risks inherent in ownership of the underlying asset may be transferred.

Right-of-use leased assets are presented in the heading "Right-of-use leased assets" and liabilities are presented as "Lease liabilities" in the statement of financial position.

The previous accounting model for leases required leases to be classified as "finance leases" or "operating leases" and accounted for differently.

Finance leases were defined until December 31, 2018, as leases that transferred to the Company substantially all of the risks and rewards inherent in ownership of the leased asset, and were capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Assets under finance leases were depreciated over the shorter of the asset's estimated useful life or the lease term and were presented under the heading "Right-of-use leased asset" in the statement of financial position.

Operating leases were defined as leases where the lessor retained substantially all the risks and rewards inherent to ownership of the leased asset. Operating lease payments were recognized as an expense in the statement of income over the lease term, on a straight-line basis over the fixed payment portion of the lease term.

The variable portion of lease payments was recognized as an expense for the period when it was likely to be paid.

**(k) Investment properties**

Investment properties are shown as the net value of land, buildings and other construction held for exploitation through leases or to obtain a gain on their sale as a consequence of future increases that may occur in the respective market prices. These assets are not used in the businesses and are not intended for own use.

They are initially valued at acquisition cost, which includes the acquisition price or cost of production plus expenses incurred that are directly assignable. They are later valued at cost less accumulated depreciation and possible accumulated impairment.

**(l) Non-current assets or disposal groups classified as held for sale**

Non-current assets whose book value is recovered through a sale transaction and not through their continued use are classified as held for sale and discontinued operations. This condition is only considered to be met when the sale is highly probable and the asset is available for sale immediately in its current state. The sale is foreseen to be completed within a year from the date of classification.

These assets are valued at the lower of book value and fair value less associated sale costs.

**Note 2 – Summary of significant accounting policies (continued)**

**(m) Revenue recognition**

Operating revenue describes the transfer of goods or services committed to customers, in exchange for a payment, which is expected in exchange for those goods or services.

Revenue is recognized in accordance with the guidelines established by IFRS 15, which considers the following steps:

Step 1: Identify the customer contract.
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Assign the transaction price to the performance obligations
Step 5: Recognize operating revenue when the entity satisfies a performance obligation

Financial income is interest on financial assets. Interest income is recognized using the effective interest method.

Revenue is the gross inflow of financial benefits, from ordinary activities during a period, provided they increase equity but are not related to contributions from shareholders. Revenue is recognized at fair value when it is probable that the financial benefit associated with a transaction will flow to the company and its value can be reliably measured.

Service revenue is also recognized considering the stage of completion of the services provided as of the reporting date, provided that the outcome of the transaction can be reliably valued, it is probable that the financial benefits associated with the transaction will flow to the Company, the stage of completion of the transaction at the end of the reporting period can be reliably measured and the costs incurred for the transaction and the costs to complete the transaction can be reliably measured.

**(n) Investments in subsidiaries (business combinations)**

Business combinations are recorded using the purchase method. This involves recognizing the identifiable assets (including intangible assets not previously recognized) and liabilities (including contingent liabilities and excluding future restructurings) of the business acquired at its fair value.

Business combinations acquired prior to March 2001 are shown at their proportional value considering the book values of each subsidiary.

**(o) Investments recognized using the equity method**

The Company and its subsidiaries value their investments in associates[2] using the equity method. An associate is an entity in which the Company has a significant influence.

Under this method, the investment is shown in the consolidated statement of financial position at cost plus changes following the acquisition in proportion to the net equity of the associate, using for this the percentage interest in the capital of the associate. The goodwill in associates is included in the book value of the investment and is not amortized. The charge or credit to income reflects the proportion in the results of the associate.

Equity changes of the associates are shown proportionately as a charge or credit to Other reserves and classified according to their origin and shown in the statement of changes in equity, if appropriate.

The reporting dates and accounting policies of the associate and of the Company are similar to equivalent transactions and events under similar circumstances.

The results in associates are recognized on an accrual basis according to the percentage interest in the net income of the associate. If the associate has negative equity, a liability is recognized to the extent that the Company intends to continue funding the associated company. Dividends received from associates are recognized as a decrease in the investment, without affecting net income.

Should the significant influence be lost or the investment be sold or become held for sale, the equity method is discontinued, suspending the recognition of proportional results.

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[2] For IFRS purposes, "associate" is any investment in an entity in which the investor has more than 20% of the capital with voting rights or has significant influence over the entity, and is, therefore, equivalent to the concept of affiliate defined in article 87 of the Corporations Law 18,046.

**Note 2 – Summary of significant accounting policies (continued)**

**(o) Investments recognized using the equity method (continued)**

Investments in associates acquired prior to December 31, 2007 (before IFRS 1) have been valued at their equity value calculated on the book values of the associate.

**(p) Investments in joint ventures**

Joint ventures are contractual agreements whereby two or more parties (partners or shareholders) carry on an economic activity that is subject to a joint control. Joint control exists when decisions relating to operating and financial activities require the unanimous agreement of the parties. A joint-venture entity involves the establishment of a company or other entity in which the group of shareholders have interests according to their ownership.

The income, assets and liabilities of the joint venture are incorporated in the consolidated financial statements using the equity-value method, producing an identical treatment to investments in associates.

Investments in joint ventures acquired prior to December 31, 2007, have been valued at their equity value calculated on the book values of the joint venture.

**(q) Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Management determines the classification of its financial assets upon initial recognition.

**(q.1) Non-derivative financial assets**

Quiñenco S.A. and its subsidiaries classify their non-derivative financial investments, whether permanent or temporary, and excluding equity method investments and non-current assets held for sale, into three categories:

(q.1.1) Amortized cost

This category includes financial assets that meet the following conditions: (i) their business model aims to keep those financial assets to obtain contractual cash flows, and (ii) the contractual terms and conditions of financial assets give rise on specific dates to cash flows that only consist of principal and interest payments (SPPI criterion).

Group financial assets that meet the conditions to be valued at amortized cost, as established in IFRS 9, are cash equivalents, receivables, and loans. These assets are recorded at amortized cost, which is initial market value less principal repayments, plus interest accrued but uncharged, calculated using the effective interest method.

The effective interest method is used to calculate the amortized cost of a financial asset or liability (or a group of financial assets or liabilities) and is charged to financial income or expense over the relevant period. The effective interest rate is the discount rate that sets the estimated cash flows receivable or payable over the expected life of the financial instrument (or, when appropriate, over a shorter period) exactly equal to the net book value of the financial asset or liability.

(q.1.2) Financial assets valued at fair value through other comprehensive income

This category includes financial assets that meet the following conditions: (i) their business model aims to keep the financial assets in order to collect the contractual cash flows or to sell them, and (ii) the contractual terms and conditions meet the SPPI criterion.

These investments are recorded in the statement of consolidated financial position at fair value when it can be reliably determined. In the case of interests in unlisted companies or companies with very little liquidity, normally the market value cannot be reliably determined and, thus, when this occurs, they are valued at acquisition cost or a lesser amount if evidence of impairment exists.

Changes in fair value, net of its tax effect, are recorded in the consolidated statement of comprehensive income in "Other comprehensive income", until these investments are sold, when the cumulative amount under this heading is fully charged to the income statement for the year.

**Note 2 – Summary of significant accounting policies (continued)**

**(q) Financial instruments – initial recognition and subsequent measurement (continued)**

**(q.1) Non-derivative financial assets (continued)**

(q.1.3) Financial assets at fair value through profit and loss

This category includes the trading portfolio. These are financial assets that have been designated as such upon initial recognition and which are managed and valued using the fair value criterion, and includes financial assets that do not comply with the conditions to be classified in the other two categories.

They are valued in the statement of consolidated financial position, with changes in value recorded directly in income when they occur.

Purchases and sales of financial assets are accounted for using their trade date.

**(q.2) Cash and cash equivalents**

This account within the consolidated statement of financial position includes cash, bank balances, time deposits and other highly-liquid short-term investments (less than 90 days from the investment acquisition date) that can be quickly converted into cash and have a low risk of value fluctuations.

**(q.3) Impairment of financial assets**

The Company and its subsidiaries apply an impairment model that is based on the expected loan losses, in accordance with the requirements of IFRS 9. This model is applied to financial assets measured at amortized cost or at fair value with changes in other comprehensive income, except for investments in equity instruments.

Impairment provisions are measured on the basis of:

- Loan losses expected in the next 12 months, or

- Expected loan losses throughout the life of the asset if there has been a significant increase in the credit risk of a financial instrument from its initial recognition to the reporting date.

The Company and its subsidiaries apply a simplified approach to trade receivables, contractual assets or leasing receivables, so that the impairment loss is always recorded by reference to the expected losses over the life of the asset.

**(q.4) Non-derivative financial liabilities**

The Company and its subsidiaries classified its financial liabilities using the following categories: fair value through profit and loss, derivatives designated as effective hedging instruments and amortized cost.

Management determines the classification of its financial liabilities upon initial recognition. Financial liabilities are derecognized when the obligation is settled, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, the original liability is derecognized and the new liability recognized with the difference in the respective book values recorded in income. Financial liabilities are initially recognized at fair value and, in the case of loans, include costs directly attributable to the transaction.

**Note 2 – Summary of significant accounting policies (continued)**

**(q) Financial instruments – initial recognition and subsequent measurement (continued)**

**(q.4) Non-derivative financial liabilities (continued)**

Subsequent measurement of financial liabilities depends on their classification.

(q.4.1) Amortized cost

Other financial liabilities are subsequently measured at their amortized cost using the effective interest method. Amortized cost is calculated by taking into account any initial premium or discount on the loan and includes any transaction costs that are an integral part of the effective interest rate. This category includes trade and other payables and loans included in Other current and non-current financial liabilities.

(q.4.2) Fair value through profit and loss

Financial liabilities are classified as at fair value through profit and loss when they are held for trading or designated as such upon initial recognition. Gains and losses from liabilities held for trading are recognized in income. This category includes derivative instruments not designated for hedge accounting.

No financial liabilities have been designated at fair value through profit and loss as of December 31, 2019 and 2018, except for derivative instruments.

**(q.5) Derecognition of financial assets and liabilities**

Financial assets are derecognized when:

- The rights to receive cash flows related to those assets have expired or have been transferred or contractual obligations have been assumed that determine the payment of these flows to one or more receivers.

- The Group has substantially transferred the risks and rewards of ownership, or if these are not substantially transferred or retained, when it does not control the asset.

Transactions where the Group substantially retains all the risks and benefits, which are inherent to owning a financial asset, are recorded as a liability for the consideration received. The costs of the transaction are recorded in the income statement using the effective interest method.

Financial liabilities are derecognized when the obligation arising from those liabilities has been paid, canceled or expired.

**(q.6) Offsetting financial assets and liabilities**

The Group offsets its financial assets and liabilities, and the net amount is presented in the consolidated statement of financial position, only when:

- There is a legally enforceable right to offset the amounts recognized, and

- There is an intention to settle on a net basis, or to recover the asset and settle the liability simultaneously.

These rights can only be legally enforceable within the normal course of business, or if one or all of the counterparties becomes insolvent or bankrupt.

**Note 2 – Summary of significant accounting policies (continued)**

**(q) Financial instruments – initial recognition and subsequent measurement (continued)**

**(q.7) Fair value measurement**

The fair value of an asset or liability is defined as the price that would be received for selling an asset or paid for transferring a liability, in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs in the principal market, which is the market handling the greatest volume for that asset or liability. In the absence of a principal market, it is assumed that the transaction is carried out on the market most advantageous for the entity, which is the market that maximizes the sales value of the asset or minimizes the payment to transfer the liability.

The Group measures fair value using valuation techniques that are appropriate in the circumstances and where sufficient data is available to measure the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities measured at fair value can be classified into the following levels based on the hierarchy of input data used in their valuation techniques:

- Level 1: Quoted (unadjusted) price in an active market for identical assets and liabilities.

- Level 2: Inputs other than quoted prices included in level 1 that are observable for assets or liabilities, either directly (as a price) or indirectly (as a derivative of a price). The methods and assumptions used to determine the fair values for level 2, per class of financial assets or liabilities, consider the estimated future cash flows.

- Level 3: Inputs for assets or liabilities that are not based on observable market information (non-observable inputs).

**(q.8) Classification of financial instruments and financial liabilities**

The classification of financial instruments and financial liabilities according to their category and valuation are reported in Note 28 Financial assets and liabilities.

**Note 2 – Summary of significant accounting policies (continued)**

**(r) Current and deferred taxes**

**(r1) Income tax**

Income tax assets and liabilities for the current and previous year have been determined considering the amount that is expected to be recovered or paid in accordance with current legislation or that substantially promulgated at the date of the consolidated statement of financial position.

The effects are recognized as a charge or credit to comprehensive income except for items directly recognized in equity accounts which are shown in Other reserves.

**(r2) Deferred taxes**

Deferred taxes have been determined using the liability method on temporary differences between the tax assets and liabilities and their respective book values.

Deferred tax liabilities are recognized for all taxable temporary differences, with the exception of the following transactions:

- The initial recognition of goodwill.
- Acquired goodwill whose amortization is not deductible for tax purposes.
- The initial recognition of an asset or liability on a transaction that:

  (1) is not a business combination, and

  (2) at the time of the transaction does not affect the accounting or tax income.
- Temporary tax differences associated with investments in subsidiaries, associates and interests in joint ventures, where the opportunity of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences and tax credits for non-utilized tax losses, provided there is the probability that there will be taxable earnings available with which they can be used, with the following exceptions:

- The initial recognition of an asset or liability on a transaction that:

(i) is not a business combination, and

(ii) at the time of the transaction does not affect the accounting or tax income.

With respect to deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only shown to the extent that there is a probability that the temporary differences will be reversed in the near future and that there will be available taxable earnings with which they can be used.

As of the date of the consolidated statement of financial position, the book value of deferred tax assets is revised and reduced to the extent that it is probable that there is insufficient available taxable income to permit the recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year the asset is realized or liability liquidated, on the basis of the tax rates and tax laws that have been promulgated or substantially promulgated at the date of the consolidated statement of financial position.

Deferred taxes related to items recognized directly to equity are recognized against equity and not against comprehensive income.

Deferred tax assets and liabilities are offset if there is a legal right to offset tax assets against tax liabilities and the deferred tax is related to the same entity and tax authority.

**Note 2 – Summary of significant accounting policies (continued)**

**(s) Intangible assets**

**(s1) Goodwill**

Goodwill represents the difference between the acquisition value of shares or corporate rights in subsidiaries, associates and joint ventures and the fair value of the assets and liabilities, including identifiable contingent liabilities, at the date of acquisition. Goodwill related to acquisitions of associates and joint ventures is included in investments recognized using the equity and joint-ventures method.

Goodwill arising from the acquisition of subsidiaries, joint ventures or associates with a functional currency other than the Chilean peso, is valued in the functional currency of the company acquired, making the translation to Chilean pesos at the exchange rate current on the date of the consolidated statement of financial position.

When the subsidiary LQIF first adopted IFRS, it revalued its investment in the subsidiaries Banco de Chile, SM Chile and SAOS acquired in March 2001, in accordance with IFRS 1, determining the difference between the acquisition value and fair value of the identifiable assets and liabilities including the identifiable contingent liabilities.

With the exception of the above, goodwill generated prior to the transition date to IFRS and which corresponds to acquisitions made prior to March 2001, is maintained at the net value recognized at the date of transition from Chilean GAAP to IFRS.

Goodwill is not amortized and at the close of the accounting period it is tested for indications of impairment that may reduce the recoverable value to an amount below the net book cost, in which case an adjustment for impairment is made. Impairment adjustments relating to goodwill cannot be reversed in subsequent years.

As of the date of these consolidated financial statements there are no indications of impairment that warranted making any adjustment.

**(s2) Port concessions**

The subsidiary SM SAAM has port concessions that are recognized under IFRIC12. They are recorded as intangible assets as they have the right to collect income based on use. The cost of these intangible assets includes the mandatory infrastructure defined in the concession contract and the present value of all minimum contract payments, for which a financial liability is recorded for the value of the intangible asset.

These consolidated financial statements contain concession agreements recorded by indirect subsidiaries Iquique Terminal Internacional S.A., Terminal Marítima Mazatlán S.A. de C.V., Sociedad Portuaria Caldera S.A. and Sociedad Portuaria Granelera de Caldera S.A.

**(s3) Customer relationships**

The subsidiary SM SAAM has intangible assets called "Customer Relationships" that arose during business combinations. They are amortized over the estimated benefit return period associated with the customer portfolio for each company at the acquisition date. These assets have been amortized since July 1, 2014, the date on which these business combinations took place.

**(s4) Intangible assets other than goodwill**

These are mainly trademarks, acquisition rights to customer portfolios and computer software.
Assets with a defined useful life are valued at cost less accumulated amortization and impairment. Useful life has been determined based on the period of time over which financial benefits are expected. The amortization period and method are reviewed annually and any change is treated as a change in an estimate.

The subsidiary LQIF has assigned indefinite useful lives to the brand Banco de Chile and the contract to use the Citibank brand, as it is expected that they will contribute to generate net cash flows to the business indefinitely. These assets are tested for impairment every year.

Assets with an indefinite useful life are valued at cost less accumulated impairment and are not amortized.

**Note 2 – Summary of significant accounting policies (continued)**

**(t) Asset impairment**

**(t1) Financial investments held for sale**

At the date of closing the consolidated statement of financial position, the Company and its subsidiaries evaluate whether there is objective evidence that an investment held for sale has been impaired.

In the case of equity investments classified as held for sale, if there is a significant and prolonged reduction in the fair value of the investment below their acquisition costs, this is evidence of impairment. Should there be an impairment loss measured as the difference between their cost of acquisition and their present fair value, less any impairment previously recognized in comprehensive income, this is transferred from Other reserves to comprehensive income for the year. The reversal of impairment losses for these instruments is recognized directly in Other reserves.

**(t2) Non-financial assets**

The Company and its subsidiaries regularly evaluate whether there are indications that any of its non-financial assets might be impaired. If there are such indications, the Company makes an estimate of the recoverable amount of the asset.

The recoverable amount of an asset is the higher of the fair value of an asset or cash-generation unit less the costs of sale and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are clearly independent of other assets or groups of assets.

When the book value of an asset exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable amount.

In evaluating the value in use, the future estimated cash flows are discounted using a discount rate before tax that reflects current market conditions, the value of money over time and the specific risks of the asset.

An appropriate valuation model is used for determining the fair value less sale costs. These calculations are corroborated by valuation multiples, the market prices of the shares for publicly-quoted subsidiaries or other available indicators of fair value.

Losses for impairment of continued operations are shown against comprehensive income in the categories of expenses associated with the function of the impaired asset, except for properties previously re-evaluated where the revaluation was recognized against equity. In this case, the impairment is also recognized as a charge to equity up to the amount of any previous re-evaluation.

Assets other than goodwill are tested every year for indications that the impairment loss previously recognized may no longer exist or have been reduced. The recoverable amount is estimated if such indications exist. An impairment loss previously recognized is reversed only if there have been changes in the estimates used in determining the recoverable amount of the asset since the last time that an impairment loss was recognized. If this is the case, the asset's book value is increased to its recoverable amount. This increased amount cannot exceed the resulting book value, net of depreciation, had an impairment loss never been recognized in previous years. This reversal is recognized as a credit to comprehensive income unless an asset is recorded at the revalued amount, in which case the reversal is dealt with as a revaluation increase.

**Note 2 – Summary of significant accounting policies (continued)**

**(t) Asset impairment (continued)**

**(t3) Goodwill**

Goodwill is reviewed annually to determine whether any indicators of impairment exist, or more often if events or changes in circumstances indicate that the book value may be impaired.

Impairment is determined by evaluating the recoverable amount of the cash-generating unit (or group of cash-generating units) related to the goodwill.

For these purposes, goodwill is assigned from the date of acquisition to each unit or groups of cash-generating units that is expected to benefit from the synergies of the combination, notwithstanding that other assets or liabilities of the Company are assigned to these units or groups of units. Each unit or group of units to which goodwill is assigned:

(i) represents the lowest level within the Company to which the goodwill is monitored for internal management purposes, and

(ii) is no larger than a segment.

A loss for impairment is recognized when the recoverable amount of the cash-generating unit (or group of cash-generating units) is lower than the book value of the cash-generating unit (or group of cash-generating units) to which the goodwill is assigned. Impairment adjustments relating to goodwill cannot be reversed in subsequent years.

**t4) Intangible assets with indefinite useful lives**

The impairment of intangible assets with indefinite useful lives is tested annually at the individual level or the level of the cash-generating unit, as the case may be.

**(t5) Associates and joint ventures**

Following the application of the equity value, the Company and its subsidiaries determine whether it is necessary to book a loss for additional impairment of the investment in its associates and joint ventures. Investments in associates or joint ventures are tested every year for objective evidence that they are impaired. If this were the case, the amount of impairment is calculated as the difference between the fair value of the associate and joint venture and the cost of acquisition and, should the acquisition value be higher, the difference is recognized against comprehensive income.

**(u) Provisions**

**(u1) General**

Provisions are recognized when:

- The Company has an obligation with respect to a past event,
- It is probable that an outflow of resources will be required including financial benefits to settle the obligation,
- The value of the obligation can be reliably estimated.

Should the provision or part of it be reimbursed, the reimbursement is shown as a separate asset only if its collection is certain.

The charge for any provision is shown net of any reimbursement in the consolidated statement of comprehensive income.

If the effect of the value of money over time is significant, provisions are discounted using a discount rate before tax that reflects the specific risks of the liability. When a discount rate is used, the amount of the provision due to the passage of time is recognized as a financial cost.

**Note 2 – Summary of significant accounting policies (continued)**

**(u) Provisions (continued)**

**(u2) Provisions for employee benefits – Termination benefits**

The subsidiary Enex has agreed a termination benefit plan with its personnel for years of service, equivalent to one month's wages for every year worked as from the third year. The provision has been calculated using the actuarial value. The actuarial value involves assumptions being made about discount rates, expected returns on assets, future wage increases, mortality rates and future pension increases.

The subsidiary SM SAAM and subsidiaries have agreed a termination benefit with their personnel based on years of service and have calculated this obligation using the actuarial value method, based on the terms of current agreements and contracts.

**(u3) Provision for post-retirement fund**

The subsidiary Enex has had a pension fund for its employees since 1987. The cost of the benefit has been determined based on an actuarial calculation using the so-called "aggregate funding" method, made by external professionals. This calculation considers an annual discount rate of 0.84%, which is the rate at which long-term inflation-indexed financial instruments are traded.

**(u4) Provisions for employee benefits - Personnel vacations**

The Company and its subsidiaries have made provisions for personnel vacations on an accrual basis.

**(u5) Provisions for employee benefits - Bonuses**

The Company and its subsidiaries recognize a liability for bonuses for their senior executives on an accrual basis, where appropriate.

**(u6) Provisions for removal of tanks**

The subsidiary Enex has provided for tank removal costs, according to legal obligations imposed by the Superintendency of Electricity and Fuels, which are valued at the present value of tank removal costs based on their capacity, an applicable discount rate and their estimated remaining useful lives.

**(v) Technical reserves and claims payable**

The indirect subsidiaries Banchile Vida and Segchile Seguros Generales calculate their technical reserves and claims in the following way:

- Unexpired risk reserve: calculated on the basis of the unearned net retained premium, which is calculated based on daily numerals on the duly restated net premium retained.
- Life mathematical reserve: calculated on the actuarial base determined by a mathematical actuary in accordance with the instructions on this matter and mortality tables issued by the CMF. Segchile Seguros Generales is a general insurance company, so it does not recognize mathematical reserves.
- Reserve for claims payable: charged to income in the year in which these occur. Provisions are also made for claims in the process of liquidation and those that have occurred but not been reported at the end of the year.

These reserves are calculated in accordance with the specific instructions given by the Financial Market Commission to insurance entities.

**Note 2 – Summary of significant accounting policies (continued)**

**(w) Interest-bearing loans**

All loans are initially recognized at the fair value of the payment received less the direct costs attributable to the transaction. Subsequent to initial recognition they are measured at amortized cost using the effective interest method.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. Interest accrued at this effective interest rate is included in "Finance costs" in the consolidated statement of income.

**(x) Derivative financial instruments and hedging activities**

The Company and its subsidiaries use derivative financial instruments such as interest rate swaps, cross currency swaps and currency forwards to hedge its risks associated with interest and exchange rate fluctuations.

Derivatives are initially recognized at fair value on the date on which the derivative contract is signed and are subsequently re-measured at their fair value. The method for recognizing the loss or gain resulting from changes in the fair value depends on if the derivative has been designated as a hedging instrument and, if so, of the nature of the hedged item. The Group designates certain derivatives as fair value hedges and cash flow hedges.

The Company and its subsidiaries document the relationship between hedge instruments and hedged items at the beginning of the transaction, as well as its risk management objectives and strategy for carrying out diverse hedge transactions. The Company and its subsidiaries also document their assessment, both at inception and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values or cash flows of the hedged items.

(x.1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, together with any change in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(x.2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in Other Comprehensive Income within the cash flow hedge reserve. Any loss or gain related to the ineffective portion is recognized immediately in the Income Statement within Financial Expenses and Foreign Currency Exchange Differences, based on their nature. Amounts accumulated in Other reserves are recorded in the consolidated income statement for the period when the hedged item impacts it. For variable interest rate hedges, the amounts recognized in equity are reclassified to Financial Expenses as the associated debts accrue interest. For cross currency and interest swaps, the amounts recognized in Other reserves are reclassified to the income statement as Financial Expenses provided that interest is accrued, together with any exchange differences arising on valuing the debt at closing exchange rates. A hedge is considered highly effective when it meets the requirements of IFRS 9. When a hedge instrument matures, is sold or when it no longer meets hedge accounting requirements, gains or losses accumulated in Other reserves remain in equity and are recognized when the forecasted transaction affects the consolidated income statement. When the forecasted transaction is not expected to occur, any accumulated gain or loss in Other reserves is immediately recognized in the income statement within Financial Expenses or Foreign Currency Exchange Differences, based on their nature.

(x.3) Derivatives not designated as hedges

Certain derivatives are not recorded using hedge accounting and are recognized as instruments at fair value through profit and loss. Changes in the fair value of any derivative instrument recorded in this way are recognized immediately in the consolidated income statement.

**Note 2 – Summary of significant accounting policies (continued)**

**(x) Derivative financial instruments and hedging activities (continued)**

(x.4) Embedded derivatives

The Company evaluates the existence of embedded derivatives in financial and non-financial instrument contracts, which are not already accounted for as assets or liabilities at fair value through profit or loss, to determine if their characteristics and risks are closely related to the host contract. If they are not closely related, embedded derivatives are separated from the host contract and recorded at fair value with changes recognized immediately in the consolidated income statement.

**(y) Cash and cash equivalents**

Cash equivalents relate to short-term and highly-liquid investments that are easily convertible into known amounts of cash, subject to an insignificant risk of change in their value, and mature in no more than three months.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and the cash equivalent as defined above, net of bank overdrafts.

The consolidated statement of cash flows shows the cash movements during the year, determined by the direct method. The terms used in these cash flow statements are defined as follows:

- Cash flows: cash inflows and outflows or of other equivalent means, these being investments with a term of less than three months, highly liquid and a low risk of changes in value.
- Operating activities: Activities that constitute the principal source of the Group's revenue and expenditure, plus other activities that cannot be classified as investment or financing.
- Investment activities: Activities involving the acquisition, sale or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that bring about changes in the size and composition of equity and financial liabilities.

**(z) Earnings per share**

Basic earnings per share is calculated as the ratio of earnings (loss) for the year attributable to the Parent company to the weighted average number of common shares in circulation during that year, excluding the average number of shares of the Parent company held by any subsidiary company.

**(aa) Current and non-current classification**

Except for the banking subsidiaries, balances in the consolidated statement of financial position are classified as a function of their maturities, i.e. current being those maturing in twelve months or less and non-current those maturing in over one year. Should the company have any obligations that mature in less than twelve months but can be refinanced over the long term at the Company's discretion, through unconditionally available credit agreements with long-term maturities, such obligations may be classified as long-term liabilities.

**Note 2 – Summary of significant accounting policies (continued)**

**(bb) Minimum dividend**

Article 79 of Chile's Corporations Law establishes that, except if unanimously agreed otherwise by shareholders of all issued shares, listed corporations should distribute a cash dividend to its shareholders on a yearly basis, prorated based on their shares or the proportion established in the company's by-laws if there are preferred shares, of at least 30% of net income for each period, except when accumulated losses from prior years must be absorbed. Considering that to achieve a unanimous agreement is practically impossible given the well-spread composition of the share capital of Quiñenco, the minimum dividend obligation to shareholders is determined at the end of each year, net of the interim dividends that may have been approved during the year and are recognized under the heading Other current liabilities as a charge to an account included in equity called Retained earnings (accumulated losses). Interim and final dividends are deducted from "equity" as soon as they are approved by the competent entity, which in the first case is normally the Company's Board of Directors and in the second case is shareholders at the General Shareholders' Meeting.

**(cc) Segment reporting**

Operating segments are defined as the components of a company on which the information in the financial statements is available and is constantly evaluated by the principal organ that takes decisions on the assignment of funds and evaluation of performance. The Company operates in six business segments: Manufacturing, Financial, Energy, Transport, Port Services and Other (Quiñenco and others). The associate CCU and the subsidiaries Banchile Seguros de Vida and Segchile Seguros Generales are shown in the Other segment.

**The principal accounting policies used by financial institutions regulated by the Financial Market Commission to prepare their financial statements are as follows.**

**(dd) Legal provisions**

Decree Law 3,538 of 1980, in accordance with the text replaced by Article 1 of Law 21,000 that "Establishes the Financial Market Commission", provides in Article 5, paragraph 6, that the Financial Market Commission may "set the standards for the preparation and presentation of the reports, balance sheets, statements of position and other financial statements of the audited entities and determine the principles in accordance with which they must keep their accounts".

According to current regulations, banks must use the accounting principles mandated by the CMF and any matter not addressed therein, as long as it does not contradict its instructions, should adhere to generally accepted accounting principles in technical standards issued by the Chilean Association of Accountants, which coincide with IFRS issued by the IASB. If differences arise between these generally accepted accounting principles and the accounting criteria issued by the CMF, the latter shall prevail.

**(ee) Basis of consolidation**

The financial statements of Banco de Chile as of December 31, 2019 and 2018, have been consolidated with those of its subsidiaries using the global integration method (line by line). These consist of the preparation of the individual financial statements of Banco de Chile and of the companies in the consolidation, and include the adjustments and reclassifications necessary for standardizing their accounting policies and valuation criteria with those used by Banco de Chile. The consolidated financial statements have been prepared using uniform accounting policies for similar transactions and other events in equivalent circumstances.

Transactions and significant balances (asset and liabilities, equity, revenue, expenses and cash flows) from transactions between Banco de Chile and its subsidiaries and between these have been eliminated upon consolidation, and the non-controlling interest has also been recognized corresponding to the percentage interest of third parties in the subsidiaries of which Banco de Chile is not directly or indirectly the owner, and is shown separately in the consolidated equity and results of Banco de Chile.

## Note 2 – Summary of significant accounting policies (continued)

### (ee) Basis of consolidation (continued)

### (ee1) Subsidiaries

The consolidated financial statements as of December 31, 2019 and 2018, incorporate the financial statements of the Company and the controlled companies (subsidiaries) in accordance with IFRS 10 "Consolidated financial statements". Control exists when a company is exposed, or has the right, to variable returns from its involvement in the subsidiary and has the ability to influence those returns through its power over it. Specifically, a company controls a subsidiary when it has rights that give it the ability to direct the subsidiary's business.

When a company has less than a majority of the voting rights in a subsidiary, but those rights are sufficient for it to unilaterally direct the business, then that company has control. The Company considers all relevant factors and circumstances in evaluating whether voting rights are sufficient to obtain control, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of other vote holders.
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights from other contractual agreements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities when decisions need to be made, including voting behavior patterns in prior shareholder meetings.

The Company reevaluates whether control over a subsidiary exists when an event or circumstance indicates that there are changes in one or more of the control elements mentioned.

The entities in which the subsidiary Banco de Chile has control and which form part of the consolidation are detailed as follows:

**Interests of the subsidiary Banco de Chile in its subsidiaries**

| ID number | Entity | Country | Functional Currency | Ownership interest | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Direct | | Indirect | | Total | |
| | | | | 2019 % | 2018 % | 2019 % | 2018 % | 2019 % | 2018 % |
| 96.767.630-6 | Banchile Administradora General de Fondos S.A. | Chile | CLP | 99.98 | 99.98 | 0.02 | 0.02 | 100.00 | 100.00 |
| 96.543.250-7 | Banchile Asesoría Financiera S.A. | Chile | CLP | 99.96 | 99.96 | — | — | 99.96 | 99.96 |
| 77.191.070-K | Banchile Corredores de Seguros Ltda. | Chile | CLP | 99.83 | 99.83 | 0.17 | 0.17 | 100.00 | 100.00 |
| 96.571.220-8 | Banchile Corredores de Bolsa S.A. | Chile | CLP | 99.70 | 99.70 | 0.30 | 0.30 | 100.00 | 100.00 |
| 96.932.010-K | Banchile Securitizadora S.A. | Chile | CLP | 99.01 | 99.01 | 0.99 | 0.99 | 100.00 | 100.00 |
| 96.645.790-2 | Socofin S.A. | Chile | CLP | 99.00 | 99.00 | 1.00 | 1.00 | 100.00 | 100.00 |

**Interests of the subsidiary SM-Chile S.A. in its subsidiaries**

| ID number | Entity | Country | Functional Currency | Ownership interest | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Direct | | Indirect | | Total | |
| | | | | 2019 % | 2018 % | 2019 % | 2018 % | 2019 % | 2018 % |
| 97.004.000-5 | Banco de Chile | Chile | CLP | — | 12.02 | — | 28.31 | — | 40.33 |
| 96.803.910-5 | Sociedad Administradora de la Obligación Subordinada SAOS S.A. | Chile | CLP | — | 100.00 | — | — | — | 100.00 |

The name Bank or Banco de Chile will be mentioned in the following pages, this being understood to refer to the subsidiary Banco de Chile, which is the principal generator of the assets, liabilities, revenue and expenses shown in these consolidated financial statements.

**Note 2 – Summary of significant accounting policies (continued)**

**(ee) Basis of consolidation (continued)**

**(ee2) Associates and joint arrangements**

**Associates**

These are entities in which the Company has the capacity to exercise a significant influence, although not control. Normally, this ability is shown in an interest of between 20% and 50% of the company's voting rights. Other factors considered in determining whether there is significant influence over an entity include representation on the Board of Directors and the existence of material transactions. Such factors could determine the existence of significant influence over an entity, despite holding less than 20% of the voting rights.

Investments in associates in which it has a significant influence are recognized using the equity method. According to the equity method, investments are initially recorded at cost and subsequently increased or decreased to reflect the Company's share of the associate's net income or loss and other movements in the associate's equity. Any goodwill arising from the acquisition of an associate is included in the investment's book value, net of accumulated impairment losses.

**Joint Arrangements**

Joint arrangements are contractual agreements through which two or more parties undertake an economic activity that is subject to joint control. Joint control exists when decisions on important activities require the unanimous consent of both parties.

According to IFRS 11 "Joint Arrangements", an entity will determine the type of joint arrangement in which it is involved as either a "Joint operation" or a "Joint venture".

Investments defined as a "Joint operation" are recognized by recording the assets, liabilities, revenue and expenses relating to its interest in a joint operation.

An interest classified as a "Joint venture" is recognized using the equity method.

The following are investments that have been defined as joint ventures:
- Artikos S.A.
- Servipag Ltda.

**(ee3) Shares or rights in other companies**

The Company has no control or significant influence over these companies. These interests are recorded at purchase value (historical cost).

**Note 2 – Summary of significant accounting policies (continued)**

**(ee) Basis of consolidation (continued)**

**(ee4) Special purpose entities**

In accordance with current regulations, the Company must regularly analyze its consolidation perimeter, bearing in mind that the key criterion is the degree of control that the Company has over a given entity, and not its ownership interest in its equity.

As of December 31, 2019 and 2018 the Company does not control and has not created any special purpose entities.

**(ee5) Fund management**

The Bank and its subsidiaries manage and administer assets held in mutual investment funds and other means of investments on behalf of investors, receiving remuneration in accordance with the service provided and market conditions. The resources managed belong to third parties and, therefore, are not included in the consolidated statement of financial position.

As established in IFRS 10, for the purposes of consolidation it is necessary to assess the role that the Bank and its subsidiaries play with respect to the funds managed, to determine whether this role is as agent or principal. This evaluation must take into account the following elements:

- Scope of its decision-making authority over the investee.
- Rights held by other parties.
- Fees it is entitled to in accordance with the fee agreement.
- Decision-maker's exposure to variability of returns from other interests that it holds in the investee.

The Bank and its subsidiaries manage on behalf and for the benefit of investors, acting solely as agent. Under that category, and as established in regulations mentioned, they do not control such funds when exercising their authority to make decisions. Therefore, as of December 31, 2019 and 2018, it acts as agent and no funds are consolidated.

**(ff) Non-controlling interests**

The non-controlling interest represents the portion of net losses and income, and of net assets that the Company does not control. It is disclosed in the consolidated statement of net income and the consolidated statement of financial position separately from the equity of the Company's owners.

**Note 2 – Summary of significant accounting policies (continued)**

**(gg) Estimates and judgments**

The preparation of the consolidated financial statements requires Banco de Chile's management to make judgments, estimates and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, revenue and expenses shown. Actual results may differ from these estimates. These estimates refer to

1. Provisions for loan losses (Notes 41.9, 41.10 and 41.29)
2. Useful life of intangible assets, property, plant and equipment and right-of-use leased assets (Notes 41.13 and 41.14)
3. Current and deferred taxes (Note 41.15)
4. Provisions (Note 41.22)
5. Contingencies and commitments (Note 41.24).
6. Fair value of financial assets and liabilities (Note 41.36).

Significant estimates and assumptions are reviewed regularly by the Bank's management, in order to quantify certain assets, liabilities, revenue, expenses and commitments. Revisions to accounting estimates are recognized in the year they are revised.

These estimates have not significantly changed during the year ended December 31, 2019.

**(hh) Valuation of assets and liabilities**

Asset and liability valuation is the process of determining the monetary value of elements in the financial statements that are included in the consolidated statement of financial position and consolidated statement of comprehensive income. Therefore, a particular valuation method is required.

Various valuation methods are employed to various degrees and in various combinations in the consolidated financial statements. These methods are as follows:

**(hh1) Initial recognition**

The Company and its subsidiaries recognize loans and receivables from customers, instruments for trading and investment, deposits, debt instruments issued and subordinated liabilities, and other assets and liabilities, on the date they originate. Purchases and sales of financial assets made regularly are shown on the date of trading in which the Bank is committed to buy or sell the asset.

**(hh2) Classification**

The assets, liabilities and income have been classified in accordance with instructions issued by the CMF for banking entities.

**Note 2 – Summary of significant accounting policies (continued)**

**(hh) Valuation of assets and liabilities (continued)**

**(hh3) Derecognition of financial assets and liabilities**

The Company and its subsidiaries derecognize financial assets from their statements of financial position when the contractual rights expire over the cash flows of the financial asset, or when they transfer the rights to receive contractual cash flows from the financial asset in a transaction in which the risks and benefits of ownership of the financial asset are substantially transferred. Each interest in financial assets transferred that is created or retained by the Bank is recognized as a separate asset or liability.

When the Company transfers a financial asset, it assesses to what extent it has retained the risks and rewards inherent in ownership. In this case:

(a) If the risks and rewards inherent in ownership of the financial asset are substantially transferred, it is de-recognized in accounts and any rights and obligations created or retained in the transfer will be shown separately, as assets or liabilities.

(b) If the risks and rewards inherent in ownership of a financial asset are substantially retained, it will continue to account for it.

(c) If all the risks and rewards inherent in ownership of a financial asset are not substantially transferred or retained, it will determine whether control over the financial assets has been retained. In this case:

(i) If the Company has not retained control, the financial asset will be derecognized and any rights or obligations created or retained upon transfer will be recognized separately as assets or liabilities.

(ii) If the Company has retained control, the financial asset will continue to be recognized in the statement of financial position for an amount equal to its exposure to changes that a financial liability may experience and recognize a financial liability associated with the financial asset transferred.

The Company derecognizes a financial liability (or part thereof) from its consolidated statement of financial position when it has been extinguished, whereby the obligation specified in the corresponding contract has been paid, canceled, or expired.

**(hh4) Offsetting**

Financial assets and liabilities are offset so that their net amount is shown in the consolidated statement of financial position only when the Company has the legal right to offset the amounts recognized and has the intention of settling the net amount, or to recover the assets and settle the liability simultaneously.

Revenue and expenses are shown net only when permitted by accounting principles, or in the case of gains and losses arising from a group of similar transactions such as the Company's trading and exchange activities.

**Note 2 – Summary of significant accounting policies (continued)**

**(hh) Valuation of assets and liabilities (continued)**

**(hh5) Valuation at amortized cost**

Amortized cost is understood to be the cost of a financial asset or liability corrected for capital reimbursements, plus or less accumulated amortization (calculated using the effective interest method) of any difference between the initial amount and the repayment amount at maturity, and less any reduction through impairment.

**(hh6) Measurement of fair value**

Fair value is the amount that would be received for selling an asset or paid for transferring a liability in an orderly transaction between participants in the main (or most advantageous) market as of the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. The most objective and usual benchmark for the fair value is the price paid for it in an active, transparent and deep market ("quoted price" or "market price").

When available, the Bank determines the fair value of an instrument by using prices quoted on an active market for that instrument. A market is called active if the prices quoted are easily and regularly available, represent actual transactions and occur regularly on an independent basis.

If the market for a financial instrument were not active, the Bank determines the fair value by using a valuation technique. The valuation techniques include the use of recent market transactions between interested and duly-informed parties acting in conditions of mutual independence, if available, and references to fair value of another substantially-equal financial instrument, discounted cash flows and option price-setting models.

The valuation technique chosen makes the maximum use possible of information obtained in the market, using the least possible amount of data estimated by the Bank, incorporates all the factors that market participants would consider for setting the price, and be consistent with the economic methodologies generally accepted for calculating the price of financial instruments. The variables used for the valuation technique fairly represent market expectations and reflect the risk-return factors inherent to the financial instrument. The valuation technique is regularly revised by the Bank to prove its validity by using prices of any other recent and observable market transaction in the same instrument or that are based on any observable and available market data.

The best evidence of the fair value of a financial instrument, when initially recognizing it, is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument can be better shown through comparison with other real market transactions observed for the same instrument (i.e. without modifying or presenting a different form of it) or through a valuation technique whose variables include just observable market data. However, when the transaction price provides the best evidence of fair value at its initial recognition, the financial instrument is initially valued at the transaction price and any difference between that price and the value obtained initially from the valuation model is shown later in the income statement.

The Bank generally has financial assets and liabilities that compensate market risks, and it uses average market prices as a basis for establishing their fair value.

Subsequently, these estimated fair values are adjusted by other factors, such as uncertainties in the risk or liquidity model, to the degree that the Bank believes that another market participant takes them into account in determining the price of a transaction.

The disclosures of the Bank's fair value are included in Note 41.36.

**Note 2 – Summary of significant accounting policies (continued)**

**(ii) Functional currency**

The items included in the consolidated financial statements of Banco de Chile and its subsidiaries are valued using the currency of the principal economic environment in which the entity operates (the functional currency). The functional and presentational currency of these consolidated financial statements of Banco de Chile is the Chilean peso, which is the currency of the primary economic environment in which the Bank operates, and is also the currency that influences the costs and revenue structure.

**(jj) Foreign currency transactions**

Transactions in a currency other than the functional currency are considered to be in foreign currency and are initially recognized at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate of the functional currency on the date of the statement of financial position. All differences are recognized as a charge or credit to the income statement.

As of December 31, 2019, the Bank and its subsidiaries applied the accounting representation exchange rate according to CMF instructions, so assets in US dollars are shown at their equivalent value in Chilean pesos calculated at the market exchange rate of Ch$751.88 per US$1 (Ch$693.60 per US$1 in 2018).

The balance of ThCh$30,886,630 is the net exchange gain (ThCh$2,702,069 in 2018) and is shown in the consolidated income statement. It includes the effects of exchange rate changes on the assets and liabilities in foreign currency or indexed to the exchange rate, and the result of the exchange transactions of the Bank and its subsidiaries.

**(kk) Operating segments**

The operating segments of the Bank are based on its business units and these are defined as follows.

(i) Business transactions that generate revenue and expenses (including revenue and expenses from transactions with other components of the same entity).

(ii) Whose operating results are reviewed regularly by senior decision makers, in order to assign resources to segments and evaluate their performance.

(iii) Differentiated financial information for each segment is available.

**(ll) Statement of cash flows**

The consolidated cash flow statement indicates changes in cash and cash equivalents arising from operating activities, investing activities and financing activities during the period. The indirect method has been used to prepare the statement of cash flows.

The following concepts have been used in preparing the statement of cash flows.

(i) Cash and cash equivalents are the heading "Cash and bank deposits", plus (minus) the net balance of transactions in the course of collection in the statement of consolidated financial position, plus highly-liquid trading and securities held for sale with insignificant risk of changing value, maturing in no more than three months from the date of acquisition, and repurchase agreements with similar conditions. They also include investments in fixed-income mutual funds that are shown under Trading instruments, in accordance with instructions issued by the CMF.

(ii) Operating activities: the normal activities performed by the Bank, and others that cannot be qualified as investing or financing activities.

(iii) Investing activities: the acquisition and disposal by other means of long-term assets and other investments not included in cash and cash equivalents.

(iv) Financing activities: activities that produce changes in the size and composition of equity and liabilities that do not form part of operating or investing activities.

**Note 2 – Summary of significant accounting policies (continued)**

**(mm) Trading instruments**

Trading instruments are securities acquired to obtain a profit from short-term fluctuations in price, or for the dealer's margin, or to include in a portfolio where there is a pattern of short-term profit-making.

Trading instruments are measured at fair value Their accrued interest and indexation, gains or losses arising from adjustments in their valuation to fair value, plus trading profits, are included in "Net gain (loss) from financial transactions" in the consolidated income statement.

**(nn) Resale/repurchase agreements and securities borrowing lending**

Resale agreements are a form of investment. Under these agreements, financial instruments are bought, which are included as assets in "Investments under resale agreements and securities borrowing" and are valued according to the agreed interest rate by the amortized cost method. Under current regulations, the Bank does not recognize as own portfolio those instruments bought under resale agreements.

Security resale agreements are also a form of financing. Investments that are sold are subject to a repurchase obligation and serve as a guarantee for the loan forming part of their respective headings "Instruments for trading" or "Investment instruments held for sale". The repurchase obligation of the investment is classified as the liability "Repurchase agreements and security lending", which is valued according to the agreed interest rate.

As of December 31, 2019 and 2018, there were no securities lending transactions.

**(oo) Financial derivative contracts**

The Bank has financial derivative contracts to hedge exposures to currency and interest-rate risks. These are initially recognized in the statement of financial position at cost (including transaction costs) and later at their fair value. Derivative contracts are reported as an asset when their fair value is positive and as a liability when it is negative, under the heading "Financial derivative contracts".

Changes in the fair value of the financial derivative contracts held for trading are included in "Net income (loss) from financial transactions" in the consolidated income statement.

In addition, the Bank includes in the valuation of derivatives the "Credit valuation adjustment (CVA)" to reflect the counterparty risk in the determination of fair value, and the Bank's own credit risk, known as "Debit valuation adjustment (DVA)".

Certain derivatives included in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to those of the principal contract and this is not recognized at its fair value with its unrealized gains and losses included in the income statement.

At the time of signing of a derivative contract, this should be designated by the Bank as a derivative instrument for trading or for hedge accounting purposes.

If a derivative instrument is classified as a hedging instrument, it can be:

(1) A hedge of the fair value of assets or liabilities or firm commitments, or
(2) A cash-flow hedge related to existing assets or liabilities or expected transactions.

**Note 2 – Summary of significant accounting policies (continued)**

**(oo) Financial derivative contracts (continued)**

A hedge relationship for hedge accounting purposes must meet all of the following requirements:

(a) At its inception, the hedge relationship has been formally documented;
(b) It is expected that the hedge will be highly effective;
(c) The effectiveness of the hedge can be measured in a reasonable manner; and
(d) The hedge is highly effective with respect to the hedged risk on an ongoing basis and throughout the entire hedge relationship.

The Bank shows and values individual hedges (in which there is a specific relationship between hedged items and the hedging instruments) according to their classification, using the following criteria.

**Fair value hedge:** changes in the fair value of a derivative hedge instrument, designated as hedge of fair value, are recognized in income under the line Net interest and indexation income and/or Net exchange differences, depending on the risk hedged. The item hedged is also shown at fair value in relation to the risk being hedged. Gains or losses attributable to the risk hedged are recognized in income under the line Net interest and indexation income and adjust the book value of the item hedged.

**Cash flow hedge:** changes in the fair value of a hedge instrument, designated as a cash-flow hedge are recognized in Valuation accounts in consolidated other comprehensive income provided the hedge is effective and is reclassified to income under the line “Net interest and indexation income” and/or “Net exchange differences” when the item hedged affects the Bank’s income statement as a result of interest rate risk or exchange rate risk respectively. Should the hedge not be effective, the changes in fair value are recognized directly in the income statement for the year under the line “Net gain (loss) from financial transactions".

If the hedging instrument no longer meets the criteria for cash flow hedge accounting, or it has expired, or been sold, suspended or executed, the hedge is discontinued prospectively. The accumulated gains or losses previously recognized to equity remain there until the projected transactions occur, when they are recognized in the consolidated income statement (under the line Net interest and indexation income and/or Net exchange differences, depending on the type of risk hedged) unless it is foreseen that the transaction is not going to be carried out, in which case they are immediately recognized in the consolidated income statement (under the line Net interest and indexation income and/or Net exchange differences, depending on the type of risk hedged).

**(pp) Loans and receivables from customers**

Originated and acquired loans and receivables from customers are non-derivative financial assets with fixed or defined payments that are not quoted on an active market and that the Bank has no intention of selling immediately or in the short term.

**(pp.1) Valuation method**

Loans and receivables from customers are valued initially at cost and income plus incremental transaction costs, and later measured at their amortized cost using the effective interest method less any impairment, except when the Bank defines specific loans as hedged items, which are valued at fair value through profit and loss, as described in Note 2 (qq).

**(pp.2) Lease agreements**

Receivables under lease agreements, included in Loans and receivables from customers, relate to the regular rental lease payments that meet the requirements for being classified as finance leases and are shown net of non-accrued interest at the close of each year.

**Note 2 – Summary of significant accounting policies (continued)**

**(pp.3) Factoring transactions**

They are valued at the amounts disbursed by the Bank in exchange for invoices or other credit-representative commercial instruments, with or without liability of the assignor, received at a discount. The difference between the disbursement and the nominal value of the invoices is recorded in the income statement as interest income using the effective interest rate method over the financing period.

In those cases where instruments are assigned without the assignor's responsibility, the Bank bears the insolvency risk of the party obliged to pay.

**(pp.4) Impaired portfolio**

The impaired portfolio is comprised of the following assets, as provided in Chapter B-1 of the CMF Compendium of Accounting Standards for Banks:

a) Debtors subject to individual evaluation, including loans in the "Default Portfolio" and those in categories B3 and B4 of the "Substandard Portfolio", as defined in Note 2 pp 5.1.
b) Debtors subject to group assessment including all loans in the "Default Portfolio", as defined in Note 2 pp 5.2.

**(pp.5) Provisions for loan losses**

The provisions required to cover risks of losses on loans have been constituted according to CMF regulations. Loans are shown net of such provisions, and as a liability under the heading Provisions in the case of contingent loans.

As stipulated by the CMF, models or methods are used based on the individual and grouped analysis of debtors, for constituting the provisions for loan losses.

**(pp.5.1) Provisions by individual evaluation**

The individual analysis of debtors is necessary in the case of companies whose size, complexity or level of exposure with the entity requires knowing and analyzing them in detail.

Naturally, the analysis of debtors should be focused on their credit quality, defined by their capacity and willingness to meet their credit obligations, through sufficient and reliable information, and analyzing their credits in terms of guarantees, term, interest rates, currency, indexation, etc.

For provisioning purposes, banks should first evaluate the credit quality and their debtors and their credit and contingent liabilities should be grouped by their corresponding category, following the assignment of one of the following three portfolio conditions: Normal, Substandard and Default.

**(pp.5.1.1) Normal and substandard portfolios**

Normal portfolio: consists of those debtors whose payment capacity enables them to meet their obligations and commitments and it is not foreseen that this economic-financial situation will change. Loans in this portfolio are classified in categories A1 through A6.

Sub-standard portfolio: includes debtors with financial difficulties or significant decline in their payment capacity and about which there are reasonable doubts regarding repayment of all principal and interest in the contractually agreed-upon terms, showing little room to meet its financial obligations in the short term.

Those debtors who have recently made payments more than 30 days late also form part of the sub-standard portfolio. Loans in this portfolio are classified in categories B1 through B4.

As a result of an individual analysis of debtors, the Bank classifies them in the following categories, assigning them subsequently the percentages of probability of default and loss given the non-compliance resulting from the following expected percentage loss:

**Note 2 – Summary of significant accounting policies (continued)**

**(pp) Loans and receivables from customers (continued)**

**(pp.5) Provisions for loan losses (continued)**

**(pp.5.1) Provisions by individual evaluation (continued)**

**(pp.5.1.1) Normal and substandard portfolios (continued)**

| Portfolio | Debtor Category | Probability of Default (%) | Loss Given Default (%) | Expected Loss (%) |
|---|---|---|---|---|
| Normal Portfolio | A1 | 0.04 | 90.0 | 0.03600 |
| | A2 | 0.10 | 82.5 | 0.08250 |
| | A3 | 0.25 | 87.5 | 0.21875 |
| | A4 | 2.00 | 87.5 | 1.75000 |
| | A5 | 4.75 | 90.0 | 4.27500 |
| | A6 | 10.00 | 90.0 | 9.00000 |
| Sub-standard 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 |

**Provisions for normal and sub-standard portfolios**

To determine the amount of provisions to be made for the normal and substandard portfolios, the exposure subject to provisions first has to be estimated, to which are applied the respective percentage losses (expressed in decimals) comprising the probability of default (PD) and loss given default (LGD) established for the category in which the debtor and/or its qualified guarantor is grouped, as the case may be.

The exposure subject to provisions corresponds to loans plus contingent credits, less amounts recoverable through the liquidation of collateral or financial guarantees that support transactions. Also, in special cases, the substitution of credit risk of the direct debtor for the credit quality of the co-signer or guarantor may be allowed. Loan is defined as the book value of the loans and receivables of the respective debtor while contingent loans are calculated by applying No. 3 of Chapter B-3 of the Compendium of Accounting Standards.

For calculation purposes, the following must be considered:

Debtor provision = (EAP-EA) x (PDdebtor /100)x(LGDdebtor/100)+EA x (PD guarantee /100)x(LGD guarantee /100)

Where:

PE = Provisioned exposure
GE = Guaranteed exposure
PE = (Loans + Contingent Loans) – Financial guarantees or collateral

However, the Bank should maintain a minimum provision of 0.50% of all loans and contingent credits of the normal portfolio.

**(pp.5.1.2) Default portfolio**

The default portfolio includes debtors and their loans that are considered to be of doubtful recovery as they show an impaired or nil payment capacity. This portfolio includes debtors who have stopped paying their creditors, or with clear indications that this is likely to happen, debtors who are granted a loan to refinance a transaction that was over 60 days past due, debtors where forced debt restructuring was necessary to avoid default, and debtors who are over 90 days past due in paying interest or principal on any loan.

**Note 2 – Summary of significant accounting policies (continued)**

**(pp) Loans and receivables from customers (continued)**

**(pp.5) Provisions for loan losses (continued)**

**(pp.5.1) Provisions by individual evaluation (continued)**

**(pp.5.1.2) Default portfolio (continued)**

Provisioning percentages are used for recording provisions for the default portfolio, to be applied to the amount of exposure, which equates to the sum of loans and contingent credits of the same debtor.

Provisions are recognized for the default portfolio based on a provision percentage applied to the amount of the exposure, which is equal to the sum of the loans and contingent loans of the same debtor. In order to apply this percentage, first an expected loss rate must be estimated, minus the exposure of amounts recoverable by executing real and financial guarantees that support these transactions and, if there is concrete information to justify it, also minus the present value of the recoveries that can be obtained through collections, net of related collections expenses. That expected loss rate must fit into one of the six categories defined based on the range of losses effectively expected by the Bank for all loans of the same debtor.

These categories, their range of loss based on the Bank's estimates and the provision percentages that are ultimately applied on the amounts of exposure, are detailed in the following table:

| Portfolio | Scale of Risk | Range of Expected Loss | Provision (%) |
|---|---|---|---|
| Default Portfolio | C1 | Under 3% | 2 |
| | C2 | Between 3% and 20% | 10 |
| | C3 | Between 20% and 30% | 25 |
| | C4 | Between 30% and 50% | 40 |
| | C5 | Between 50% and 80% | 65 |
| | C6 | Over 80% | 90 |

For calculation purposes, the following must be considered:

Rate of Expected Loss = (E-R)/E
Provision = E × (PP/100)

Where:
E = Amount of exposure
R = Recoverable amount
PP = Provisioning percentage (according to the category in which the expected loss rate is grouped).

All loans due from the debtor must be held in the Default Portfolio until their payment capacity and behavior recovers, notwithstanding that each particular loan that complies with the conditions indicated in point (vi) of this letter must be charged off. In order to remove a debtor from the default portfolio, once the circumstances that led it to be classified as such according to these rules no longer exist, at least the following copulative conditions must be met:

- The debtor has no obligation to the Bank that is more than 30 calendar days past due.
- The debtor has not been granted any new refinancing to pay his obligations.
- At least one of the payments made was on the principal.
- If the debtor has any loan with partial payments within a period of less than six months, two payments have already been made.
- If the debtor must pay for one or more loans in monthly installments, at least four consecutive installments have been paid.
- The debtor has no direct unpaid debts based on information compiled by the CMF, except for insignificant amounts.

**Note 2 – Summary of significant accounting policies (continued)**

**(pp) Loans and receivables from customers (continued)**

**(pp.5) Provisions for loan losses (continued)**

**(pp 5.2) Provisions by group evaluation**

Group evaluations are used to analyze a large number of credit operations whose individual amounts are small and consist of individuals and small businesses. These evaluations and the criteria for applying them should be congruent with those made in granting the credits.

In the case of consumer loans, guarantees are not considered for the purpose of estimating the expected loss.
The Bank should distinguish between provisions for the normal portfolio and for the default portfolio, and which cover the risks of the contingent credits associated with those portfolios.

Group evaluations require the grouping of credits of similar characteristics like the type of debtor and the agreed terms, in order to establish by technically-justified estimates and following prudent criteria both the payment behavior of the group in question and of the recoveries of unpaid credits, and then the making of the necessary provisions to cover the portfolio risk.
Banks can use alternative methods for determining the provisions for retail loans evaluated as a group.

Under the first method, experience is relied on to explain the payment behavior of each homogeneous group of debtors and of recoveries through collecting guarantees and recovery actions, to estimate directly a percentage of expected losses to be applied to the amount of credits of the respective group.

Under the second, banks segment debtors into homogeneous groups, as indicated above, associating to each one a certain probability of default and a percentage of recovery based on a justified historical analysis. Provisions are calculated by multiplying the amount of the respective group's total credits by the estimated percentages of default and of loss given default.
Under both methods, estimated losses should reflect the type of portfolio and the term of the transactions.
The Bank has chosen the second method for calculating its provisions.

**(pp.5.3) Standard method for calculating residential mortgage loan provisions**

The CMF has established that the provision is represented by the expected loss on residential mortgage loans and will depend on the arrears for each loan and the relationship at each month end between the outstanding loan principal and the value of the mortgage guarantee (loan-to-value ratio or LTV) that protects each loan, as shown in the following table:

| Provision factor applicable according to arrears and LTV | | | | | | |
|---|---|---|---|---|---|---|
| | | Days past due at month end | | | | Portfolio |
| LTV Range | Description | 0 | 1-29 | 30-59 | 60-89 | Default |
| LTV ≤ 40% | PD (%) | 1.0916 | 21.3407 | 46.0536 | 75.1614 | 100.0000 |
| | LGD (%) | 0.0225 | 0.0441 | 0.0482 | 0.0482 | 0.0537 |
| | EL (%) | 0.0002 | 0.0094 | 0.0222 | 0.0362 | 0.0537 |
| 40% < LTV ≤ 80% | PD (%) | 1.9158 | 27.4332 | 52.0824 | 78.9511 | 100.0000 |
| | LGD (%) | 2.1955 | 2.8233 | 2.9192 | 2.9192 | 3.0413 |
| | EL (%) | 0.0421 | 0.7745 | 1.5204 | 2.3047 | 3.0413 |
| 80% < LTV ≤ 90% | PD (%) | 2.5150 | 27.9300 | 52.5800 | 79.6952 | 100.0000 |
| | LGD (%) | 21.5527 | 21.6600 | 21.9200 | 22.1331 | 22.2310 |
| | EL (%) | 0.5421 | 6.0496 | 11.5255 | 17.6390 | 22.2310 |
| LTV > 90% | PD (%) | 2.7400 | 28.4300 | 53.0800 | 80.3677 | 100.0000 |
| | LGD (%) | 27.2000 | 29.0300 | 29.5900 | 30.1558 | 30.2436 |
| | EL (%) | 0.7453 | 8.2532 | 15.7064 | 24.2355 | 30.2436 |

Where:
PD = Probability of default
LGD = Loss given default
EL = Expected Loss
LTV = Loan to value ratio (Outstanding loan principal / Value of the mortgage guarantee)

If the same debtor has more than one mortgage loan with the Bank and one loan is more than 90 days past due, all loans will be classified within the default portfolio and provisions will be calculated for each loan based on its respective LTV percentages.

**Note 2 – Summary of significant accounting policies (continued)**

**(pp) Loans and receivables from customers (continued)**

**(pp.5) Provisions for loan losses (continued)**

**(pp.5.4) Commercial portfolio**

The Bank calculates the provisions on the commercial portfolio using the standard methods applicable to commercial leases or other commercial lending as described below. Subsequently, the appropriate provisioning factor will be assigned based on the parameters for each method.

**a) Commercial lease transactions**

The provision factor should be applied to the present value of the commercial lease transactions, including the purchase option, and will depend on the days past due for each transaction, the asset being leased and the relationship between the present value of each transaction at each month end and the value of the leased asset (LTV), described as follows.

| Probability of Default (PD) according to days past due and asset (%) | | |
|---|---|---|
| | Asset | |
| Days past due at month end | 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 | 100.00 | 100.00 |

| Loss given default (LGD) according to the LTV range and the asset (%) | | |
|---|---|---|
| LTV = Present transaction value / Leased asset value | | |
| LTV range | Real estate | Non-real estate |
| LTV ≤ 40% | 0.05 | 18.2 |
| 40% < LTV ≤ 50% | 0.05 | 57.00 |
| 50% < LTV ≤ 80% | 5.10 | 68.40 |
| 80% < LTV ≤ 90% | 23.20 | 75.10 |
| LTV > 90% | 36.20 | 78.90 |

The LTV ratio will be calculated using the appraisal value expressed in UF for real estate and in Chilean pesos for non-real estate, recognized at the time the loan is granted, after taking into account any potential situation that may cause a temporary increase in the asset value at that time.

**Note 2 – Summary of significant accounting policies (continued)**

**(pp) Loans and receivables from customers (continued)**

**(pp.5) Provisions for loan losses (continued)**

**(pp.5.4) Commercial portfolio (continued)**

**b) Generic commercial loans and factoring**

The provision factor applied to the loan and the contingent loan exposure (as indicated in number 3 of Chapter B-3) for factored invoices and other commercial loans, other than those indicated above, will depend on each transaction's days past due and the relationship at each month end between the debtor's obligations to the Bank and the value of the collateral that protects them (LTV), as indicated in the following tables.

| Probability of Default (PD) according to days past due and LTV range (%) | | | |
|---|---|---|---|
| | Secured | | Unsecured |
| Days past due at month end | LTV ≤ 100% | LTV > 100% | |
| 0 | 1.86 | 2.68 | 4.91 |
| 1-29 | 11.60 | 13.45 | 22.93 |
| 30-59 | 25.33 | 26.92 | 45.30 |
| 60-89 | 41.31 | 41.31 | 61.63 |
| Default portfolio | 100.00 | 100.00 | 100.00 |

| Loss given default (LGD) according to LTV range (%) | | | |
|---|---|---|---|
| Guarantees (with/without) | LTV range | Generic commercial loans or factoring without recourse to the transferor | Factoring with recourse to the transferor |
| Secured | LTV ≤ 60% | 5.0 | 3.2 |
| | 60% < LTV ≤ 75% | 20.3 | 12.8 |
| | 75% < LTV ≤ 90% | 32.2 | 20.3 |
| | 90% < LTV | 43.0 | 27.1 |
| Unsecured | | 56.9 | 35.9 |

The guarantees used to calculate the LTV ratio for this method may be specific or general, including those that are simultaneously specific and general. A guarantee can only be considered if the Bank has first priority and it only guarantees a specific debtor's loans, not shared with other debtors, according to the respective contract clauses.

Factored invoices and mortgage guarantees will not be included when calculating the LTV, regardless of the respective contract clauses.

The LTV ration is calculated as follows.

i. Transactions with specific guarantees: when the debtor has granted specific guarantees for generic commercial loans and factored invoices, the LTV ratio is calculated independently for each guaranteed transaction, and separates the loan value, the contingent loan exposure and the collateral value.
ii. Transactions with general guarantees: when the debtor has granted general or general and specific guarantees, the Bank calculates the LTV jointly for all generic commercial loans, factored invoices and anything not included in point i) above, and separates the loan value, the contingent loan exposure and the general or general and specific guarantees that protect the loans included in the numerator of this ratio, according to the scope of the remaining contract clauses.

The guarantees used to calculate the LTV ratio in points (i) and (ii) should be calculated as follows:

- The latest appraisal or fair value guarantee valuation, depending on the collateral. The criteria in Chapter 7-12 of the Updated Compilation of Standards should be used to calculate fair value.
- Potential situations that could cause temporary increases in guarantee values.
- Limitations to the coverage in their respective clauses.

**Note 2 – Summary of significant accounting policies (continued)**

**(pp) Loans and receivables from customers (continued)**

**(pp.5) Provisions for loan losses (continued)**

**(pp.5.4) Commercial portfolio (continued)**

**(pp.5.5) Default portfolio**

The default portfolio includes all loans and 100% of contingent loans of debtors with interest or principal payments more than 90 days past due as of month end. It also includes debtors to which loans were made to cover other loans more than 60 days past due, as well as debtors that have undergone forced restructuring or received partial debt relief.

The following may be excluded from the default portfolio: a) residential mortgage loans that are less than 90 days past due unless the debtor has another loan of the same type that is more days past due and b) student loans (Law 20,027) that do not yet present the default conditions contained in Ruling 3,454 dated December 10, 2008.

All loans due from the debtor must be held in the Default Portfolio until their payment capacity and behavior recovers, notwithstanding that each particular loan that complies with the conditions indicated in point (vi) of this letter must be charged off. In order to remove a debtor from the default portfolio, once the circumstances that led it to be classified as such according to these rules no longer exist, at least the following copulative conditions must be met:

- The debtor has no obligation to the Bank that is more than 30 calendar days past due.
- The debtor has not been granted any new refinancing to pay its obligations.
- At least one of the payments made was on the principal. This condition does not apply in the case of debtors who only have loans to finance higher education in accordance with Law 20.027.
- If the debtor has any loan with partial payments within a period of less than six months, has already made two payments.
- If the debtor must pay monthly installments for one or more loans, it has paid four consecutive installments.
- The debtor does not have any direct outstanding debt in the information disclosed by the CMF, except for insignificant amounts.

**(pp.6) Loan charge-offs**

As a general rule, charge-offs are made when the contractual rights to the cash flows expire. In the case of loans, the respective asset balances are charged off even when this does not occur.

Charge-offs refer to derecognizing the asset for the respective transaction in the statement of financial position, including that part that might not yet be due in the case of a loan with partial repayments, or a lease transaction.

Charge-offs should always use the provisions for loan losses whatever the reason for the charge-off.

**(pp.6.1) Charge-off of loans and receivables**

Loans and receivables other than lease transactions should be charged-off in the following circumstances, whichever occurs first:

a) The Bank concludes that it will obtain no cash flow from the asset, based on all available information.
b) When a credit without enforceable title passes more than 90 days recognized as an asset.
c) When the period of limitations of actions expires through the statute of limitations for demanding recovery by executive judgment or when the enforcement of the title by court resolution is rejected or abandoned.
d) When the period of default of transactions reaches the term for charge-off as follows.

**Note 2 – Summary of significant accounting policies (continued)**

**(pp) Loans and receivables from customers (continued)**

**(pp.6) Loan charge-offs (continued)**

**(pp.6.1) Charge-off of loans and receivables (continued)**

| Loan description | Term |
|---|---|
| Consumer loans with or without collateral | 6 months |
| Other transactions without collateral | 24 months |
| Commercial loans with collateral | 36 months |
| Residential mortgage loans | 48 months |

The term represents the time elapsed since the date on which payment of all or part of the obligation in default became due.

**(pp.6.2) Charge-off of lease transactions**

Assets relating to lease transactions should be charged off in the following circumstances, whichever occurs first:

a) The Bank concludes that there is no possibility of recovery of the lease income and that the value of the asset cannot be considered for the recovery of the contract, whether because it is not in the possession of the lessee, due to its present condition, because of the expenses involved in its recovery, transfer and maintenance, due to technological obsolescence or there is no information about its present whereabouts or condition.

b) When actions expire through the statute of limitations for demanding recovery by executive judgment or when the enforcement of the title by court resolution is rejected or abandoned.

c) When the period of default of a contract reaches the term for charge-off according to the following:

| Contract description | Term |
|---|---|
| Consumer lease | 6 months |
| Other non-real estate lease transactions | 12 months |
| Real estate leases (commercial or residential) | 36 months |

The term relates to the time since the due date of payment of a lease installment in default.

**(pp.7) Recovery of charged-off loans**

Subsequent payments received with respect to charged-off loans are shown directly as income in the consolidated statement of comprehensive income, under provisions for loan losses.

In the event of the recovery of assets, this income will be recognized in the income statement at the value it is incorporated into assets. The same criterion follows if the assets leased are recovered after the charge-off of a lease operation, by their incorporation into assets.

**(pp.8) Restructuring of charged-off loans**

Any restructuring of a charged-off loan does not generate income while the transaction continues in a state of impairment, treating the effective payments received as recoveries of charged-off loans, as indicated above.

A restructured loan can only therefore be returned to assets if its ceases to be impaired, recognizing also the return to assets as a recovery of charged-off loans.

The same approach should be followed in the event that a loan is granted to pay a charged-off loan.

**Note 2 – Summary of significant accounting policies (continued)**

**(qq) Investment instruments**

Investment instruments are classified into two categories. Investments held to maturity and Instruments held for sale. Investments held to maturity include only those instruments for which there is the capacity and intention of holding them until their maturity. All other investment securities are considered available for sale.

Investment instruments held to maturity are recognized at their cost plus accrued interest and indexation adjustments, less provisions for impairment recorded when the amount recognized exceeds the estimated recovery value.

A financial asset classified as held for sale is initially recognized at cost plus transaction costs directly attributable to its acquisition. Instruments held for sale are later valued at their fair value according to market prices or valuations obtained by the use of models. Unrealized gains or losses arising from changes in their fair value are shown as a credit or charge to equity accounts (Other comprehensive income). When these investments are disposed of or impaired, the amount of the accumulated adjustments to fair value are transferred to income and reported under Net gain (loss) from financial transactions.

Interest and indexation adjustments on investment instruments held to maturity and on those held for sale are included in Interest and indexation income.
Investment securities used as accounting hedges are adjusted under hedge accounting rules.
The Bank has no investment instruments held to maturity as of December 31, 2019 and 2018.

**(rr) Intangible assets**

Intangible assets are identified as non-monetary assets (separate from other assets) without physical substance that arise as a result of a legal transaction or are developed internally by the consolidated entities. They are assets whose cost can be estimated reliably and for which the entities consider it probable that future economic benefits will accrue to the Bank or its subsidiaries. Intangible assets are recognized initially at acquisition cost and are subsequently measured at their cost less any accumulated amortization or any accumulated impairment.

Software or computer programs acquired by the Bank and its subsidiaries are recognized at cost less accumulated amortization and the accumulated losses for impairment.

Subsequent expenses in programs are capitalized only when the future economic benefits integrated in the specific related asset increase. All other expenses are recorded as an expense as incurred.

Amortization is recorded in income using the straight-line amortization method based on the estimated useful life of the software, from the date on which it is available for use. The estimated useful life of software is a maximum of 6 years.

**(ss) Property, plant and equipment**

Property, plant and equipment includes the amount of land, properties, movable assets, vehicles, computer equipment and other installations owned by the consolidated entities and are used in the entity's business. These assets are valued at their historic cost less the corresponding accumulated depreciation and impairments. This cost includes expenses that have been directly attributed to the asset's acquisition.

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets.

The estimated average useful lives for 2019 and 2018 are:

| | |
|---|---|
| Buildings | 50 years |
| Installations | 10 years |
| Equipment | 5 years |
| Furniture | 5 years |

Conservation and maintenance expenses of the assets of own use are charged to the income of the year in which they are incurred.

**Note 2 – Summary of significant accounting policies (continued)**

**(tt) Current and deferred taxes**

The provision for income tax of the Bank and its subsidiaries has been calculated in accordance with current legislation.

The Bank and its subsidiaries recognize, when appropriate, deferred tax assets and liabilities for the future estimate of the tax effects attributable to timing differences between the book values of assets and liabilities and their values for tax purposes. Deferred tax assets and liabilities are measured on the basis of the tax rate which, under current taxation legislation, should be applied in the year in which deferred tax liabilities are settled. The future effects of changes in tax legislation or taxation rates are booked in deferred taxes from the date on which the law approving these changes is published.

Deferred tax assets are recognized only when it is likely that future tax profits will be sufficient to recover deductions for temporary differences. Deferred taxes are presented in the consolidated statement of financial position in accordance with IAS 12 "Income Taxes" as instructed by the CMF.

**(uu) Assets received in lieu of payment**

Assets received or awarded in lieu of payment of loans and receivables from customers are recognized, in the case of payments in kind, at the price agreed between the parties or, where no such agreement exists, for the amount that the Bank is awarded them at a court auction.

Assets received in lieu of payment are classified in Other assets, are recognized at the lower of adjudication cost and fair value less regulatory write offs and are shown net of provisions. The CMF requires a charge off if the asset is not sold within one year of its reception.

**(vv) Investment properties**

Investment properties are real estate assets held to earn rental income or for capital appreciation or both, but are not held for sale in the ordinary course of business or used for administrative purposes. Investment properties are valued at cost less the corresponding accumulated depreciation and impairments and are shown in Other assets.

**(ww) Debt instruments issued**

Financial instruments issued by the Bank are classified in the statement of financial position as Debt instruments issued, in which the Bank has an obligation to provide cash or another financial asset to the bearer, or to meet the obligation by an exchange of the agreed amount of cash.

The obligation is valued at amortized cost using the effective interest method. The amortized cost is calculated taking into account any discount, premium or cost directly related to the issue.

**(xx) Provisions, contingent assets and liabilities**

Provisions are liabilities involving uncertainty about their amount or maturity. Provisions are recognized in the consolidated statement of financial position when all the following requirements are met:

(i) it is a current obligation as a result of past events, and

(ii) at the date of the financial statements it is probable that the Bank or its subsidiaries have to expend resources in settling the obligation and the amount of these resources can be measured reliably.

A contingent asset or liability is a right or obligation from past events whose existence will only be confirmed if one or more uncertain future events occur and which are outside the control of the Bank.

The following are classified as contingent in complementary information:

(i) Guarantees: Comprise guarantees and stand-by letters of credit. They also include guarantees of payment by buyers in factoring transactions.

**Note 2 – Summary of significant accounting policies (continued)**

**(xx) Provisions, contingent assets and liabilities (continued)**

(ii) Confirmed foreign letters of credit: This includes foreign letters of credit confirmed by the Bank.

(iii) Documentary letters of credit: This includes documentary letters of credit issued by the Bank that have not yet been negotiated.

(iv) Performance bonds granted against promissory notes.

(v) Unrestricted lines of credit: The unused amount of credit lines from which customers may draw without prior approval by the Bank (for example, credit cards or checking account overdrafts).

(vi) Other loan commitments: Amounts not drawn under committed loans that have to be disbursed at an agreed future date or on the occurrence of events previously contracted with the customer, as happens with lines of credit linked to the progress of construction or similar projects.

(vii) Other contingent loans: Any other kind of commitment by the entity that might give rise to an effective loan on the occurrence of future events. These are generally infrequent transactions like the pledge of instruments to guarantee the payment of loan transactions between third parties or transactions with derivatives contracted on behalf of third parties that might imply a payment obligation and are not covered by deposits.

Credit risk exposure on contingent liabilities:

To calculate the provisions for contingent liabilities, as indicated in Chapter B-3 of the Compendium of Accounting Standards for Banks issued by the CMF, the amount of exposure to be considered is equivalent to the percentage of the amounts of contingent liabilities as indicated below:

| Contingent liability | Exposure |
|---|---|
| a) Guarantees | 100% |
| b) Confirmed foreign letters of credit | 20% |
| c) Documentary letters of credit issued | 20% |
| d) Performance bonds | 50% |
| e) Unrestricted lines of credit | 35% |
| f) Other credit commitments: | |
| - Tertiary education loans under Law 20,027 | 15% |
| - Others | 100% |
| g) Other contingent liabilities | 100% |

However, with respect to transactions with customers that have past due loans as indicated in Chapter B-1 of the CMF Compendium of Accounting Standards, this exposure will always be the equivalent of 100% of the contingent liabilities.

**(yy) Provision for minimum dividends**

In accordance with the CMF Compendium of Accounting Standards, the Bank shows in liabilities the part of net income for the year to be distributed in compliance with the Corporations Law, its bylaws, agreements or dividend policies. A provision is therefore made against a complementary equity account of retained earnings.

The provision for minimum dividends is calculated using the distributable net income. According to the Bank's bylaws, this is calculated by deducting from or adding to net income the indexation adjustment on share capital and reserves due to changes in the consumer price index.

**Note 2 – Summary of significant accounting policies (continued)**

**(zz) Employee benefits**

**(zz.1) Employee vacations**

The annual cost of employee vacations and benefits is recorded on an accrual basis.

**(zz.2) Short-term benefits**

The entity offers its employees an annual incentives plan for compliance with objectives and individual contribution to results, consisting of a certain number or portion of monthly salaries, and the provision is made on the basis of the estimated amount to be distributed.

**(zz.3) Termination benefits**

The Bank has agreed with part of its personnel the payment of an indemnity to those completing 30 or 35 years of service should they retire from the institution. This obligation includes the accrued proportional part for those personnel who will be able to exercise the right to this benefit and who have still not acquired it at the end of the year.

The obligations under this defined benefits plan are valued according to the projected credit-unit method, including as variables the personnel turnover rate, expected salary growth, and the probability of use of this benefit, discounted at the current rate for long-term operations (3.17% as of December 31, 2019 and 4.25% as of December 31, 2018).

The discount rate used is the rate on Chilean Central Bank 10-year bonds in pesos (BCP).

Actuarial gains and losses resulting from actuarial changes are recognized in Other comprehensive income. There are no other additional costs that should be recognized by the Bank.

**(aaa) Earnings per share**

Basic earnings per share is determined by dividing net income (loss) for the year attributable to the Bank by the average weighted number of shares in circulation during that year.

Diluted earnings per share is determined in a similar manner as basic earnings per share, but the average weighted number of shares in circulation is adjusted to account for the dilutive effect of stock options, warrants and convertible debt. As of December 31, 2019 and 2018, no such adjustments have been made.

**(bbb) Interest and indexation income and expenses**

Interest and indexation income and expenses are recognized in the income statement using the effective interest method. The effective interest rate is the discount rate that exactly equates the estimated cash inflows and outflows over the expected life of the financial instrument (or, when appropriate, in a shorter period) with the net book value of the financial asset or liability. To calculate the effective interest rate, the Bank determines cash flows by taking into account all contractual conditions of the financial instrument, excluding future credit losses.

The calculation of the effective interest rate includes all the commissions and other concepts paid or received that form part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the purchase or issuance of a financial asset or liability.

In the case of the impaired portfolio and the current portfolio with a high risk of non-payment, a prudent policy has been followed of suspending the accrual of interest and indexation in the income accounts; these are recognized as and when they are received. Suspension occurs in the following cases:

**Note 2 – Summary of significant accounting policies (continued)**

**(bbb) Interest and indexation income and expenses (continued)**

Individually-evaluated loans

- Loans classified in categories C5 and C6: The accrual is suspended by the mere fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: The accrual is suspended for having been three months in the impaired portfolio.

Group-evaluated loans

- Any loan, except those with collateral above 80%: The accrual is suspended when the loan or one of its installments is past due more than six months.

However, recognizing income on loans subject to individual evaluation can be continued for the accrual of interest and indexation, which is being paid normally and corresponds to obligations whose flows are independent, such as project financing.

Suspending recognition on an accrual basis means that while loans are in the impaired portfolio, the respective assets included in the Consolidated Statement of Financial Position will not accrue interest, undergo indexation or incur commissions and no income will be recorded for these concepts in the Consolidated Statement of Income unless it is effectively received.

**(ccc) Fee income and expenses**

Fee income and expenses are recognized in the consolidated income statement using the criteria set out in IFRS 15 "Revenue from contracts with customers."

Under IFRS 15, revenue is recognized in accordance with the terms of customer contracts. Revenue is recognized as it meets the performance obligations by transferring goods or services committed to the customer.

Under IFRS 15, revenue is recognized using various criteria depending on its nature. The most significant criteria are:

- Fees earned from an individual event are recognized once the event has taken place.
- Fees that arise from transactions or services that are extended over time, during the life of such transactions or services.
- Fees on commitments and other fees related to loan transactions are deferred (together with the incremental costs related directly to the placement) and recognized as an adjustment to the effective interest rate of the placement. In the case of loan commitments, when there is uncertainty about the date of effective placement, the fees are recognized in the year of the commitment originating them on a straight-line basis.

Fees recognized by the Bank are primarily:

- Fees for lines of credit and overdrafts: accrued during the period related to the availability of credit lines and current account overdrafts.
- Fees for guarantees and letters of credit: accrued in the period related to the guarantees covering payments for actual or contingent obligations of third parties.
- Fees for card services: accrued for the period that the credit cards, debit cards and other cards were used.
- Fees for account management: includes fees to maintain current accounts and deposit accounts.
- Fees on collections and payments: includes fees for collection and payment services provided by the Bank.
- Fees for brokerage and securities management: includes fees for securities brokerage, placement, management and custody services.

**Note 2 – Summary of significant accounting policies (continued)**

**(ccc) Fee income and expenses (continued)**

- Fees for brokering insurance: includes the commissions on insurance policies sold.
- Fees for investments in mutual funds and other fees: includes mutual fund management.
- Other fees: includes fees on foreign currency exchange services, financial consulting, distribution channel use, brand use, placement of financial products, cash transfers, recognition of payments associated with strategic alliances, and other fees.

Fee expenses include:

- Fees payable for card transactions: includes fees for operating credit and debit cards.
- Interbank transactions: fees paid to the automated clearing house for transactions.
- Fees for securities transactions: includes securities deposit, custody and brokerage.
- Other fees: includes fees for collection, payments and other online services.

**(ddd) Identification and measurement of impairment**

**Financial assets other than loans and receivables**

A financial asset is revised every year and fundamentally on the date of its closing to determine whether there is objective evidence to show that an event that causes a loss has occurred after initial recognition of the asset, which impacts the estimated future cash flows of the financial asset, and can be reliably calculated.

A loss for impairment relating to financial assets (other than loans and receivables) recognized at amortized cost is calculated as the difference between the book value of the asset and the present value of the estimated cash flows, discounted at the effective interest rate.

An impairment loss relating to a financial asset held for sale is calculated by reference to its fair value. In this case, objective evidence includes a significant and prolonged drop in the fair value of the investment below the original investment cost.

If there is evidence of impairment, any amounts previously recognized in equity, net gains (losses) not recognized in the statement of income, are removed from equity and recognized in the statement of income for the year, shown as Net gains (losses) relating to financial assets held for sale. This amount is determined as the difference between cost (net of any reimbursement and amortization) and the present fair value of the asset, less any loss for impairment on that investment previously recognized in the statement of income.

When the fair value of debt instruments held for sale recovers to at least their amortized cost, these are no longer considered as impaired instruments and later changes in their fair value are recognized in equity.

All impairment losses are recognized in the income statement. Any accumulated loss in relation to a financial asset held for sale recognized previously against equity is transferred to the income statement.

An impairment loss can only be reversed if it can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of income up to the amount previously recognized as impaired. In the case of financial assets recognized at amortized cost, and those held for sale, the reversal is recognized in the income statement.

**Note 2 – Summary of significant accounting policies (continued)**

**(ddd) Identification and measurement of impairment (continued)**

**Non-financial assets**

The book value of the non-financial assets of the Bank and its subsidiaries, excluding investment properties and deferred tax assets, is revised throughout the year and fundamentally on the date of its closing to determine whether there are indications of impairment. If there are, then the recoverable amount from the assets is estimated.

Losses for impairment recognized in previous years are evaluated on each reporting date to detect any indication that the loss has diminished or disappeared. An impairment loss is reversed if there has been a change in the estimations used to determine the recoverable amount, provided the reversal does not exceed the book value.

The Bank evaluates whether there are indications that an asset might be impaired at each reporting date and continually. If there are, the Bank estimates the recoverable amount from the asset. The recoverable amount of an asset is the difference between the fair value less the costs of sale and the value of the asset in use. When the book value of the asset exceeds the recoverable amount, the asset is considered to be impaired and the difference between both values is written off to reflect the asset at its recoverable value. In evaluating the value in use, the estimated cash flows are discounted to their present value, using a discount rate that reflects current conditions in the money market at the time and the specific risks of the asset. An appropriate evaluation model is used to determine the fair value less the cost of sale. These calculations are checked against multiple valuations, share prices and other indicators of fair value.

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

**(eee) Finance and operating leases**

**(eee.1) The Bank as lessor**

Assets leased to customers under contracts that substantially transfer all the risks and property recognitions, with or without legal title, are classified as finance leases. When the assets retained are subject to a finance lease, the assets leased cease to be accounted for and a receivable is recognized, equal to the minimum amount of the lease payment, after discounting the lease's interest rate. The initial negotiation expenses in a finance lease are incorporated in the receivable through the discount rate applied to the lease. Lease revenue is recognized on lease terms based on a model that constantly reflects a periodic rate of return on the net lease investment.

Assets leased to customers under contracts that do not substantially transfer all the rights and benefits of the asset are classified as operating leases.

Investment properties rented under operating leases are included in Other assets in the statement of financial position and depreciation is determined on the book value of these assets, systematically applying a proportion of the value over the economic use during the estimated useful life. Lease revenue is recognized on a straight-line basis over the term of the lease.

**(eee.2) The Bank as lessee**

A contract is or contains a lease if it grants the right to control the use of an identified asset during a period of time in exchange for regular payments.

A right-of-use asset is valued at cost at the beginning of the lease agreement, which is the initial value of the lease liability plus other expenses.

The lease liability is the present value of unpaid future lease payments, discounted using the Bank's incremental financing rate.

**Note 2 – Summary of significant accounting policies (continued)**

**(eee) Finance and operating leases (continued)**

**(eee.2) The Bank as lessee (continued)**

Right-of-use assets are measured using the cost model, less accumulated depreciation and accumulated impairment losses. Depreciation for right-of-use assets is recognized in the income statement on a straight-line basis from the start to the end of the lease term.

The monthly change in the UF for contracts in that monetary unit must be treated as a new measurement, in accordance with the provisions of Circular 3,649 issued by the CMF. Therefore, that adjustment amends the value of the lease liability and simultaneously the right-of-use asset under that lease contract.

After the beginning date, the lease liability is measured by reducing the book value to reflect lease payments and changes to the lease contract.

According to IFRS 16 "Leases", the Bank does not apply this standard to contracts whose duration is 12 months or less and those that contain a low value underlying asset. In these cases, lease payments are recognized as a lease expense.

**(fff) Fiduciary activities**

The Bank provides trust commissions and other fiduciary services that result in the investment of assets on behalf of customers. The assets held in a fiduciary capacity are not reported in the financial statements as they are not assets of the Bank.

**(ggg) Customer loyalty program**

The Bank has a loyalty program that provides incentives to its customers, enabling them to acquire goods and/or services in exchange for prize points called "dólares premio" (prize dollars) which are granted as a function of purchases made with the Bank's credit cards and compliance with certain conditions established in the program. The exchange of the "dólares premios" is made by a third party. These benefit programs are fully provisioned to meet their future performance obligations, in accordance with IFRS 15.

**(hhh) Additional provisions**

In accordance with the rules issued by the CMF, banks may establish additional provisions beyond those resulting from applying their portfolio evaluation models, in order to safeguard against the risk of unpredictable economic fluctuations that may affect the macroeconomic environment or a specific economic sector.

These provisions are designed to guard against the risk of macroeconomic fluctuations and should anticipate the reversal of expansionary economic cycles that could lead to future economic conditions deteriorating and thus function as a countercyclical mechanism to accumulate additional provisions when the scenario is favorable and release them or allocate them to specific provisions when external conditions deteriorate.

As a result, additional provisions must always correspond to general provisions on commercial, mortgage or consumer loans, or on identified segments, and in no case may they be used to offset deficiencies in the models used by the Bank.

As of December 31, 2019 and 2018, the balance of additional provisions amounted to ThCh$213,251,877, which are presented in "Provisions" for the banking sector in the consolidated statement of financial position.

**(iii) Reclassifications**

There have been no other significant reclassifications during 2019.

**Note 3 - Changes in accounting policies**

1. The accounting policies described in the consolidated financial statements reflect the amendments required by IFRS 16 coming into effect on January 1, 2019. The effect of the initial application of this standard is presented below.

The subsidiaries ENEX S.A., SM SAAM, CSAV and LQIF have adopted the new accounting standard IFRS 16 Leases as of January 1, 2019. IFRS 16 Leases defines a lease contract and specifies the accounting treatment of assets and liabilities arising from these contracts for both lessors and the lessees. The new standard does not differ from the previous standard, IAS 17 Leases, with regard to lessors.

However, from the lessee's point of view, the new standard requires recognition of right-of-use assets and lease liabilities for contracts that contain an identifiable asset with the right to control its use and that do not transfer the risks and rewards of ownership. IFRS 16 will be mandatory for annual periods beginning on or after January 1, 2019.

Comparative figures for 2018 in the financial statements are unchanged and are presented according to the original accounting standards, which is permitted by IFRS 16.

IFRS 16 affects contracts for these subsidiaries mainly associated with sites where service stations, buildings, branches, convenience stores, maritime vessels and port terminals are located, whose remaining term is more than one year. For contracts with less than one year to maturity, assets and liabilities will be recognized once they have been renegotiated and the uncertainty regarding the new terms and/or the respective lease payments has been cleared.

The Company has chosen to initially adopt the standard in its prospective form, recognizing assets and liabilities for the present value of total future payments committed in these contracts. These flows are discounted at a market rate for similar transactions in Chilean pesos and US dollars.

The impact of the initial adjustment as of January 1, 2019, on the initial statement of financial position is an increase in right-of-use assets and a similar increase in lease liabilities. The detail by currency is as follows.

| | Chilean pesos | US dollars | Other currencies | Total |
|---|---|---|---|---|
| Right-of-use assets (non-banking sector) | 178,257,644 | 73,117,315 | 242,255 | 251,617,214 |
| Lease liabilities (non-banking sector) | 178,257,644 | 73,117,315 | 242,255 | 251,617,214 |
| Right-of-use assets (banking sector) | 144,528,750 | - | - | 144,528,750 |
| Lease liabilities (banking sector) | 144,528,750 | - | - | 144,528,750 |

The net accounting effect of leases, amortization and interest on the income statements for future periods as a result of IFRS 16 will depend on how lease contracts evolve and are renegotiated. These changes as a result of the standard affect the timing of recognition in the financial statements.

2. The effect on the company Nexans S.A. (France) of adopting IFRS 15 and IFRS 9, where the subsidiary Invexans S.A. has an investment, was an adjustment to equity of ThCh$1,178,375 on January 1, 2019 and ThCh$2,946,108 on January 1, 2018.

**Note 3 - Changes in accounting policies (continued)**

3. The subsidiary Enex merged with Road Ranger LLC in 2018. However, the initial accounting for this business combination was still incomplete at the end of 2018. Therefore, the presentation in the consolidated financial statements used provisional figures for the items with incomplete valuations.

During the measurement period, the acquirer retroactively adjusted the provisional amounts recognized as of the acquisition date to reflect new information obtained regarding the facts and circumstances as of the acquisition date that, had they been known, would have affected the measurement of the amounts recognized as of that date.

During the measurement period, the acquirer also recognized additional assets or liabilities as new information was obtained regarding facts and circumstances as of the acquisition date that, had they been known, would have resulted in recognition of these assets and liabilities as of that date. The measurement period did not exceed one year from the date of acquisition (in this case, November 18, 2019). This had no impact on the consolidated income statement for 2018.

The adjustments as of December 31, 2018, recognized in the consolidated statement of financial position, are as follows.

| | Note | 12.31.2018 Previously reported ThCh$ | IFRS 3 adjustments ThCh$ | 12.31.2018 Restated ThCh$ |
|---|---|---|---|---|
| Intangible assets other than goodwill | 10 | 21,209,587 | (2,608,950) | 18,600,637 |
| Property, plant and equipment | 13 | 387,681,825 | 12,927,271 | 400,609,096 |
| Goodwill | 12 | 276,964,856 | (9,015,237) | 267,949,619 |
| Deferred tax assets | 16 | 10,822,000 | (1,303,084) | 9,518,916 |

Except for the foregoing, the Company has not changed its accounting estimates and policies as of the closing date of these consolidated financial statements.

## Note 4 – Cash and cash equivalents

a) As of December 31, 2019 and 2018, these are detailed as follows.

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Cash on hand | 1,324,545 | 7,728,527 |
| Bank balances | 144,327,727 | 57,039,485 |
| Time deposits up to 90 days | 355,888,825 | 210,353,035 |
| Investments under repurchase agreements | 50,151,542 | 20,275,849 |
| **Total** | **551,692,639** | **295,396,896** |

As indicated in Note 2 f) and z), the consolidated statement of cash flows includes the banking subsidiaries that are shown separately in that statement. The previous detail does not therefore include the cash and cash equivalents of the banking subsidiaries. Similarly, the balances that Quiñenco and its subsidiaries keep in checking accounts, time deposits and other investments with Banco de Chile, amounting to ThCh$63,964,283 as of December 31, 2019 (ThCh$15,521,275 as of December 31, 2018), have been eliminated in the preparation of these consolidated financial statements.

b) Cash and cash equivalents by currency are detailed as follows:

| | Currency | | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|---|---|
| Cash and cash equivalents | CLP | (Chilean pesos) | 107,545,304 | 84,876,546 |
| Cash and cash equivalents | USD | (US dollars) | 427,223,480 | 204,421,653 |
| Cash and cash equivalents | EUR | (Euros) | 2,147,900 | 127,125 |
| Cash and cash equivalents | BRL | (Brazilian reals) | 2,561,440 | 9,727 |
| Cash and cash equivalents | COP | (Colombian pesos) | - | 1,831 |
| Cash and cash equivalents | OTR | (Other currencies) | 12,214,515 | 5,960,014 |
| **Total** | | | **551,692,639** | **295,396,896** |

c) Reconciliation between cash and cash equivalents shown in the consolidated statement of financial position and that shown in the consolidated statement of cash flows.

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| **Cash and cash equivalents in non-banking sector** | 551,692,639 | 295,396,896 |
| **Discontinued companies** | 46,057 | 72,007 |
| **Cash and cash equivalents in banking sector** | | |
| Cash | 889,910,887 | 624,861,697 |
| Deposits in the Chilean Central Bank | 178,428,703 | 121,806,949 |
| Deposits with banks in Chile | 75,650,888 | 26,697,565 |
| Deposits abroad | 1,248,174,902 | 106,713,961 |
| Transactions pending settlement (net) | 232,550,846 | 244,759,098 |
| Highly liquid financial instruments: | 1,192,188,095 | 1,058,904,399 |
| Investments under resale agreements | 114,465,711 | 72,629,707 |
| **Cash and cash equivalents in the consolidated statement of cash flows** | **4,483,108,728** | **2,551,842,279** |

**Note 4 – Cash and cash equivalents (continued)**

d) Significant unavailable cash balances

As of December 31, 2019 and 2018, there were no restrictions on cash and cash equivalents.

The funds held in cash and cash equivalents with the Chilean Central Bank meet the banking sector regulations for reserve requirements that the Bank must hold on an average monthly basis.

e) Changes in liabilities produced by financing activities.

The Company has not entered into any significant investing or financing transactions that do not require the use of cash or cash equivalents.

## Note 5 – Other financial assets, current

As of December 31, 2019 and 2018, these are detailed as follows.

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Time deposits at more than 90 days | 37,124,304 | 234,386,227 |
| Investments in mutual funds | 1,538,092 | 2,150,678 |
| Hedging assets | 8,570,534 | 7,642 |
| **Total** | **47,232,930** | **236,544,547** |

These do not include time deposits maturing in more than 90 days held by Quiñenco and its subsidiaries with Banco de Chile, amounting to ThCh$5,914,076 as of December 31, 2019 (ThCh$60,054,925 as of December 31, 2018), which were eliminated in consolidation.

### a) Hedging assets

The fair value of current hedging assets is detailed as follows:

| Hedge classification | Hedge description | Hedged risk | Hedge currency | Current | | Fair values | |
|---|---|---|---|---|---|---|---|
| | | | | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
| Swap | Cash flow hedge instruments | Interest rate changes | US dollars | - | 7,642 | - | 7,642 |
| Forward | Cash flow hedge instruments | Exchange rate fluctuations | US dollars | 8,570,534 | - | 8,570,534 | - |
| | | **Total hedging assets** | | **8,570,534** | **7,642** | **8,570,534** | **7,642** |

## Note 6 – Other non-financial assets, current

As of December 31, 2019 and 2018, these are detailed as follows.

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Dividends receivable | 2,923,192 | 27,049,579 |
| Advance payments to suppliers | 9,107,623 | 6,344,075 |
| VAT recoverable | 10,624,128 | 6,333,409 |
| Others | 3,182,758 | 1,257,644 |
| **Total** | **25,837,701** | **40,984,707** |

## Note 7 – Trade and other receivables

As of December 31, 2019 and 2018, these are detailed as follows.

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Trade receivables | 192,084,978 | 214,644,022 |
| Other receivables | 43,409,080 | 37,006,246 |
| Allowance for doubtful receivables | (16,601,040) | (18,264,929) |
| **Total** | **218,893,018** | **233,385,339** |
| **Less: Other receivables, non-current (1)** | (10,852,238) | (10,999,599) |
| **Current trade and other receivables** | **208,040,780** | **222,385,740** |

(1) The balance of Other non-current receivables mainly consists of loans to entities abroad with various interest rates and collection periods, which are duly documented by these debtors.

**Note 7 – Trade and other receivables (continued)**

The maturities of current trade and other receivables are detailed as follows:

| | 12/31/2019 | | | | 12/31/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Past due ranges | No. Clients non-renegotiated portfolio | Gross non-renegotiated portfolio ThCh$ | No. Clients renegotiated portfolio | Gross renegotiated portfolio ThCh$ | No. Clients non renegotiated portfolio | Gross portfolio non renegotiated ThCh$ | No. Clients renegotiated portfolio | Gross renegotiated portfolio ThCh$ |
| Not yet due | 8,433 | 170,198,527 | - | - | 1,005,360 | 201,485,906 | - | - |
| 1- 30 days | 3,220 | 35,683,036 | - | - | 33,925 | 20,554,748 | - | - |
| 31- 60 days | 948 | 6,781,470 | - | - | 15,084 | 5,210,445 | - | - |
| 61- 90 days | 1,239 | 2,796,260 | - | - | 11,585 | 4,695,077 | - | - |
| 91- 120 days | 789 | 2,627,734 | - | - | 2,923 | 900,007 | - | - |
| 121- 150 days | 598 | 372,265 | - | - | 790 | 464,622 | - | - |
| 151- 180 days | 348 | 261,304 | - | - | 459 | 372,513 | - | - |
| 181- 210 days | 522 | 335,741 | - | - | 304 | 265,234 | - | - |
| 211-250 days | 428 | 554,885 | - | - | 230 | 53,180 | - | - |
| Over 250 days | 3,732 | 15,882,836 | - | - | 4,251 | 17,648,536 | - | - |
| **Total** | **20,257** | **235,494,058** | **-** | **-** | **1,074,911** | **251,650,268** | **-** | **-** |

| Unsecuritized portfolio | 12/31/2019 | | 12/31/2018 | |
|---|---|---|---|---|
| | No. Clients | Portfolio ThCh$ | No. Clients | Portfolio ThCh$ |
| Documents receivable rejected | 3 | 706,062 | 10 | 597,502 |
| Documents receivable under legal collection procedures | 0 | 0 | 1 | 4,863 |

| Provisions | | | | | | | |
|---|---|---|---|---|---|---|---|
| 12/31/2019 | | | | 12/31/2018 | | | |
| Non-renegotiated portfolio ThCh$ | Renegotiated portfolio | Charge offs for period ThCh$ | Recoveries for period ThCh$ | Non-renegotiated portfolio ThCh$ | Renegotiated portfolio | Charge offs for period ThCh$ | Recoveries for period ThCh$ |
| (16,601,040) | - | 2,821,616 | 464,219 | (18,264,929) | - | 3,951,381 | 400,883 |

As of December 31, 2019 and 2018, the Company had no customers in the guaranteed portfolio category. There are no significant changes in the loss adjustment disclosed in accordance with paragraph 35H of IFRS 7.

**Note 7 – Trade and other receivables (continued)**

a) Impairment of trade and other receivables

The impairment is mainly attributable to Banco de Chile in the banking sector (see notes 41.10 and 41.22 to these consolidated financial statements), and mainly attributable to SAAM and Enex in the non-banking sector.

**SM SAAM**

Credit risk is the risk of financial loss arising from a customer or counterparty to a financial instrument failing to meet its contractual obligations. Credit granted to customers is regularly reviewed, in accordance with the controls defined by the Company, and to monitor the status of receivables.

Services are provided to customers under market conditions, which involves simple credit that does not exceed 120 days on average.

These transactions are not concentrated in significant customers, in fact the Company's customers are well fragmented, which distributes this risk.

Trade receivables are financial assets as the Company can transform these receivables into money within a given period of time, which generally happens over the short term. Loss provisions on these assets are calculated by applying expected loss percentages from the impairment of trade receivables.

The Company has defined customer categories with respect to their arrears based on defined default criteria, which further define the corresponding collection measures and when they are exhausted, legal collection. Default is based on the customers' inability to pay their obligations on the dates they fall due. When the credit period expires, the Company will classify the debtor within the established default ranges, and apply the expected loss percentages defined by the Company.

The Company applies the simplified approach of IFRS 9 to measure expected credit losses using an expected loss provision over the life of the instrument for all receivables.

Expected credit losses are measured by grouping receivables by their shared credit risk characteristics and days past due. Therefore, the Company has concluded that the expected loss rates for receivables are a reasonable approximation of the loss rates for these assets.

The expected loss rates are based on sales payment profiles over a 12-month period prior to December 31, 2019, and the corresponding historical credit losses experienced within the current period. Historical loss rates are adjusted to reflect current and prospective information on various macroeconomic and customer-specific factors that affect their ability to settle receivables, such as the status of the country, industry, inflation, bankruptcy, and other factors. The Company analyses the specific market situation of each customer where necessary and has determined specific events that could affect their creditworthiness, resulting in higher risk factors where appropriate.

The estimation techniques and assumptions have not been amended during the year.

**Note 7 – Trade and other receivables (continued)**

Accordingly, the loss provision reaches 100% for receivables over 360 days past due. As of December 31, 2019 and 2018, it was calculated as follows.

| Asset maturity | Expected loss (range) |
|---|---|
| Not yet due | 0.13% - 0.22% |
| 30 days past due | 0.22% - 4.65% |
| 60 days past due | 0.37% - 15.73% |
| 90 days past due | 1.63% - 25.47% |
| 120 days past due | 11.47% - 36.52% |
| 180 days past due | 15.90% - 48.74% |
| 240 days past due | 20.11% - 73.67% |
| 300 days past due | 40.11% - 94.21% |
| 360 days past due | 55.06% - 100% |
| Over 360 days past due | 98.44% - 100% |
| Judicial collections, bounced checks and similar problems | 100% |
| High risk clients, reviewed on a case by case basis | 100% |

Currently, the expected loss percentages due to the impairment of receivables are calculated separately by each company within the SAAM Group. This is because each company has different criteria for granting credit and managing collections.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, that the debtor does not suggest a payment plan to the Company and cannot meet contractual payments for a period exceeding 360 days, in addition to external and judicial collection.

Impairment losses on receivables and contractual assets are presented as net impairment losses in operating income. Subsequent recoveries of previously eliminated receivables are credited against the same line.

There are no financial assets that have been eliminated or contractually amended during the period and are pending collection.

The book value of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk related to trade receivables as of December 31, 2019 and December 31, 2018 was as follows.

| | Note | 12-31-2019 ThUS$ | | | 12-31-2018 ThUS$ | | |
|---|---|---|---|---|---|---|---|
| | | Current | Non-current | Total | Current | Non-current | Total |
| Trade receivables | | 78,402 | 211 | 78,613 | 67,344 | 0 | 67,344 |
| Impairment of trade receivables | | (4,623) | 0 | (4,623) | (3,954) | 0 | (3,954) |
| Net trade receivables | | 73,779 | 211 | 73,990 | 63,390 | 0 | 63,390 |
| Other receivables | | 12,146 | 14,283 | 26,429 | 10,881 | 15,832 | 26,713 |
| Impairment of other receivables | | 0 | 0 | 0 | 0 | 0 | 0 |
| Net other receivables | | 12,146 | 14,283 | 26,429 | 10,881 | 15,832 | 26,713 |
| **Total trade and other receivables** | **11** | **85,925** | **14,494** | **100,419** | **74,271** | **15,832** | **90,103** |

| Movement in impairment provision | 12-31-2019 ThUS$ | 12-31-2018 ThUS$ |
|---|---|---|
| Opening balance as of January 1 | 3,954 | 4,661 |
| Increase in provision (Note 30) | 810 | 221 |
| Increase due to change in accounting policy under IFRS 9 | 0 | 183 |
| Reversal of provision | (575) | (511) |
| Receivables charged off | (98) | (268) |
| Effect of exchange rates | 532 | (332) |
| **Closing balance as of December 31** | **4,623** | **3,954** |

**Note 7 – Trade and other receivables (continued)**

The change in the gross balance of trade receivables between 2019 and 2018 is mainly explained by incorporating the trade receivables of ST Brasil as a subsidiary as from November 2019, which contributes to an increase in the impairment provision.
To this date, there is no possibility of recovering receivables written off during the current year.
There are no collateral guarantees held to improve creditworthiness.

**Enex S.A.**

Enex S.A. and its subsidiaries have taken out credit insurance in order to cover the risk of unpaid receivables from domestic and international (e.g. bunkering business) sales. The policy is currently contracted from Continental and expires on June 30, 2020. Credit insurance segments customers according to the coverage granted by the insurance company and the evaluation method for granting such coverage. As of December 31, 2019 and 2018, coverage was distributed as follows:

| Coverage | Amount | No. Clients |
|---|---|---|
| Specified debtor | > UF1,200 | 951 |
| Unspecified debtor | UF1,200 | 6,288 |

Regarding credit granted by Enex (credit lines), 30% is to customers outside the scope of coverage, such as large mining companies, large energy generators, gas stations, and other companies, and 70% is to other types of customers within the scope. 75% of these customers are covered.

An impairment loss on receivables from customers arises when there is objective evidence that the Company will not be able to collect all the amounts owed in accordance with the original terms of the receivable. Some indicators that a receivable may not be collectible are financial difficulties, initiation of bankruptcy proceedings, financial restructuring and aging of accounts due from our industrial and retail customers. The estimated impairment loss is the "Expected Loan Loss", using the simplified approach established in IFRS 9 and a risk analysis is performed to determine whether the portfolio is impaired, in accordance with three years' historical experience of the uncollectibility of the portfolio, which is adjusted according to macroeconomic variables, in order to obtain sufficient prospective information for the estimate and considers other age factors covering all debts exceeding 180 days, and those cases where partial losses due to impairment are estimated on a case-by-case basis, in accordance with the policy. Additionally, the Company has credit insurance for individually significant receivables. Impairment losses are recognized in the income statement for the period when they arise.

The Company evaluates whether there is any evidence of impairment of a financial asset or group of financial assets as of each reporting date.
The Company collectively evaluates any impairment in receivables and aggregates financial assets with similar risk characteristics that are indicative of customers' ability to meet their obligations under the agreed terms. When objective evidence is detected that receivables are impaired, the loss is recognized in the consolidated income statement under "Administrative expenses".

If, in a subsequent period, the impairment loss decreases and the decrease can be objectively related to an event that occurs after recognizing impairment, the previously recorded impairment loss is reversed.

Any subsequent reversal of an impairment provision is recognized in the income statement to the extent that the asset book value does not exceed its fair value as of the reversal date.

On this basis, the provision for losses as of December 31, 2019 and 2018, was as follows.

| **Range in days** | **Factor** |
|---|---|
| 0-30 | 0.002% |
| 31-60 | 2.507% |
| 61-90 | 5.190% |
| 91-120 | 43.328% |
| 121-150 | 43.171% |
| 150-180 | 60.320% |
| 181 + | 100.000% |

## Note 8 – Related party balances and transactions

### a) Related party receivables and payables

| | ID number | Country | Transaction | Relationship | Currency | Current assets | | Non-current assets | | Current liabilities | | Non-current liabilities | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| | | | | | | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Minera Los Pelambres S.A. | 96.790.240-3 | Chile | Invoices | Common shareholder | CLP | 6,832,868 | 5,581,271 | - | - | - | - | - | - |
| Embotelladoras Chilenas Unidas S.A. | 99.501.760-1 | Chile | Invoices | Subsidiary of joint venture | CLP | - | 31,034 | - | - | - | 224 | - | - |
| Sociedad Nacional de Oleoductos S.A. | 81,095,400-0 | Chile | Invoices | Associate of subsidiary | CLP | - | - | - | - | 66,851 | 34,968 | - | - |
| Sociedad de Inversiones de Aviación S.A. | 82.040.600-1 | Chile | Invoices | Associate of subsidiary | CLP | - | - | - | - | - | 103,002 | - | - |
| Comercial CCU S.A. | 99.554.560-8 | Chile | Invoices | Subsidiary of joint venture | CLP | 4,556 | 10,945 | - | - | 129,853 | 146,618 | - | - |
| Asfaltos Cono Sur S.A. | 96.973.920-8 | Chile | Invoices | Joint venture of subsidiary | CLP | 407,604 | 62,679 | - | - | 1,010,051 | - | - | - |
| Ferrocarril Antofagasta Bolivia S.A. | 81.148.200-5 | Chile | Invoices | Common shareholder | CLP | 1,293,643 | 1,000,408 | - | - | - | - | - | - |
| Minera Antucoya | 76.079.669-7 | Chile | Invoices | Common shareholder | CLP | 2,462,565 | 2,301,983 | - | - | - | - | - | - |
| Minera Centinela | 76.727.040-2 | Chile | Invoices | Common shareholder | CLP | 11,133,042 | 11,349,345 | - | - | - | - | - | - |
| Antofagasta Minerals S.A. | 93.920.000-2 | Chile | Invoices | Common shareholder | CLP | 71,952 | - | - | - | - | - | - | - |
| Nexans Brasil S.A. (1) | Foreign | Brazil | Legal settlement | Associate of subsidiary | USD | - | - | - | - | 109,617 | 105,549 | - | - |
| Hapag Lloyd Chile SpA | 76.380.217-5 | Chile | Services | Associate of subsidiary | CLP | 1,567,862 | 46,550 | - | - | - | 1,390 | - | - |
| Hapag Lloyd Chile S.A. | 76.049.840-8 | Chile | Services | Associate of subsidiary | USD | - | 1,615,340 | - | - | - | - | - | - |
| Hapag Lloyd AG | Foreign | Germany | Services | Joint venture of subsidiary | USD | 1,279,596 | 2,422,663 | - | - | 845,328 | - | - | - |
| Hapag Lloyd Brasil | Foreign | Brazil | Services | Associate of subsidiary | USD | 1,302,807 | | | | | | | |
| Hapag Lloyd Ecuador | Foreign | Ecuador | Services | Associate of subsidiary | USD | 120,547 | - | - | - | - | - | - | - |
| Hapag Lloyd AG Mexico S.A. de C.V. | Foreign | Mexico | Services | Associate of subsidiary | USD | - | 219,547 | - | - | - | - | - | - |
| Norgistic Chile S.A. | 76,028,758-K | Chile | Services | Associate of subsidiary | CLP | 50,166 | 45,855 | - | - | - | - | - | - |
| CSAV Austral SpA | 89.602.300-4 | Chile | Current account | Associate of subsidiary | USD | 214,888 | 178,556 | - | - | - | - | - | - |
| Transportes Fluviales Corral S.A. | 96.657.210-8 | Chile | Services | Associate of subsidiary | CLP | 43,429 | 20,148 | - | - | - | - | - | - |
| Iquique Terminal Internacional S.A. | 96,915,330-0 | Chile | Current account | Associate of subsidiary | USD | 50,974 | 34,497 | - | - | - | - | - | - |
| Antofagasta Terminal Internacional S.A. | 99.511.240-K | Chile | Services | Associate of subsidiary | CLP | 51,663 | 179,251 | - | - | - | - | - | - |
| San Antonio Terminal Internacional S.A. | 96.908.970-K | Chile | Services | Associate of subsidiary | CLP | 1,154,483 | 170,858 | - | - | 61,397 | 52,108 | - | - |
| Lng Tugs Chile S.A. | 76.028.651-6 | Chile | Services | Associate of subsidiary | USD | 39,683 | 42,381 | - | - | - | - | - | - |
| Servicios Portuarios Reloncaví Ltda. | 78.353.000-7 | Chile | Services | Associate of subsidiary | CLP | 7,487 | 177,166 | - | - | - | - | - | - |
| San Vicente Terminal Internacional S.A. | 96,908,930-0 | Chile | Services | Associate of subsidiary | USD | 83,859 | 37,518 | - | - | - | - | - | - |
| Tug Brasil Apoio Marítimo Portuario S.A. | Foreign | Brazil | Services | Associate of subsidiary | USD | - | 688,517 | - | - | - | 115,332 | - | - |
| SAAM SMIT Towage Brasil | Foreign | Brazil | Dividends | Associate of subsidiary | USD | - | 1,927,292 | - | - | 20,965 | - | - | - |
| Others | - | - | Invoices | | CLP | 172,538 | 53,839 | - | - | 57,413 | 33,221 | - | - |
| Total | | | | | | 28,346,212 | 28,197,643 | - | - | 2,301,475 | 592,412 | - | - |

(1) The recognition of loans related to lawsuits in Brazil arising from the sales contract of the Cable Unit. For legal purposes (Law 18045 and 18046) Nexans Brasil S.A. is not related to Invexans S.A.

**Note 8 – Related party balances and transactions (continued)**

**b) Significant transactions with related parties**

The criterion of the parent company is to classify the rights with its associates with respect to dividends as Other assets, in view of the related entity's nature but not quality.

Transactions between related parties are carried out at market prices. No guarantees have been provided or received for related party receivables or payables. Significant items when disclosing transactions with related parties are those that exceed UF 10,000 or 1% of the equity, whichever is lower.

| ID number | Company | Relationship | Description | 12/31/2019 Transaction amount | 12/31/2019 Effect on net income | 12/31/2018 Transaction amount | 12/31/2018 Effect on net income |
|---|---|---|---|---|---|---|---|
| | | | | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| 96.790.240-3 | Minera Los Pelambres S.A. | Common shareholder | Sales of products and services | 52,055,418 | 7,926,370 | 46,431,814 | 6,911,122 |
| 76.079.669-7 | Minera Antucoya | Common shareholder | Sales of products and services | 17,958,252 | 2,450,340 | 18,457,811 | 1,951,353 |
| 76.727.040-2 | Minera Centinela S.A. | Common shareholder | Sales of products and services | 82,790,361 | 9,736,453 | 80,372,535 | 10,285,027 |
| 81.148.200-5 | Ferrocarril Antofagasta Bolivia | Common shareholder | Products sold | 13,397,325 | 737,452 | 13,253,293 | 514,404 |
| 99.501.760-1 | Ecusa S.A. | Subsidiary of joint venture | Sales of services | 444,366 | 444,366 | 277,482 | 277,482 |
| 81.095.400-0 | Sociedad Nacional de Oleoductos S.A. | Associate of subsidiary | Services received | 600,418 | (600,418) | 500,658 | (500,658) |
| 81.095.400-0 | Sociedad Nacional de Oleoductos S.A. | Associate of subsidiary | Dividends received | 3,700,582 | - | 3,585,738 | - |
| 82.040.600-1 | Sociedad Inversiones de Aviación S.A. | Associate of subsidiary | Services received | 1,639,991 | (1,639,991) | 1,162,139 | (1,162,139) |
| 82.040.600-1 | Sociedad Inversiones de Aviación S.A. | Associate of subsidiary | Dividends received | 1,500,000 | - | 1,000,000 | - |
| 96.973.920-8 | Asfaltos Cono Sur S.A. | Joint venture of subsidiary | Services received | 971,571 | 971,571 | 597,345 | 597,345 |
| 76.049.840-8 | Hapag Lloyd Chile S.A. | Associate of subsidiary | Port operations | 5,216,433 | 5,216,433 | 4,158,138 | 4,158,138 |
| 76.049.840-8 | Hapag Lloyd Chile S.A. | Associate of subsidiary | Towage services | 1,001,668 | 1,001,668 | 1,062,723 | 1,062,723 |
| 76.049.840-8 | Hapag Lloyd Chile S.A. | Associate of subsidiary | Services | 742,786 | 742,786 | 702,432 | 702,432 |
| 76.380.217-5 | Hapag Lloyd Chile SpA | Associate of subsidiary | Leasehold property | 1,227,261 | 1,227,261 | 1,204,261 | 1,204,261 |
| Foreign | Hapag Lloyd Ecuador | Associate of subsidiary | Container storage and repair | 520,585 | 520,585 | - | - |
| Foreign | Hapag Lloyd Ecuador | Associate of subsidiary | Port operations | 132,615 | 132,615 | - | - |
| Foreign | Hapag Lloyd Mexico S.A. de C.V. | Subsidiary of joint venture | Port operations | 856,356 | 856,356 | - | - |
| Foreign | Hapag Lloyd Mexico S.A. de C.V. | Subsidiary of joint venture | Port operations | 128,383 | 128,383 | - | - |
| Foreign | Hapag Lloyd A.G. Germany | Joint venture of subsidiary | Port operations | 7,235,993 | 7,235,993 | 6,858,811 | 6,858,811 |
| Foreign | Hapag Lloyd A.G. Germany | Joint venture of subsidiary | Towage services | 992,498 | 992,498 | 1,245,774 | 1,245,774 |
| Foreign | Hapag Lloyd A.G. Germany | Joint venture of subsidiary | Cold storage | 2,252,342 | 2,252,342 | 2,081,635 | 2,081,635 |
| 99.554.560-8 | Comercial CCU S.A. | Subsidiary of joint venture | Product purchases | 1,760,711 | (1,760,711) | 1,791,963 | (1,791,963) |
| 76.028.651-6 | Lng Tugs Chile S.A. | Associate of subsidiary | Towage services | 1,037,643 | 1,037,643 | 1,288,753 | 1,288,753 |
| 96.915.330-0 | Iquique Terminal Internacional S.A. | Associate of subsidiary | Product sales | 518,812 | 24,920 | 437,070 | 14,288 |
| 96.908.970-K | San Antonio Terminal Internacional S.A. | Associate of subsidiary | Port terminal services | 1,385,209 | 78,084 | 1,188,572 | 70,773 |
| 93.857.000-0 | Compañía de Inversiones Adriático S.A. | Common shareholder | Services received | 334,151 | 334,151 | 299,682 | 299,682 |

**Note 8 – Related party balances and transactions (continued)**

**c) Remuneration and benefits received by senior management of the Parent Company**

For the years ended December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Wages and salaries | 4,751,127 | 4,070,223 |
| Fees (allowances and profit sharing) | 1,443,355 | 1,150,903 |
| Short-term benefits | 5,447,556 | 4,906,711 |
| Total | 11,642,038 | 10,127,837 |

**Note 9 – Inventory**

As of December 31, 2019 and 2018, these are detailed as follows:

| Inventory, current | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Raw materials | 177,380 | 154,064 |
| Fuel and lubricants | 102,076,275 | 85,748,632 |
| Production supplies | 8,144,794 | 5,942,368 |
| Others (1) | 9,405,173 | 7,181,149 |
| Total | 119,803,622 | 99,026,213 |

(1) Mainly inventory in transit.

| Non-current inventory | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Spare parts | 858,805 | 733,677 |
| Total | 858,805 | 733,677 |

The costs of inventory recognized as expenses in the consolidated statement of comprehensive income as of December 31 each year are detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Inventory costs recognized as expenses | 2,247,074,297 | 2,027,422,617 |
| **Total** | **2,247,074,297** | **2,027,422,617** |

## Note 10 – Non-current assets or disposal groups classified as held for sale and discontinued operations

As of December 31, 2019 and 2018, these are detailed as follows:

| | Invexans | | Tech Pack | | SM SAAM | | CSAV | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Non-current assets held for sale | 2,520,926 | 2,381,864 | 3,660,210 | 5,331,627 | 8,707,097 | 12,604,517 | 229,114 | 544,700 | 15,117,347 | 20,862,708 |
| Assets from discontinued operations | - | - | 46,530 | 72,713 | - | - | - | - | 46,530 | 72,713 |
| **Total assets held for sale** | **2,520,926** | **2,381,864** | **3,706,740** | **5,404,340** | **8,707,097** | **12,604,517** | **229,114** | **544,700** | **15,163,877** | **20,935,421** |
| Non-current liabilities held for sale | - | - | - | - | - | - | 60,648 | 29,180 | 60,648 | 29,180 |
| Liabilities from discontinued operations | - | - | 326,786 | 539,425 | - | - | - | - | 326,786 | 539,425 |
| **Total liabilities held for sale** | **-** | **-** | **326,786** | **539,425** | **-** | **-** | **60,648** | **29,180** | **387,434** | **568,605** |

### (a) Non-current assets held for sale

As of December 31, 2019 and 2018, these are detailed as follows:

| | Invexans | | Tech Pack | | SM SAAM | | CSAV | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Properties | 2,520,926 | 2,381,864 | 3,659,621 | 5,213,345 | 8,227,155 | 6,710,784 | 68,884 | 9,727 | 14,476,586 | 14,315,720 |
| Machinery, vehicles and equipment | - | - | - | - | 449,992 | 466,190 | - | - | 449,992 | 466,190 |
| Other assets | - | - | 589 | 118,282 | 29,950 | 5,427,543 | 160,230 | 534,973 | 190,769 | 6,080,798 |
| **Total assets** | **2,520,926** | **2,381,864** | **3,660,210** | **5,331,627** | **8,707,097** | **12,604,517** | **229,114** | **544,700** | **15,117,347** | **20,862,708** |

### a.1 Invexans

The subsidiary Invexans has reclassified various properties associated with the Manufacturing segment as asset groups held for sale. The assets held for sale by Invexans are mainly properties that the company or its subsidiaries used for production or for complementary purposes. Currently these assets are a property in Quilpué that was used by Armat S.A. (former subsidiary) to manufacture coin blanks.

### a.2 Tech Pack

The subsidiary Tech Pack has reclassified various properties associated with the Manufacturing segment as asset groups held for sale:

Lomas de Zamora in Argentina belongs to the subsidiaries Decker and Metacab, which are discontinued operations that were dedicated to processing metals in Argentina. Land in Yumbo, Colombia, belonged to Empaques Flexa, a subsidiary of Alusa S.A., which was sold in 2016. Finally, the property in Rancagua and other assets for sale are owned by the subsidiaries Alumco and Indalum, which are discontinued operations, though in the past they produced and marketed enclosure solutions.

As detailed above, all of these assets come from discontinued operations or companies that have been sold, so they do not now fulfill a productive function within the subsidiary and it has been decided to sell them to release these resources.

The gain or loss is included in the consolidated income statement under Other gains (losses).

### a.3 SM SAAM

Part of property, plant and equipment associated with the Port Services segment of the subsidiary SM SAAM is presented as a group of assets classified as held for sale, in accordance with the commitment signed by Management.

a) During the period SM SAAM completed the sale of its interest in Terminal Puerto Arica S.A. and sold minor assets from the disposal of dispensable assets in the Logistics segment.

b) During 2018, some assets held for sale have been sold, such as the property in Puerto Montt for ThCh$214,684, the Olmec tug in Panama for ThCh$73,646 and dispensable assets in the logistics division for ThCh$311,952.

**Note 10 – Non-current assets or disposal groups classified as held for sale and discontinued operations (continued)**

**(b) Discontinued operations**

**b.1 Tech Pack**

1) The Share Purchase Agreement signed on April 18, 2016, was finalized on May 31, 2016, by the transfer of shares. As a result, Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A., to Amcor Holding SpA, and Inmobiliaria Techpack S.A. sold its shares in Alusa S.A. to Amcor Holding SpA. The buyers belong to Amcor, the main global producer of rigid and flexible packaging. Therefore, Tech Pack S.A. ceased to have a direct or indirect interest in the production and marketing of flexible packaging in Chile and abroad.

The transaction generated revenue of US$ 204 million. The effect on the net income of Tech Pack S.A. is the net amount after deducting the book value of the investment that Tech Pack S.A. and Inmobiliaria Techpack S.A. held in these subsidiaries and other deductions related to the transaction costs and estimated taxes. Also included as a cost are the Reserves for currency translation differences that were recorded in Other comprehensive income up to the time of the sale of US$ 11 million.

As of December 31, 2019 and 2018, the net loss for the year of the discontinued operation is classified as Gain (loss) on discontinued operations, net of taxes, as established in IFRS 5.

The result of discontinued operations, for the subsidiary Tech Pack, is detailed as follows:

| | **12/31/2019 ThCh$** | **12/31/2018 ThCh$** |
|---|---|---|
| Operating revenue | - | - |
| Expenses | (736,839) | (766,842) |
| Net loss before taxes | **(736,839)** | **(766,842)** |
| Income tax expense (benefit) | (10,368) | (48,071) |
| Net loss on discontinued operations, net of taxes | **(747,207)** | **(814,913)** |
| Loss on AMCOR transaction, net of taxes (1) | (71,790) | (16,560,067) |
| Loss on discontinued operations, net of taxes | **(818,997)** | **(17,374,980)** |

(1) Includes price adjustments and other expenses.

| **Statement of cash flow** | **12/31/2019 ThCh$** | **12/31/2018 ThCh$** |
|---|---|---|
| Cash flows provided by (used in) operating activities | (821,890) | (801,618) |
| Cash flows provided by (used in) investing activities | 6,542 | - |
| Cash flows provided by (used in) financing activities | 786,177 | 803,432 |
| Effect of exchange rate changes on cash and cash equivalents | 3,221 | 5,575 |
| Cash and cash equivalents, opening balance | 72,007 | 64,618 |
| **Net cash flows for the year** | **46,057** | **72,007** |

**Note 10 – Non-current assets or disposal groups classified as held for sale and discontinued operations (continued)**

**(b) Discontinued operations (continued)**

**b.2 CSAV**

CSAV prepared a disposal plan for its freight forwarder and logistics business unit operated by the Norgistics subsidiaries (hereinafter "Norgistics"), which was part of the other transport services segment. Accordingly, the activities and transactions of the Norgistics business unit must be considered discontinued operations and be presented separately in the consolidated income statement, in accordance with IFRS 5. The discontinued unit's results and net cash flows from operating, investing and financing activities must also be detailed separately in this note.

On April 8, 2019, Norgistics Holding S.A. liquidated the subsidiary Norgistics Perú S.A.C.

On August 21, 2018, the subsidiary Tollo Shipping Co. S.A. sold its interest in Norgistics (China) Ltd. [Hong Kong]. The remaining subsidiaries in this unit are not operating and are controlled by CSAV as of December 31, 2019. Therefore, their assets and liabilities are presented in the consolidated statement of financial position as held for sale, as indicated in the preceding paragraphs.

The result of discontinued operations at the subsidiary CSAV was detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Operating revenue | - | 16,631 |
| Expenses | (697,270) | (185,598) |
| Net loss before taxes | **(697,270)** | **(168,967)** |
| Income tax (expense) benefit | - | (132,386) |
| Net loss on discontinued operations, net of taxes | **(697,270)** | **(301,353)** |

| **Statement of cash flow** | **12/31/2019**<br>**ThCh$** | **12/31/2018**<br>**ThCh$** |
|---|---|---|
| Cash flows provided by (used in) operating activities | (99,487) | (266,768) |
| Cash flows provided by (used in) investing activities | - | - |
| Cash flows provided by (used in) financing activities | - | - |
| Effect of exchange rate changes on cash and cash equivalents | 10,552 | - |
| **Net cash flows for the year** | **(88,935)** | **(266,768)** |

**Note 10 – Non-current assets or disposal groups classified as held for sale and discontinued operations (continued)**

**(b) Discontinued operations (continued)**

**b.3 Inversiones Vita S.A., Banchile Seguros de Vida S.A. and Segchile Seguros Generales S.A.**

In a share purchase agreement signed on September 14, 2019, by Quiñenco's indirect subsidiary, Inmobiliaria Norte Verde S.A., that subsidiary agreed to sell all of its shares in the subsidiaries Inversiones Vita S.A., Banchile Seguros de Vida S.A. and Segchile Seguros Generales S.A., which together represent 66.3% of their share capital.

This transaction was completed when various suspensive conditions were fulfilled on December 30, 2019, resulting in the sale of these shares under the share agreement described in the previous paragraph. The price received by Inmobiliaria Norte Verde S.A. was ThCh$35,898,596, for all the shares it owns in those companies. The effect on the income statement was the net amount after deducting the book value of the investments in these subsidiaries, other deductions related to transaction costs and taxes, and the currency translation reserves in Other comprehensive income as of the sale date of ThCh$1,605,751. This resulted in a pre-tax gain of ThCh$23,095,558. The income tax on this transaction was ThCh$8,806,183.

Accordingly, the activities and transactions of the insurance business must be considered discontinued operations and be presented separately in the consolidated income statement, in accordance with IFRS 5. The discontinued operation's results and net cash flows from operating, investing and financing activities must also be detailed separately in this note.

The discontinued operation's results and net cash flows for the years ended December 31, 2019 and 2018, are detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Operating revenue | 134,246,867 | 135,109,624 |
| Expenses | (115,660,786) | (118,312,130) |
| Net income before taxes | **18,586,081** | **16,797,494** |
| Income tax (expense) benefit | (5,068,016) | (4,423,318) |
| Net income on discontinued operations, net of taxes | 13,518,065 | 12,374,176 |
| Non-controlling interests | (4,555,588) | (4,170,529) |
| Subtotal | 8,962,477 | 8,203,647 |
| Gain on sale of Inv. Vita S.A., Banchile S.A. and Segchile S.A., net of taxes | 14,289,375 | - |
| Net income on discontinued operations, net of taxes | **23,251,852** | **8,203,647** |

| **Statement of cash flow** | **12/31/2019**<br>**ThCh$** | **12/31/2018**<br>**ThCh$** |
|---|---|---|
| Cash flows provided by (used in) operating activities | - | (2,816,086) |
| Cash flows provided by (used in) investing activities | - | 1,325,296 |
| Cash flows provided by (used in) financing activities | - | - |
| Effect of exchange rate changes on cash and cash equivalents | - | 6,735 |
| Cash and cash equivalents, opening balance | 2,470,415 | 3,954,470 |
| **Net cash flows for the year** | **2,470,415** | **2,470,415** |

## Note 11 – Other financial assets, non-current

As of December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Equity instruments (shares) | 40,485,538 | 38,864,484 |
| Mortgage-funding notes of domestic banks | - | 95,874 |
| Bonds issued by corporations | - | 24,287,381 |
| Bonds issued by domestic banks | - | 56,152,630 |
| Securities issued by the Chilean Central Bank | - | 29,328,285 |
| Hedge assets | 262,059 | 2,105,153 |
| Other equity and foreign investments | 1,673,835 | 2,297,180 |
| **Total** | **42,421,432** | **153,130,987** |

### a) Equity instruments

Equity instruments as of December 31, 2019 and 2018, are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Sociedad Nacional de Oleoductos S.A. (SONACOL) | 40,296,561 | 38,669,757 |
| Depósitos Asfálticos S.A. (DASA) | 96,328 | 87,577 |
| Others | 92,649 | 107,150 |
| **Total** | **40,485,538** | **38,864,484** |

### b) Hedge assets

Non-current hedge assets and their fair values are detailed as follows:

| | | | | Non-current | | Fair values | |
|---|---|---|---|---|---|---|---|
| **Hedge classification** | **Hedge description** | **Hedged risk** | **Hedge currency** | **12/31/2019 ThCh$** | **12/31/2018 ThCh$** | **12/31/2019 ThCh$** | **12/31/2018 ThCh$** |
| Cross Currency Swap | Swap | Exchange rate | UF 2,800,000 | 262,059 | 2,105,153 | 262,059 | 2,105,153 |
| Other derivatives | | | | - | - | - | - |
| | | **Total hedging assets** | | **262,059** | **2,105,153** | **262,059** | **2,105,153** |

## Note 12 – Other non-financial assets, non-current

As of December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Court deposits Ficap Brasil | 9,258,024 | 8,677,441 |
| Other recoverable taxes | 4,307,785 | 4,722,000 |
| Long-term recoverable taxes (1) | - | 14,863,649 |
| Rentals paid in advance | 13,890,877 | 13,437,624 |
| Sole investment account | - | 556,004 |
| Concession rights | 1,968,351 | 1,980,116 |
| Others | 1,586,308 | 688,710 |
| **Total** | **31,011,345** | **44,925,544** |

(1) The cumulative effect as a result of the merger in 2012 of Enex and its main shareholder. As of December 31, 2019, the trial involving these amounts was unfavorable. Therefore, the receivable was written off, which affected the provision for these potential losses.

## Note 13 – Investments recognized using the equity method

### a) Summary of financial information of significant subsidiaries[3]

The summary of financial information of significant subsidiaries as of December 31, 2019, is detailed as follows:

| Company | Country of incorporation | Functional Currency | Percentage Interest | Current Assets | Non-current Assets | Banking Assets | Current Liabilities | Non-current Liabilities | Banking Liabilities | Operating Revenue | Operating Expenses | Net income (loss) for the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| TECH PACK | Chile | USD | 99.97% | 111,534,231 | 39,309,204 | - | 694,802 | 992,449 | - | 14,635 | - | 380,185 |
| INVEXANS | Chile | USD | 99.38% | 8,347,401 | 306,282,006 | - | 405,646 | 16,744,460 | - | 52,047 | - | (32,343,293) |
| LQIF | Chile | CLP | 50.00% | 1,545,905 | 846,490,140 | 41,273,330,853 | 5,055,830 | 246,105,026 | 37,590,839,535 | 1,667,248,056 | (911,004,452) | 273,875,356 |
| ENEX | Chile | CLP | 100.00% | 351,371,515 | 988,373,532 | - | 291,212,667 | 438,405,211 | - | 2,570,311,105 | (2,291,878,752) | 25,708,648 |
| SM SAAM S.A. | Chile | USD | 52.20% | 292,803,013 | 918,650,072 | - | 146,824,920 | 444,111,388 | - | 373,717,530 | (257,748,617) | 40,453,207 |
| CSAV | Chile | USD | 61.45% | 54,351,036 | 1,830,512,065 | - | 80,850,365 | 138,674,884 | - | 65,499,350 | (66,347,439) | 88,195,159 |
| **Total** | | | | **819,953,101** | **4,929,617,019** | **41,273,330,853** | **525,044,230** | **1,285,033,418** | **37,590,839,535** | **4,676,842,723** | **(3,526,979,260)** | **396,269,262** |

The summary of financial information of significant subsidiaries as of December 31, 2018, is detailed as follows:

| Company | Country of incorporation | Functional Currency | Percentage Interest | Current Assets | Non-current Assets | Banking Assets | Current Liabilities | Non-current Liabilities | Banking Liabilities | Operating Revenue | Operating Expenses | Net income (loss) for the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| TECH PACK | Chile | USD | 99.97% | 98,784,836 | 38,685,649 | - | 953,448 | 907,552 | - | 10,274 | - | (19,874,283) |
| INVEXANS | Chile | USD | 98.68% | 7,400,544 | 318,532,778 | - | 7,418,151 | 8,681,514 | - | 21,151 | - | (9,161,651) |
| LQIF | Chile | CLP | 50.00% | 2,159,845 | 846,724,893 | 35,926,498,078 | 4,815,555 | 240,806,731 | 32,499,405,671 | 1,592,366,450 | (848,361,301) | 242,545,020 |
| ENEX | Chile | CLP | 100.00% | 302,113,074 | 763,996,280 | - | 191,810,472 | 290,170,860 | - | 2,276,313,552 | (2,054,317,817) | 19,276,599 |
| SM SAAM S.A. | Chile | USD | 52.20% | 272,907,044 | 717,304,866 | - | 90,502,826 | 260,265,706 | - | 330,997,299 | (234,890,522) | 32,065,369 |
| CSAV | Chile | USD | 56.17% | 34,154,200 | 1,534,551,005 | - | 21,632,358 | 67,071,707 | - | 58,474,142 | (55,859,698) | 13,846,210 |
| **Total** | | | | **717,519,543** | **4,219,795,471** | **35,926,498,078** | **317,132,810** | **867,904,070** | **32,499,405,671** | **4,258,182,868** | **(3,193,429,338)** | **278,697,264** |

[3] Significant subsidiaries are determined by following the same criterion used in establishing the Company's **Operating Segments** (Note 35).

## Note 13 – Investments recognized using the equity method (continued)

### b) Interest in joint ventures

In accordance with paragraph 21 of IFRS 12, the following shows summarized financial information of the significant interests in joint ventures as of December 31, 2019 and 2018:

| | | | | 12/31/2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Country** | **Investment Book Value** | **Percentage Interest** | **Current Assets** | **Non-current Assets** | **Current Liabilities** | **Non-current Liabilities** | **Operating Revenue** | **Operating Expenses** | **Net income (loss) for the year** |
| | | | | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| Hapag Lloyd A.G. (1) | Germany | 1,623,555,087 | 27.79 | 1,820,613,025 | 10,527,506,187 | 3,043,948,263 | 4,257,852,823 | 9,978,383,231 | 9,364,858,444 | 286,479,069 |
| Inversiones y Rentas S.A. (2) | Chile | 397,729,035 | 50.00 | 790,302,315 | 1,591,545,923 | 479,213,570 | 461,081,855 | 1,822,540,697 | (908,318,190) | 74,915,374 |
| Foods Compañía de Alimentos CCU S.A. | Chile | 1,709,806 | 50.00 | 1,402,683 | 2,070,807 | (33,645) | 20,232 | 809,117 | (762,087) | 1,795,052 |
| Asfaltos Cono Sur S.A. | Chile | 5,100,816 | 50.00 | 1,954,623 | 12,953,360 | 3,618,816 | - | 1,830,536 | (2,547,280) | (716,744) |
| Gasolinera del Sur S.R.L. (3) | Paraguay | 8,937,116 | 50.00 | 10,023,808 | 5,942,619 | 899,584 | - | 1,500,979 | (1,481,662) | 19,317 |
| Transportes y Servicios Aéreos S.A. | Chile | 145,141 | 50.00 | 292,379 | - | 2,098 | - | - | - | 3,632 |
| Aerosan Airport Services S.A. | Chile | 6,352,310 | 50.00 | 7,971,791 | 16,980,179 | 7,247,146 | 7,333,297 | 24,000,311 | (19,183,687) | 1,543,338 |
| Inmobiliaria Carriel Ltda. | Chile | 130,281 | 50.00 | 227,190 | 261,928 | 162,576 | - | 11,200 | (95,403) | 1,033,972 |
| Inmobiliaria Sepbío Ltda. | Chile | 140,763 | 50.00 | 150,070 | 2,621,367 | 896,948 | 1,591,023 | 191,318 | (25,998) | (11,664) |
| Muellaje del Maipo S.A. | Chile | 78,618 | 50.00 | 2,030,813 | 31,265 | 1,768,190 | 135,480 | 12,918,256 | (12,707,394) | 26,246 |
| Portuaria Corral S.A. | Chile | 4,199,683 | 50.00 | 3,201,500 | 6,688,551 | 1,463,186 | 1,124,833 | 6,106,386 | (3,208,200) | 1,642,634 |
| San Antonio Terminal Internacional S.A. | Chile | 30,231,875 | 50.00 | 29,677,101 | 138,209,901 | 18,319,001 | 89,078,546 | 117,653,762 | (90,028,280) | 5,682,922 |
| San Vicente Terminal Internacional S.A. | Chile | 34,200,946 | 50.00 | 23,259,510 | 103,586,038 | 55,510,733 | 33,599,772 | 43,025,020 | (41,870,948) | (2,617,187) |
| Servicios Aeroportuarios Aerosan S.A. | Chile | 6,244,492 | 50.00 | 8,733,259 | 2,907,612 | 3,219,564 | 867,767 | 15,438,313 | (10,079,374) | 3,465,638 |
| Servicios Portuarios Reloncaví Ltda. | Chile | 3,662,835 | 50.00 | 9,553,088 | 5,040,556 | 4,761,954 | 1,347,158 | 15,419,723 | (11,168,607) | 2,049,769 |
| Servicios Portuarios y Extraportuarios Bío Bío Ltda. | Chile | -4,492 | 50.00 | 3,474 | - | 9,032 | - | - | - | - |
| Transportes Fluviales Corral S.A. | Chile | 1,258,632 | 50.00 | 1,791,117 | 3,584,318 | 3,072,273 | 541,921 | 3,991,955 | (3,387,805) | 199,810 |
| Equimac S.A. | Colombia | 1,953,463 | 50.00 | 159,797 | 3,382,835 | 7,642 | - | - | - | 516,386 |
| **Total** | | **2,125,626,407** | | **2,711,347,543** | **12,423,313,446** | **3,624,086,931** | **4,854,574,707** | **12,043,820,804** | **8,259,993,529** | **376,027,564** |

There are no contingent liabilities or investment commitments to report, which relate to interests in joint ventures. The method used to recognize accounting interests in jointly controlled entities is the equity method, which is the same treatment as investments in associates.

(1) Quiñenco has an interest in Hapag Lloyd AG, through its subsidiary Compañía Sud Americana de Vapores (CSAV), over which it has significant influence and joint control through a shareholder's agreement with the other controlling shareholders: the City of Hamburg and Kühne Maritime.

(2) Quiñenco has a joint venture relating to its investment in Compañía Cervecerías Unidas S.A. (CCU), recognized using the equity method in Inversiones y Rentas S.A. (IRSA). The Company has an indirect interest in CCU through its 50% holding in IRSA which is a joint venture with the Dutch brewery group Heineken Americas B.V. (Heineken). As a result, Heineken holds 50% of IRSA and is therefore a partner of Quiñenco, being the joint controllers of 60% of CCU.

(3) On November 21, 2019, the purchase of 50% of "Gasolineras del Sur SRL" GASUR, located in Paraguay and now called Enex Paraguay, was finalized.

## Note 13 – Investments recognized using the equity method (continued)

### b) Interest in joint ventures (continued)

| | | | | 12/31/2018 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Country** | **Investment Book Value** | **Percentage Interest** | **Current Assets** | **Non-current Assets** | **Current Liabilities** | **Non-current Liabilities** | **Operating Revenue** | **Operating Expenses** | **Net income (loss) for the year** |
| | | | | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| Hapag Lloyd A.G. (1) | Germany | 1,347,482,098 | 25.86 | 1,954,110,102 | 10,219,441,407 | 2,686,536,636 | 4,507,250,898 | 10,426,687,506 | (9,477,130,575) | 33,007,613 |
| Inversiones y Rentas S.A. (2) | Chile | 389,002,186 | 50.00 | 941,780,567 | 1,491,994,624 | 620,083,285 | 414,647,591 | 1,783,282,337 | (860,011,392) | 180,330,529 |
| Foods Compañía de Alimentos CCU S.A. | Chile | 12,012,280 | 50.00 | 19,337,155 | 4,045,628 | 689,787 | 134,200 | 2,556,458 | (2,106,995) | 1,584,749 |
| Asfaltos Cono Sur S.A. | Chile | 5,459,188 | 50.00 | 879,389 | 11,573,789 | 1,528,970 | - | 2,691,379 | (3,239,782) | (548,403) |
| Transportes y Servicios Aéreos S.A. | Chile | 142,722 | 50.00 | 288,017 | - | 2,574 | - | - | - | 4,150 |
| Aerosan Airport Services S.A. | Chile | 5,076,682 | 50.00 | 7,971,791 | 16,980,179 | 7,247,146 | 7,333,297 | 24,000,311 | (19,183,687) | 1,543,338 |
| Empresa de Servicios Marítimos Hualpén Ltda. | Chile | - | 50.00 | - | - | - | - | - | (2,389) | (2,626) |
| Inmobiliaria Carriel Ltda. | Chile | 163,271 | 50.00 | 227,190 | 261,928 | 162,576 | - | 11,200 | (95,403) | 1,033,972 |
| Inmobiliaria Sepbío Ltda. | Chile | 141,733 | 50.00 | 150,070 | 2,621,367 | 896,948 | 1,591,023 | 191,318 | (25,998) | (11,664) |
| Muellaje del Maipo S.A. | Chile | 79,204 | 50.00 | 2,030,813 | 31,265 | 1,768,190 | 135,480 | 12,918,256 | (12,707,394) | 26,246 |
| Portuaria Corral S.A. | Chile | 3,651,016 | 50.00 | 3,201,500 | 6,688,551 | 1,463,186 | 1,124,833 | 6,106,386 | (3,208,200) | 1,642,634 |
| San Antonio Terminal Internacional S.A. | Chile | 30,333,658 | 50.00 | 29,677,101 | 138,209,901 | 18,319,001 | 89,078,546 | 117,653,762 | (90,028,280) | 5,682,922 |
| San Vicente Terminal Internacional S.A. | Chile | 36,204,466 | 50.00 | 23,259,510 | 103,586,038 | 55,510,733 | 33,599,772 | 43,025,020 | (41,870,948) | (2,617,187) |
| Servicios Aeroportuarios Aerosan S.A. | Chile | 3,776,770 | 50.00 | 8,733,259 | 2,907,612 | 3,219,564 | 867,767 | 15,438,313 | (10,079,374) | 3,465,638 |
| Servicios Portuarios Reloncaví Ltda. | Chile | 4,242,266 | 50.00 | 9,553,088 | 5,040,556 | 4,761,954 | 1,347,158 | 15,419,723 | (11,168,607) | 2,049,769 |
| Servicios Portuarios y Extraportuarios Bío Bío Ltda. | Chile | (2,779) | 50.00 | 3,474 | - | 9,032 | - | - | - | - |
| Transportes Fluviales Corral S.A. | Chile | 859,430 | 50.00 | 1,791,117 | 3,584,318 | 3,072,273 | 541,921 | 3,991,955 | (3,387,805) | 199,810 |
| Equimac S.A. | Colombia | 1,767,495 | 50.00 | 159,797 | 3,382,835 | 7,642 | - | - | - | 516,386 |
| SAAM SMIT Towage Brasil S.A. | Brazil | 63,656,217 | 50.00 | 23,629,128 | 172,350,899 | 21,498,268 | 77,926,793 | 64,087,001 | (46,030,195) | 4,387,524 |
| **Total** | | **1,904,047,903** | | **3,026,783,068** | **12,182,700,897** | **3,426,777,765** | **5,135,579,279** | **12,518,060,925** | **(10,580,277,024)** | **232,295,400** |

There are no contingent liabilities or investment commitments to report, which relate to interests in joint ventures. The method used to recognize accounting interests in jointly controlled entities is the equity method, which is the same treatment as investments in associates.

(1) Quiñenco has an interest in Hapag Lloyd AG, through its subsidiary Compañía Sud Americana de Vapores (CSAV), over which it has significant influence and joint control through a shareholder's agreement with the other controlling shareholders: the City of Hamburg and Kühne Maritime.

(2) Quiñenco has a joint venture relating to its investment in Compañía Cervecerías Unidas S.A. (CCU), recognized using the equity method in Inversiones y Rentas S.A. (IRSA). The Company has an indirect interest in CCU through its 50% holding in IRSA which is a joint venture with the Dutch brewery group Heineken Americas B.V. (Heineken). As a result, Heineken holds 50% of IRSA and is therefore a partner of Quiñenco, being the joint controllers of 60% of CCU.

**Note 13 – Investments recognized using the equity method (continued)**

**c) Interest in associates**

i) As of December 31, 2019, summarized financial information on significant interests in associates and joint ventures is detailed as follows, in accordance with IFRS 12.

| Company | Country | Investment Book Value | Percentage Interest | Current Assets | Non-current Assets | Current Liabilities | Non-current Liabilities | Operating Revenue | Operating Expenses | Financial Income | Financial Costs | Net income (loss) for the year | Cash & cash equivalents | Depreciation And amortization | Income tax Expense | Other Compre-hensive Income | Total Compre-hensive Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ThCh$ | | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Nexans S.A. (1) and (2) | France | 300,963,776 | 29.02 | 2,572,922,965 | 1,806,450,448 | 1,969,331,455 | 1,357,333,219 | 5,307,316,794 | (4,532,682,787) | 4,429,438 | (39,942,687) | (101,202,972) | 538,826,997 | (142,689,674) | (31,355,573) | 13,919,077 | (87,283,895) |
| Hapag-Lloyd A.G. | Germany | 1,623,555,087 | 27.79 | 1,820,613,025 | 10,527,506,187 | 3,043,948,263 | 4,257,852,823 | 9,978,383,231 | 9,364,858,444 | 9,670,498 | 323,976,554 | 286,479,069 | 429,867,358 | 930,474,053 | (34,022,262) | (64,299,896) | 222,179,173 |
| Inversiones y Rentas S.A. | Chile | 397,729,035 | 50.00 | 790,302,315 | 1,591,545,923 | 479,213,570 | 461,081,855 | 1,822,540,697 | (908,318,190) | 13,179,134 | (29,709,130) | 74,915,374 | 197,368,317 | (111,452,091) | (39,756,517) | 8,090,889 | 83,006,263 |
| **Total** | | **2,322,247,898** | | **5,183,838,305** | **13,925,502,558** | **5,492,493,288** | **6,076,267,897** | **17,108,240,722** | **3,923,857,467** | **27,279,070** | **254,324,737** | **260,191,471** | **1,166,062,672** | **676,332,288** | **(105,134,352)** | **(42,289,930)** | **217,901,541** |

ii) As of December 31, 2018 summarized financial information on significant interests in associates and joint ventures is detailed as follows, in accordance with IFRS 12.

| | | | | | | | 12/31/2018 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | **Country** | **Investment Book Value** | **Percentage Interest** | **Current Assets** | **Non-current Assets** | **Current Liabilities** | **Non-current Liabilities** | **Operating Revenue** | **Operating Expenses** | **Financial Income** | **Financial Costs** | **Net income (loss) for the year** | **Cash & cash equivalents** | **Depreciation amortization** | **Income tax Expense** | **Other Comprehensive Income** | **Total Comprehensive Income** |
| | | ThCh$ | | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Nexans S.A. (1) and (2) | France | 314,112,664 | 29.08 | 2,661,225,470 | 1,500,194,962 | 1,915,915,816 | 1,147,929,841 | 5,769,836,199 | (4,924,539,140) | 4,363,689 | (58,664,456) | (15,271,597) | 633,941,266 | (138,642,442) | (26,705,775) | (56,766,877) | (72,038,474) |
| Hapag-Lloyd A.G. | Germany | 1,347,482,098 | 25.86 | 1,954,110,102 | 10,219,441,407 | 2,686,536,636 | 4,507,250,898 | 10,426,687,506 | (9,477,130,575) | 14,113,600 | 341,533,942 | 33,007,613 | 522,744,948 | 623,123,024 | 28,606,598 | (19,956,327) | 13,051,286 |
| Inversiones y Rentas S.A. | Chile | 389,002,186 | 50.00 | 941,780,567 | 1,491,994,624 | 620,083,285 | 414,647,591 | 1,783,282,337 | (860,011,392) | 15,851,552 | (25,940,544) | 180,330,529 | 319,763,177 | 93,387,823 | (135,800,040) | 20,794,387 | 201,124,916 |
| **Total** | | **2,050,596,948** | | **5,557,116,139** | **13,211,630,993** | **5,222,535,737** | **6,069,828,330** | **17,979,806,042** | **(15,261,681,107)** | **34,328,841** | **256,928,942** | **198,066,545** | **1,476,449,391** | **577,868,405** | **(133,899,217)** | **(55,928,817)** | **142,137,728** |

(1) Relates to the latest information published by the company. These financial statements include the effects of the fair values that Invexans S.A. controls.

(2) In accordance with French regulations, Nexans does not prepare interim financial statements for the March and September quarters. Invexans therefore uses as the latest available information, the financial statements as of June and December to value this investment at equity value for the accounting closes as of March and September respectively. This has been approved by the Financial Market Commission in its resolution 10,914 dated April 30, 2012.

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

**Note 13 – Investments recognized using the equity method (continued)**

**d) Movements in investments in associates and joint ventures:**

Movements during 2019 are detailed as follows:

| | Main Activity | Country | Functional Currency | Percentage Interest | Balance as of 01/01/2019 ThCh$ | Share of net income ThCh$ | Dividends ThCh$ | Sales of Investments ThCh$ | Other increase (decrease) ThCh$ | Balance as of 12/31/2019 ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Inversiones y Rentas S.A. | Investments | Chile | CLP | 50.00 | 389,002,186 | 37,457,688 | (33,088,257) | - | 4,357,418 | 397,729,035 |
| Nexans S.A. (1) and (2) | Manufacturing | France | EUR | 29.02 | 314,112,664 | (30,385,487) | (2,817,006) | - | 20,053,605 | 300,963,776 |
| Foods Compañía de Alimentos CCU S.A. | Food | Chile | CLP | 50.00 | 12,012,280 | 897,526 | - | - | (11,200,000) | 1,709,806 |
| Hapag-Lloyd A.G. (3) | Transport | Germany | EUR | 27.79 | 1,347,482,098 | 105,454,106 | (5,569,120) | - | 176,188,003 | 1,623,555,087 |
| Transportes y Servicios Aéreos S.A. | Transport | Chile | CLP | 50.00 | 142,722 | 1,816 | - | - | 603 | 145,141 |
| Inmobiliaria El Norte y El Rosal S.A. | Real estate | Chile | CLP | 50.00 | 28,992 | (2,506) | - | - | - | 26,486 |
| Asfaltos Cono Sur S.A. | Bitumen | Chile | CLP | 50.00 | 5,459,188 | (358,372) | - | - | - | 5,100,816 |
| Sociedad Inversiones Aviación SIAV Ltda. | Fuel & lubricants | Chile | CLP | 33.33 | 2,607,458 | 1,485,038 | (1,500,000) | - | - | 2,592,496 |
| Gasolineras del Sur S.R.L. | Fuel distribution | Paraguay | PYG | 50.00 | - | 9,659 | - | - | 8,927,457 | 8,937,116 |
| Aerosán Airport Services S.A. | Port services | Chile | USD | 50.00 | 5,076,682 | 913,022 | - | - | 362,606 | 6,352,310 |
| Antofagasta Terminal Internacional S.A. | Port services | Chile | USD | 35.00 | - | - | - | - | - | - |
| Inmobiliaria Carriel Ltda. | Real estate | Chile | CLP | 50.00 | 163,271 | (41,481) | - | - | 8,491 | 130,281 |
| Inmobiliaria Sepbío Ltda. | Real estate | Chile | CLP | 50.00 | 141,733 | (1,486) | - | - | 516 | 140,763 |
| LNG Tugs Chile S.A. | Port services | Chile | USD | 35.00 | 141,038 | 9,107 | (31,851) | - | 5,997 | 124,291 |
| Muellaje ATI S.A. (4) | Port services | Chile | CLP | 1.00 | (5,558) | 693 | - | - | (1,125) | (5,990) |
| Muellaje del Maipo S.A. | Port services | Chile | USD | 50.00 | 79,204 | (6,457) | - | - | 5,871 | 78,618 |
| Muellaje STI S.A. (4) | Port services | Chile | CLP | 1.00 | 1,390 | - | - | - | 107 | 1,497 |
| Muellaje SVTI S.A. (4) | Port services | Chile | CLP | 1.00 | 2,779 | 714 | - | - | 251 | 3,744 |
| Portuaria Corral S.A. | Port services | Chile | CLP | 50.00 | 3,651,016 | 1,369,270 | (818,393) | - | (2,210) | 4,199,683 |
| San Antonio Terminal Internacional S.A. | Port services | Chile | USD | 50.00 | 30,333,658 | 2,548,581 | (4,671,800) | - | 2,021,436 | 30,231,875 |
| San Vicente Terminal Internacional S.A. | Port services | Chile | USD | 50.00 | 36,204,466 | (4,316,887) | - | - | 2,313,366 | 34,200,945 |
| Servicios Aeroportuarios Aerosan S.A. | Port services | Chile | USD | 50.00 | 3,776,770 | 2,147,251 | - | - | 320,471 | 6,244,492 |
| Servicios Logísticos Ltda. (4) | Port services | Chile | CLP | 1.00 | 15,285 | 4,141 | - | - | 1,537 | 20,963 |
| Servicios Portuarios Reloncaví Ltda. | Port services | Chile | CLP | 50.00 | 4,242,266 | 652,238 | (1,284,457) | - | 52,788 | 3,662,835 |
| Servicios Portuarios y Extraportuarios Bío Bío Ltda. | Port services | Chile | CLP | 50.00 | (2,779) | (1,413) | - | - | (300) | (4,492) |
| Transbordadora Austral Broom S.A. | Port services | Chile | CLP | 25.00 | 17,310,195 | 1,915,914 | (1,234,023) | - | 3,215,975 | 21,208,061 |
| Transportes Fluviales Corral S.A. | Port services | Chile | CLP | 50.00 | 859,430 | 392,901 | - | - | 6,301 | 1,258,632 |
| Equimac S.A. | Port services | Colombia | USD | 50.00 | 1,767,495 | 46,538 | - | - | 139,430 | 1,953,463 |
| Puerto Buenavista S.A. | Port services | Colombia | CLP | 33.00 | 2,906,918 | (61,700) | - | - | 384,846 | 3,230,064 |
| Luckymont S.A. | Port services | Uruguay | USD | 49.00 | 1,149,150 | 520,750 | (66,352) | - | 117,805 | 1,721,353 |
| SAAM SMIT Towage Brasil S.A. | Port services | Brazil | USD | 50.00 | 63,656,217 | 2,154,835 | (3,889,677) | - | (61,921,375) | - |
| **Total** | | | | | **2,242,318,214** | **122,805,999** | **(54,970,935)** | **-** | **145,359,870** | **2,455,513,148** |

(1) The goodwill related to the acquisition of the associate Nexans S.A. is part of the value of the investment. The amount shown of ThCh$300,963,776 is ThCh$295,316,831 in equity and ThCh$5,646,945 in goodwill.
(2) The market value of Invexans' investment in Nexans as of December 31, 2019 and 2018, amounted to 548,448,650 and 366,347,052 Euros, equivalent to ThCh$637,132,797 and ThCh$295,683,947, respectively.
(3) The market value of CSAV's investment in HLAG as of December 31, 2019 and 2018, amounted to 3,706,738,850 and 1,018,012,755 Euros, equivalent to ThCh$4,156,468,771 and ThCh$1,164,507,842, respectively.
(4) These include investments whose direct share is less than 20%, as the sum of direct and indirect shares exceeds 20% or because it has representation on the Board of Directors.

### Note 13 – Investments recognized using the equity method (continued)

**d) Movements in investments in associates and joint ventures (continued)**

Movements during 2018 are detailed as follows:

| Company | Main Activity | Country | Functional Currency | Percentage Interest | Balance as of 01/01/2019 ThCh$ | Share of net income ThCh$ | Dividends ThCh$ | Sales of Investments ThCh$ | Other increase (decrease) ThCh$ | Balance as of 12/31/2019 ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Inversiones y Rentas S.A. | Investments | Chile | CLP | 50.00 | 320,233,698 | 90,165,265 | (13,481,134) | - | (7,915,643) | 389,002,186 |
| Nexans S.A. (5) and (6) | Manufacturing | France | EUR | 29.08 | 320,596,146 | (3,947,190) | (6,340,525) | - | 3,804,233 | 314,112,664 |
| Foods Compañía de Alimentos CCU S.A. | Food | Chile | CLP | 50.00 | 5,792,245 | 792,375 | - | - | 5,427,660 | 12,012,280 |
| Hapag-Lloyd A.G. (7) | Transport | Germany | EUR | 25.86 | 1,187,855,606 | 10,991,335 | (19,731,383) | - | 168,366,540 | 1,347,482,098 |
| Transportes y Servicios Aéreos S.A. | Transport | Chile | CLP | 50.00 | 140,647 | 2,075 | - | - | - | 142,722 |
| Asfaltos Cono Sur S.A. | Bitumen | Chile | CLP | 50.00 | 5,733,390 | (274,202) | - | - | - | 5,459,188 |
| Sociedad Inversiones Aviación SIAV Ltda. | Fuel & lubricants | Chile | CLP | 33.33 | 2,213,882 | 1,393,576 | (1,000,000) | - | - | 2,607,458 |
| Inmobiliaria El Norte y El Rosal S.A. | Real estate | Chile | CLP | 50.00 | 31,351 | (2,359) | - | - | - | 28,992 |
| Aerosán Airport Services S.A. | Port services | Chile | USD | 50.00 | 3,345,470 | 771,669 | - | - | 959,543 | 5,076,682 |
| Antofagasta Terminal Internacional S.A. | Port services | Chile | USD | 35.00 | - | (115,018) | - | - | 115,018 | - |
| Empresa de Servicios Marítimos Hualpén Ltda. | Port services | Chile | CLP | 50.00 | (45,491) | (1,313) | - | - | 46,804 | - |
| Inmobiliaria Carriel Ltda. | Real estate | Chile | CLP | 50.00 | 46,106 | 516,986 | (395,951) | - | (3,870) | 163,271 |
| Inmobiliaria Sepbío Ltda. | Real estate | Chile | CLP | 50.00 | 147,540 | (5,832) | - | - | 25 | 141,733 |
| LNG Tugs Chile S.A. | Port services | Chile | USD | 40.00 | 164,753 | 14,519 | (39,155) | - | 921 | 141,038 |
| Muellaje ATI S.A. (8) | Port services | Chile | CLP | 1.00 | (5,533) | 677 | - | - | (702) | (5,558) |
| Muellaje del Maipo S.A. | Port services | Chile | USD | 50.00 | 58,401 | 13,123 | - | - | 7,680 | 79,204 |
| Muellaje STI S.A. (8) | Port services | Chile | CLP | 1.00 | 1,844 | - | - | - | (454) | 1,390 |
| Muellaje SVTI S.A. (8) | Port services | Chile | CLP | 1.00 | 4,303 | 636 | - | - | (2,160) | 2,779 |
| Portuaria Corral S.A. | Port services | Chile | CLP | 50.00 | 3,680,508 | 821,317 | (861,944) | - | 11,135 | 3,651,016 |
| San Antonio Terminal Internacional S.A. | Port services | Chile | USD | 50.00 | 26,772,977 | 2,790,978 | (2,836,950) | - | 3,606,653 | 30,333,658 |
| San Vicente Terminal Internacional S.A. | Port services | Chile | USD | 50.00 | 30,992,285 | (1,308,594) | - | - | 6,520,775 | 36,204,466 |
| Servicios Aeroportuarios Aerosan S.A. | Port services | Chile | USD | 50.00 | 1,662,899 | 1,732,819 | - | - | 381,052 | 3,776,770 |
| Servicios Logísticos Ltda. (8) | Port services | Chile | CLP | 1.00 | 9,836 | 3,921 | - | - | 1,528 | 15,285 |
| Servicios Portuarios Reloncaví Ltda. | Port services | Chile | CLP | 50.00 | 3,901,818 | 1,024,885 | (741,663) | - | 57,226 | 4,242,266 |
| Servicios Portuarios y Extraportuarios Bío Bío Ltda. | Port services | Chile | CLP | 50.00 | (1,844) | (776) | - | - | (159) | (2,779) |
| Transbordadora Austral Broom S.A. | Port services | Chile | CLP | 25.00 | 15,317,493 | 2,574,593 | (687,630) | - | 105,739 | 17,310,195 |
| Transportes Fluviales Corral S.A. | Port services | Chile | CLP | 50.00 | 864,953 | 99,905 | - | - | (105,428) | 859,430 |
| Equimac S.A. | Port services | Colombia | USD | 50.00 | 1,771,710 | 258,193 | (479,243) | - | 216,835 | 1,767,495 |
| Puerto Buenavista S.A. | Port services | Colombia | CLP | 33.00 | 3,370,060 | (119,528) | - | - | (343,614) | 2,906,918 |
| Luckymont S.A. | Port services | Brazil | USD | 49.00 | 666,389 | 463,396 | (368,971) | - | 388,336 | 1,149,150 |
| SAAM SMIT Towage Brasil S.A. | Port services | Brazil | USD | 50.00 | 61,537,704 | 2,193,762 | (5,681,037) | - | 5,605,788 | 63,656,217 |
| **Total** | | | | | **1,996,861,146** | **110,851,193** | **(52,645,586)** | **-** | **187,251,461** | **2,242,318,214** |

(5) The goodwill related to the acquisition of the associate Nexans S.A. is part of the value of the investment. The amount shown of ThCh$314,112,664 is ThCh$309,364,513 in equity and ThCh$4,758,151 in goodwill.
(6) The market value of Invexans' investment in Nexans as of December 31, 2018 and 2017, amounted to 366,347,052 and 632,795,670 Euros, equivalent to ThCh$295,683,947 and ThCh$467,730,919, respectively.
(7) The market value of CSAV's investment in HLAG as of December 31, 2018 and 2017, amounted to 1,018,012,755 and 1,495,944,715 Euros, equivalent to ThCh$809,065,223 and ThCh$1,105,797,567, respectively.
(8) These include investments whose direct share is less than 20%, as the sum of direct and indirect shares exceeds 20% or because it has representation on the Board of Directors.

**Note 13 – Investments recognized using the equity method (continued)**

**e) CSAV's investment in Hapag-Lloyd A.G.**

The subsidiary CSAV has a 27.79% interest as of December 31, 2019, in Hapag-Lloyd AG (HLAG), headquartered in Hamburg, Germany, making it its main shareholder. In addition, with respect to its investment in HLAG, CSAV is party to a joint control agreement with the two other shareholders of this German company: the City of Hamburg, through its holding company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), which holds 13.86% of the share capital; and German businessman Klaus Michael Kühne, through Kühne Maritime GmbH (KM), who owns 29.40%; together, they hold approximately 71.05% of HLAG. By virtue of the above, based on CSAV's shareholding in HLAG and the existence and characteristics of the aforementioned joint control agreement, in accordance with IFRS 11, CSAV's investment in HLAG has been defined as a joint venture that must be accounted for using the equity method in accordance with IAS 28. This definition has remained unchanged since the date on which CSAV acquired its original interest in HLAG during the business combination of its container shipping business and HLAG in 2014.

**Note 14 – Intangible assets other than goodwill**

| **Intangible assets, net** | **12/31/2019 ThCh$** | **12/31/2018 ThCh$** |
|---|---|---|
| Intangible assets with finite life, net | 202,642,816 | 191,305,578 |
| Intangible assets with indefinite life, net (1) | 196,805,065 | 198,049,630 |
| **Intangible assets, net** | **399,447,881** | **389,355,208** |

(1) Intangible assets with an indefinite useful life are the Banco de Chile brand and the contracts to use the Citibank brand, which are not amortized because they are trademarks without expiration and they are expected to generate net cash flows indefinitely for the business. They also include the brand Road Ranger acquired during the Road Ranger Group purchase by the subsidiary Enex in 2018. Intangible assets with indefinite useful lives are valued at acquisition cost less accumulated impairment and are not amortized. However, these assets are subject to an annual impairment test.

| **Method used to express the amortization of identifiable intangible assets** | **Useful life** | **Minimum useful life** | **Maximum useful life** |
|---|---|---|---|
| Useful life for port concessions, tug boats and others | years | 5 | 20 |
| Useful life for computer programs | years | 3 | 6 |
| Useful life for other identifiable intangible assets | years | 5 | 10 |

**Note 14 – Intangible assets other than goodwill (continued)**

a) Intangible assets as of December 31, 2019 and 2018 are detailed as follows:

| **As of December 31, 2019** | **Gross Assets** | **Accumulated Amortization & Impairment losses** | **Net Assets** |
|---|---|---|---|
| | **ThCh$** | **ThCh$** | **ThCh$** |
| Patents, trademarks and other rights | 198,498,458 | (1,693,393) | 196,805,065 |
| Port concessions, tug boats and others | 268,085,017 | (104,868,471) | 163,216,546 |
| Computer programs | 15,372,936 | (11,589,636) | 3,783,300 |
| Other intangible assets. | 279,360,960 | (243,717,990) | 35,642,970 |
| Total | **761,317,371** | **(361,869,490)** | **399,447,881** |

| **As of December 31, 2018** | **Gross Assets** | **Accumulated Amortization & Impairment losses** | **Net Assets** |
|---|---|---|---|
| | **ThCh$** | **ThCh$** | **ThCh$** |
| Patents, trademarks and other rights | 199,632,235 | (1,582,605) | 198,049,630 |
| Port concessions, tug boats and others | 248,017,702 | (79,830,413) | 168,187,289 |
| Computer programs | 13,364,971 | (9,042,224) | 4,322,747 |
| Other intangible assets | 260,972,095 | (242,176,553) | 18,795,542 |
| Total | **721,987,003** | **(332,631,795)** | **389,355,208** |

## Note 14 – Intangible assets other than goodwill (continued)

b) Movement of identifiable intangible assets

Movements in identifiable intangible assets during 2019 were detailed as follows.

| Movements | Patents, trademarks and other rights | Port concessions, tug boats and others | Computer programs | Other intangible assets | Total |
|---|---|---|---|---|---|
| | ThCh$ | | ThCh$ | ThCh$ | ThCh$ |
| Opening balance | 198,049,630 | 168,187,289 | 4,322,747 | 18,795,542 | 389,355,208 |
| Additions | 85,623 | 1,379,057 | 791,459 | 59,465 | 2,315,604 |
| Acquisitions through business combinations | - | - | 94,524 | 16,519,057 | 16,613,581 |
| Disposals through business divestments | - | - | (428) | (44,094) | (44,522) |
| Amortization | (76,783) | (19,317,382) | (1,751,567) | (1,408,181) | (22,553,913) |
| Increase (decrease) in currency translation | (1,253,405) | 13,046,587 | 284,946 | 1,725,561 | 13,803,689 |
| Other increases (decreases) | - | (79,005) | 41,619 | (4,380) | (41,766) |
| **Closing balance** | **196,805,065** | **163,216,546** | **3,783,300** | **35,642,970** | **399,447,881** |

Movements in identifiable intangible assets during 2018 were detailed as follows.

| Movements | Patents, trademarks and other rights | Port concessions, tug boats and others | Computer programs | Other intangible assets | Total |
|---|---|---|---|---|---|
| | ThCh$ | | ThCh$ | ThCh$ | ThCh$ |
| Opening balance | 179,518,775 | 155,984,907 | 4,654,692 | 19,512,078 | 359,670,452 |
| Additions | 18,600,637 | 4,850,481 | 663,086 | 94,315 | 24,208,519 |
| Disposals through business divestments | (56,216) | - | - | - | (56,216) |
| Amortization | (87,376) | (17,044,443) | (1,459,117) | (1,033,421) | (19,624,357) |
| Increase (decrease) in currency translation | 101,363 | 17,376,905 | 522,106 | 222,570 | 18,222,944 |
| Other increases (decreases) | (27,553) | 7,019,439 | (58,020) | - | 6,933,866 |
| **Closing balance** | **198,049,630** | **168,187,289** | **4,322,747** | **18,795,542** | **389,355,208** |

The subsidiary Tech Pack recognizes the amortization of identifiable intangible assets under Administrative expenses in the consolidated statement of comprehensive income. The subsidiary LQIF recognizes the amortization of its intangible assets under Other expenses by function.

## Note 15 – Goodwill

Movements in goodwill during 2019 and 2018 were detailed as follows:

| Movements | Banco de Chile and SM-Chile | Merger Banco de Chile - Citibank | Merger Citigroup Chile II S.A. LQIF | Enex | SM SAAM | Others | Total |
|---|---|---|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| **As of December 31, 2019** | | | | | | | |
| Opening balances as of 01/01/2019 | 514,466,490 | 108,438,209 | 31,868,173 | 267,949,619 | - | 895,557 | 923,618,048 |
| Acquisitions through business combinations (1) | - | - | - | - | 18,861,510 | - | 18,861,510 |
| Increase (decrease) in currency translation | - | - | - | 2,715,198 | - | 918 | 2,716,116 |
| **Closing balances as of 12/31/2019** | **514,466,490** | **108,438,209** | **31,868,173** | **270,664,817** | **18,861,510** | **896,475** | **945,195,674** |
| **As of December 31, 2018** | | | | | | | |
| Opening balances as of 1/1/2018 | 514,466,490 | 108,438,209 | 31,868,173 | 194,701,400 | - | 3,902,226 | 853,376,498 |
| Acquisitions through business combinations (2) | - | - | - | 73,248,219 | - | - | 73,248,219 |
| Increase (decrease) in currency translation | - | - | - | - | - | 1,360 | 1,360 |
| Other increases (decreases) | - | - | - | - | - | (3,008,029) | (3,008,029) |
| **Closing balances as of 12/31/2018** | **514,466,490** | **108,438,209** | **31,868,173** | **267,949,619** | **-** | **895,557** | **923,618,048** |

1. On October 30, 2019, the acquisition of Boskalis Holding B.V. (Boskalis) was successfully completed through SM SAAM.
2. This change was incorporating the final PPA (Purchase Price Allocation) on the purchase of Road Ranger LLC.

Enex has goodwill associated with two cash generating units (CGUs).

- Enex S.A.
- Road Ranger

Goodwill is the excess acquisition cost over the fair value of the Company's share of the net identifiable assets of the acquired company on the acquisition date. Goodwill related to acquiring subsidiaries is not amortized, but is tested for impairment annually or whenever there are indications of impairment. Gains and losses on the sale of an entity include the book value of any goodwill relating to the entity sold.

The Company tests goodwill for impairment once every year.

The recoverable amount of goodwill is based on the fair value less estimated disposal costs using discounted cash flow. Fair value is classified as Level 3 for measurement purposes, and is valued using input data for the selected valuation technique. The Company uses the following variables for this valuation:

- Assets are valued using the discounted cash flow method.
- The discount rate used is the weighted average cost of capital (WACC) expressed in nominal terms and on an after-tax basis.
- It uses detailed 5-year financial forecasts and an estimate of terminal value in perpetuity.
- The model is in nominal currency.
- Fuel market growth is estimated by Enex based on macroeconomic variables and internal analysis for both Chile and the United States.
- The forecast is prepared by business unit (i.e. service stations, stores, fuel industry, other industry, lubricants, operations and corporate) using their most relevant management variables.

**Note 15 – Goodwill (continued)**

The main quantitative variables for the subsidiary Enex are as follows.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | CGU ENEX | CGU ROAD RANGER | CGU ENEX | CGU ROAD RANGER (*) |
| Discount rate (WACC) | 8.16% | 7.5% | 9.09% | |
| Growth rate | 3.0% | 4.0% | 3.5% | |
| Calculated value | 696,183,000 | 265,087,653 | 674,741,000 | |
| Associate goodwill | 194,701,400 | 75,963,417 | 194,701,400 | |

(*) The investment in Road Ranger was dated November 18, 2018, so this goodwill was not tested for impairment.

**GOODWILL**

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Enex S.A. | 135,312,394 | 135,312,394 |
| Inversiones Enex S.A. | 2,949 | 2,949 |
| Enex Trading S.A. | 7,037,853 | 7,037,853 |
| Gaspeza | 342,698 | 342,698 |
| Petrans S.A. | 52,005,506 | 52,005,506 |
| Road Ranger, LLC | 75,963,417 | 73,248,219 |
| **Total** | **270,664,817** | **267,949,619** |

## Note 16 – Business combinations

### a) Acquisition of an indirect subsidiary

During November 2018, the subsidiary Enex acquired all the share capital of Road Ranger, LLC, giving it control, through its subsidiary Enex Investment US, Inc.

Road Ranger, LLC, operates Travel Centers, which include service stations and fuel sales, convenience stores, fast food restaurants and related businesses, distributed across the states of Illinois, Indiana, Wisconsin, Missouri, Iowa and Texas.

The Purchase Price Allocation closing notice regarding the acquisition of Road Ranger's subsidiary was described as follows.

a. General aspects of the transaction

During November 2018, the subsidiary Enex Investment US, Inc. (acquirer) acquired all the share capital of Road Ranger, LLC (acquiree) giving it control.

Road Ranger, LLC, operates Travel Centers, which include service stations and fuel sales, convenience stores, fast food restaurants and related businesses, distributed across the states of Illinois, Indiana, Wisconsin, Missouri, Iowa and Texas.

b. Main reasons for the acquisition

Road Ranger is the fourth largest travel center network in the United States, and its acquisition by Enex S.A. and its subsidiaries marks the beginning of Enex's internationalization, after becoming a significant player in the Chilean market for fuel distribution and convenience stores.

c. Detail of the assets and liabilities acquired

1. The subsidiary Enex Investment US, Inc. measured the assets and liabilities acquired at their fair values as of the acquisition date of November 18, 2018, in compliance with IFRS 3 "Business combinations". It recognized as goodwill the difference between their fair value and the price paid in the consolidated financial statements as of December 31, 2018, which was calculated on a provisional basis (Provisional column (a) of the Table in point 11 of this note). This valuation was prepared by an independent company.

2. Since initial accounting for the business combination was incomplete at the end of the accounting period in which the business combination occurred, Enex reported that these amounts in its financial statements were provisional. During the measurement period, Enex will retroactively adjust the provisional amounts recognized as of the acquisition date to reflect new information regarding the facts and circumstances as of the acquisition date that, had they been known, would have affected the measurement of those amounts. During the measurement period, the acquirer will also recognize additional assets or liabilities if new information is received regarding facts and circumstances as of the acquisition date that, had they been known, would have resulted in the recognition of these assets and liabilities as of that date. The measurement period will end as soon as Enex receives the information that it was waiting for regarding the facts and circumstances as of the acquisition date, or concludes that no more information can be obtained. However, the measurement period shall not exceed one year (in this case November 18, 2019) from the acquisition date.

3. This business combination was accounted for through the acquisition method as of the acquisition date, which is the date on which control is transferred to Enex. Control is obtained when the Company is exposed, or has the right, to variable returns from its involvement in the acquired company and can influence those returns through its power over it.

4. Enex valued goodwill as of the acquisition date, taking into account the following:

The fair value of the consideration, any non-controlling interest in the acquired company (which does not apply in this case), whether the business combination is achieved in stages (which does not apply in this case), the fair value of the acquired company's equity interests, less the net book value (generally the fair value) of the identifiable assets and liabilities acquired.

**Note 16 – Business combinations (continued)**

**a) Acquisition of an indirect subsidiary (continued)**

5. There were no resulting non-controlling interests in the transaction.

6. The transaction did not include any agreements involving contingent considerations.

7. The acquisition costs of Road Ranger incurred by Enex total ThCh$5,258,152 and relate to external legal fees and due diligence costs. These costs have been included in administrative and sales expenses for the year ended December 31, 2018.

8. Both the goodwill that arose from the acquisition of a foreign business as well as any fair value adjustments to the book value of assets and liabilities acquired must be treated as assets and liabilities of the same entity. Therefore, they will be expressed in the same functional currency as the acquiring company (US dollars) and will be converted at the closing exchange rate (USD to Ch$ exchange rate for Chilean accounting purposes) in accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates".

9. Road Ranger LLC contributed revenue of ThCh$28,661,593 and net income of ThCh$1,114,690 to the results of Enex S.A. and its subsidiaries for period from the acquisition date to December 31, 2018.

10. An analysis of the final fair values as of November 18, 2018, in accordance with the information described in the preceding paragraphs, is as follows:

| | Balances upon taking control ThCh$ | Purchase Price Allocation ThCh$ | Adjusted balances ThCh$ | Observation | Note |
|---|---|---|---|---|---|
| Cash and cash equivalents | 2,414,285 | - | 2,414,285 | (i) | 3 |
| Trade and other receivables | 4,112,618 | - | 4,112,618 | (ii) | 4 |
| Inventory | 6,343,590 | - | 6,343,590 | | 6 |
| Intangible assets other than goodwill | 348,194 | 16,305,943 | 16,654,137 | (v),(vi) | 10 |
| Property, plant and equipment | 92,607,428 | 13,031,537 | 105,638,965 | (iv) | 13 |
| Goodwill | 3,410,229 | 67,190,481 | 70,600,710 | (iii),(ix) | 12 |
| Other assets | 764,385 | - | 764,385 | | 9 |
| Total assets | 110,000,729 | 96,527,961 | 206,528,690 | | |
| Other financial liabilities | 10,118,209 | (7,725,367) | 2,392,842 | (vii) | 18 |
| Trade and other payables | 6,073,325 | - | 6,073,325 | | 16 |
| Other provisions | 4,458,938 | - | 4,458,938 | | 17 |
| Deferred tax liabilities | - | 2,381,353 | 2,381,353 | (viii) | 15 |
| Total liabilities | 20,650,472 | (5,344,014) | 15,306,458 | | |
| Total equity | 89,350,257 | 101,871,975 | 191,222,232 | (i) | |
| Total equity and liabilities | 110,000,729 | 96,527,961 | 206,528,690 | | |

The total acquisition price was ThCh$191,222,232. Net cash received for cash flow purposes was ThCh$2,414,285.

None of the trade and other receivables are impaired and the full amounts are expected to be collected.

Goodwill of ThCh$70,600,710 recognized as of the acquisition date was attributed to Enex's expansion strategy and the optimization of its business model. This concept was not expected to be tax deductible.

**Note 16 – Business combinations (continued)**

**a) Acquisition of an indirect subsidiary (continued)**

During the measurement period, the company retroactively adjusted the fair values calculated on a provisional basis (see columns (b) and (c) of the table below). This had no impact on the consolidated income statement for 2018.

| | Fair value | | Measurement period close | | |
|---|---|---|---|---|---|
| | Provisional (a) ThCh$ | Final (b) ThCh$ | Difference (c) = (b-a) ThCh$ | | |
| Equity of Road Ranger as of November 18, 2018 | 89,350,257 | 89,350,257 | - | Observation | Note |
| Property, plant and equipment | 104,266 | 13,031,537 | 12,927,271 | (iv) | 13 |
| Brand | 11,094,765 | 11,155,282 | 60,517 | (v) | 10 |
| Goodwill in Road Ranger as of the acquisition date | (3,410,229) | (3,410,229) | - | | |
| Favorable lease | 7,820,128 | 5,150,661 | (2,669,467) | (vi) | 10 |
| Deferred revenue | 7,725,367 | 7,725,367 | - | (vii) | |
| Deferred taxes | (1,078,269) | (2,381,353) | (1,303,084) | (viii) | 15 |
| Adjusted equity | 111,606,285 | 120,621,522 | 9,015,237 | (ix) | |
| Acquisition price | 191,222,232 | 191,222,232 | - | (i) | |
| Goodwill | 79,615,947 | 70,600,710 | (9,015,237) | (ix) | 12 |

Since the business combination predominantly involves property, plant and equipment, which constitutes 84.19% of the assets at book value of the acquired company, the provisional fair value assessment as of November 18, 2018, at the accounting close as of December 31, 2018, was based on limited information, while the company obtained independent valuations. After the valuation and price allocation, it focused on collecting information during the measurement period.

Accordingly, the valuation of property, plant and equipment was completed in 2019, reflecting a fair value as of the acquisition date of ThCh$13,031,537, implying an increase of ThCh$12,927,271 over the provisional figure. Comparative information for 2018 was restated to reflect this adjustment. The increase in depreciation expense for this item from the acquisition date to December 31, 2018, was not material.

The commercial name "Road Ranger" was valued, resulting in an intangible "brand" asset with an indefinite useful life. The adjustments in the measurement period were not significant. Comparative information for 2018 was restated to reflect this adjustment.

Following the business combination, Enex owns and occupies real estate in 38 "travel center stores" previously owned and occupied by Road Ranger, LLC. The company owns the property, plant and equipment in 16 of these 38 stores. Enex will lease some or all of the property, plant and equipment at the remaining 22 stores. The contractual cash flows for these lease contracts were modeled over the remaining term of the property, plant and equipment leases, including options. The present value of the difference between the discounted contractual cash flows and the discounted market cash flows resulted in a positive overall cash flow, which represents a depreciable intangible asset, as the contracts were at prices below market leases. The negative adjustment in the measurement period of ThCh$2,669,467 is mainly due to new available information.

Comparative information for 2018 was restated to reflect this adjustment. The increase in depreciation expense for this item from the acquisition date to December 31, 2018, was not material.

The acquirer recognized and measured deferred tax assets and/or liabilities that arose from these assets and liabilities acquired in accordance with IAS 12 “Income Taxes”. The acquirer accounted for the potential tax effects of temporary differences and tax compensations of the acquired company as of the acquisition date, totaling ThCh$2,381,353. The adjustments described in items (iv) to (vii) above resulted in increased deferred tax liabilities of ThCh$1,303,084.

Comparative information for 2018 was restated to reflect this adjustment. The change in net income due to deferred taxes from the acquisition date to December 31, 2018, was not material.

The final goodwill calculated by refining the fair value during the measurement period, as described in items (iv) to (viii) above, decreased by ThCh$9,015,237.

**Note 16 – Business combinations (continued)**

**a) Acquisition of an indirect subsidiary (continued)**

11. Movements in the book value of goodwill were detailed as follows:

| | 2019<br>ThCh$ | 2018<br>ThCh$ |
|---|---|---|
| Opening balance as of January 01 | 267,949,619 | 194,701,400 |
| Accumulated impairment losses at beginning of period | - | - |
| Increase in goodwill due to acquisitions during the period | - | 79,615,947 |
| Measurement period final values | - | (9,015,237) |
| Translation adjustments | 2,715,198 | 2,647,509 |
| Closing balance as of December 31 | 270,664,817 | 267,949,619 |

In compliance with IFRS 3, the indirect subsidiary Enex Investment US, Inc. valued the assets and liabilities acquired at their fair values at the acquisition date of November 18, 2018, and recorded as goodwill the difference between these fair values and the acquisition price. This valuation was prepared by an independent company.

Road Ranger LLC Group contributed revenue of ThCh$28,661,593 and net income of ThCh$1,114,690 to the results of Enex during the period between taking control and December 31, 2018.

Goodwill as of the acquisition date was attributed to the company's expansion strategy and the optimization of its business model.

The fair values as of November 18, 2018, are detailed as follows:

| | Balances upon taking control 11/18/2018<br>ThCh$ | Purchase Price Allocation<br>ThCh$ | Adjusted balances 11/18/2018<br>ThCh$ | Purchase Price Allocation 2019<br>ThCh$ | Final adjusted balances 11/18/2018<br>ThCh$ |
|---|---|---|---|---|---|
| Cash and cash equivalents | 2,414,285 | - | 2,414,285 | - | 2,414,285 |
| Trade and other receivables | 4,112,618 | - | 4,112,618 | - | 4,112,618 |
| Inventory | 6,343,590 | - | 6,343,590 | - | 6,343,590 |
| Intangible assets other than goodwill | 348,194 | 18,914,893 | 19,263,087 | (2,608,950) | 16,654,137 |
| Property, plant and equipment | 92,607,428 | 104,266 | 92,711,694 | 12,927,271 | 105,638,965 |
| Goodwill | 3,410,229 | 76,205,718 | 79,615,947 | (9,015,237) | 70,600,710 |
| Other assets | 764,385 | - | 764,385 | - | 764,385 |
| Total assets | 110,000,729 | 95,224,877 | 205,225,606 | 1,303,084 | 206,528,690 |
| | | | | | |
| Other financial liabilities | 10,118,209 | (7,725,367) | 2,392,842 | - | 2,392,842 |
| Trade and other payables | 6,073,325 | - | 6,073,325 | - | 6,073,325 |
| Other provisions | 4,458,938 | - | 4,458,938 | - | 4,458,938 |
| Deferred tax liabilities | - | 1,078,269 | 1,078,269 | 1,303,084 | 2,381,353 |
| Total liabilities | 20,650,472 | (6,647,098) | 14,003,374 | 1,303,084 | 15,306,458 |
| Total equity | 89,350,257 | 101,871,975 | 191,222,232 | - | 191,222,232 |
| Total liabilities and equity | 110,000,729 | 95,224,877 | 205,225,606 | 1,303,084 | 206,528,690 |

**Note 16 – Business combinations (continued)**

**a) Acquisition of an indirect subsidiary (continued)**

**Costs relating to acquisitions**

The subsidiary Enex incurred Road Ranger acquisition costs relating to external legal fees and due diligence costs. These costs have been included in administration and sales expenses for the year ended December 31, 2018.

**b) Acquisition of an indirect associate**

On November 21, 2019, the acquisition of 50% of "Gasolineras del Sur SRL", GASUR, a Paraguayan company, now called Enex Paraguay, was finalized. It was acquired through the subsidiary "Enex Investments Chile SpA" and is based on a shareholders' agreement that leaves Enex Investments Chile SpA and HC Energía S.A. as equal partners. Enex Paraguay's share capital is paid in full.

The acquisition price was ThUSD5,953.

Enex Paraguay operates service stations, fuel stations and convenience stores.

The period for finalizing the accounting for such transactions is one year, according to IFRS 3, and Enex Paraguay is still within that deadline. The effects of this acquisition are not expected to be significant.

**Note 17 – Transactions with non-controlling interests**

- **Fully paid shares**

At an extraordinary shareholders' meeting of Banco de Chile held in March 2018, shareholders approved the distribution of 40% of the net distributable income for the year through the issuance of new fully paid shares (bonus issue) which were distributed to the shareholders of Banco de Chile pro rata to their shareholdings. During the same month, at the ordinary shareholders' meeting of SM Chile, shareholders approved the distribution of new fully paid shares received for its direct interest in Banco de Chile to its shareholders pro rata to their interest in the Bank.

The effect of paying dividends through new fully paid shares in 2018 was a net decrease in the direct and indirect interest in the Bank without losing control. Consequently, the accounting treatment has been similar to selling shares. These transactions have been recorded as a charge to Other reserves, as the counterparties are non-controlling interests in Banco de Chile.

The net decrease in the interest of the Bank is at the level of SM Chile and SAOS since these companies do not receive new fully paid shares, generating a dilution of their interest in the Bank, and therefore a decrease in the indirect interest of LQIF in the Bank. Such decrease cannot be compensated by the increased direct interest that LQIF has in Banco de Chile.

Banco de Chile did not issue bonus shares in 2019. Therefore, 30% of net distributable income for 2018 was equally retained from all shareholders.

- **Shareholding increase in Invexans**

The subsidiary Invexans acquired 157,220,831 of its own shares during June and July 2018, as a result of shareholders' rights to withdraw, in accordance with Article 69 of Law 18,046. A year has passed since the acquisition of 157,220,831 shares, and they have not been sold by the Company, and resulted in a reduction in share capital, in accordance with the law. These transactions have been recognized as a credit to Other reserves, as the counterparties are non-controlling interests.

- **Shareholding increase in CSAV**

During September 2019, the indirect subsidiary Inmobiliaria Norte Verde S.A. acquired 1,941,166,836 shares in CSAV, increasing Quiñenco's direct and indirect interest in CSAV from 56.17% to 61.45%. This transaction has been recognized as a credit to Other reserves, as the counterparties are non-controlling interests.

The net accounting effects of these transactions with non-controlling interests (considering only Quiñenco's interest), as of December 31, 2019 and 2018 are as follows.

**As of December 31, 2019**

| | Shareholding increase in Invexans | Shareholding increase in CSAV | Total |
|---|---|---|---|
| | 12/31/2019<br>ThCh$ | 12/31/2019<br>ThCh$ | 12/31/2019<br>ThCh$ |
| Equity value | 2,034,252 | 25,733,226 | 27,767,478 |
| **Net effect on equity** | **2,034,252** | **25,733,226** | **27,767,478** |

**As of December 31, 2018**

| | Dividend paid with new fully paid shares in Banco de Chile | Shareholding increase in Invexans | Total |
|---|---|---|---|
| | 12/31/2018<br>ThCh$ | 12/31/2018<br>ThCh$ | 12/31/2018<br>ThCh$ |
| Equity value | (10,646,590) | - | (10,646,590) |
| Intangible assets | (35,706) | - | (35,706) |
| **Net effect on equity** | **(10,682,296)** | **-** | **(10,682,296)** |

**Note 18 – Property, plant and equipment**

**(a) Composition**

As of December 31, 2019 and 2018, these are detailed as follows.

| | Gross Assets ThCh$ | Accumulated Depreciation ThCh$ | Net Assets ThCh$ |
|---|---|---|---|
| **As of December 31, 2019** | | | |
| Construction in progress | 37,565,437 | - | 37,565,437 |
| Land | 167,324,399 | - | 167,324,399 |
| Buildings | 191,519,741 | (50,002,370) | 141,517,371 |
| Plant and equipment | 409,086,199 | (167,330,831) | 241,755,368 |
| IT equipment | 20,736,687 | (15,437,365) | 5,299,322 |
| Fixed installations and accessories | 28,190,790 | (17,044,334) | 11,146,456 |
| Vessels | 547,928,357 | (151,169,406) | 396,758,951 |
| Motor vehicles | 19,952,359 | (11,979,807) | 7,972,552 |
| Other property, plant and equipment | 20,340,801 | (13,101,699) | 7,239,102 |
| **Total** | **1,442,644,770** | **(426,065,812)** | **1,016,578,958** |

| | Gross Assets ThCh$ | Accumulated Depreciation ThCh$ | Net Assets ThCh$ |
|---|---|---|---|
| **As of December 31, 2018** | | | |
| Construction in progress | 20,300,853 | - | 20,300,853 |
| Land | 159,251,012 | - | 159,251,012 |
| Buildings | 171,755,740 | (39,232,876) | 132,522,864 |
| Plant and equipment | 388,803,894 | (144,651,523) | 244,152,371 |
| IT equipment | 17,885,918 | (12,281,795) | 5,604,123 |
| Fixed installations and accessories | 27,202,036 | (13,634,128) | 13,567,908 |
| Vessels | 339,162,746 | (129,253,576) | 209,909,170 |
| Motor vehicles | 17,886,101 | (8,783,752) | 9,102,349 |
| Other property, plant and equipment | 21,012,031 | (13,124,920) | 7,887,111 |
| **Total** | **1,163,260,331** | **(360,962,570)** | **802,297,761** |

Property, plant and equipment are assets used in company businesses, where there is no intention to dispose of them. These assets are valued using the cost method, and are not revalued. As of December 31, 2019 and 2018, property, plant and equipment represents less than 3% of total consolidated assets. Accordingly, presenting the fair value of these assets is not considered important information for the users of these consolidated financial statements, which is recommended but not required by paragraph 79 of IAS 16.

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

## Note 18 – Property, plant and equipment (continued)

### (b) Movement

Movements in 2019 are detailed as follows:

| | | Construction in progress ThCh$ | Land ThCh$ | Buildings, net ThCh$ | Plant and equipment, net ThCh$ | Computer equipment, net ThCh$ | Fixed installations and accesories, net ThCh$ | Vessels, net ThCh$ | Motor vehicles, net ThCh$ | Other property, plant and equipment, net ThCh$ | Property, plant and equipment, net ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance as of January 1, 2019 | 20,300,853 | 159,251,012 | 132,522,864 | 244,152,371 | 5,604,123 | 13,567,908 | 209,909,170 | 9,102,349 | 7,887,111 | 802,297,761 |
| | Additions | 47,263,804 | 1,101,584 | 6,788,928 | 12,023,853 | 1,400,168 | 290,537 | 14,581,323 | 368,346 | 271,056 | 84,089,599 |
| | Acquisitions through business combinations | - | - | 166,474 | 684,238 | 24,689 | - | 149,446,044 | - | 33,154 | 150,354,599 |
| | Divestments | - | (74,038) | - | (1,282,583) | (3,990) | - | (241,952) | (33,050) | (50,572) | (1,686,185) |
| | Transfers to (from) non-current assets and disposal groups held for sale | - | (199,628) | (776,645) | - | - | - | - | - | - | (976,273) |
| Movements | Transfers to (from) property, plant and equipment | (31,004,267) | 951,630 | 2,464,279 | 1,430,055 | 789,171 | 4,382,206 | 17,699,897 | 1,812,038 | 950,295 | (524,696) |
| | Disposals | (24,689) | (55,443) | (328,481) | (690,161) | (37,819) | (225) | (150,956) | (9,056) | (32,886) | (1,329,716) |
| | Depreciation expense | - | - | (9,230,148) | (20,766,949) | (2,717,929) | (7,035,303) | (23,153,106) | (3,467,216) | (2,116,373) | (68,487,024) |
| | Increases (decreases) in exchange differences | 915,128 | 5,356,504 | 3,903,519 | 3,707,315 | 99,671 | - | 28,668,531 | 100,343 | 495,168 | 43,246,179 |
| | Other increases (decreases) | 114,608 | 992,778 | 6,006,581 | 2,497,229 | 141,238 | (58,667) | - | 98,798 | (197,851) | 9,594,714 |
| | **Closing balance as of December 31, 2019** | **37,565,437** | **167,324,399** | **141,517,371** | **241,755,368** | **5,299,322** | **11,146,456** | **396,758,951** | **7,972,552** | **7,239,102** | **1,016,578,958** |

Movements in 2018 are detailed as follows:

| | | Construction in progress ThCh$ | Land ThCh$ | Buildings, net ThCh$ | Plant and equipment, net ThCh$ | Computer equipment, net ThCh$ | Fixed installations and accesories, net ThCh$ | Vessels, net ThCh$ | Motor vehicles, net ThCh$ | Other property, plant and equipment, net ThCh$ | Property, plant and equipment, net ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening balance as of January 1, 2018 | 24,899,279 | 135,640,446 | 65,790,642 | 195,426,991 | 5,829,089 | 12,734,954 | 197,636,040 | 7,508,278 | 6,397,584 | 651,863,303 |
| | Additions | 42,363,093 | - | 3,812,746 | 1,049,271 | 390,137 | 15,116 | 11,709,352 | 45,893 | 591,609 | 59,977,217 |
| | Purchase Road Ranger | 1,475,396 | 12,780,294 | 61,728,426 | 30,917,050 | 398,822 | 1,042,758 | - | 1,304,212 | 1,481,745 | 111,128,703 |
| | Divestments | - | (14,211) | (138,614) | (217,854) | (7,651) | (30,488) | (3,255,063) | (120,655) | (11,102) | (3,795,638) |
| Movements | Transfers to (from) investment properties | - | 152,047 | (3,961,188) | - | - | - | - | - | - | (3,809,141) |
| | Transfers to (from) property, plant and equipment | (49,442,835) | 2,443,332 | 6,561,004 | 28,919,093 | 1,270,430 | 3,252,256 | 1,666,012 | 2,777,448 | 1,730,563 | (822,697) |
| | Disposals | (16,291) | - | (8,138) | (661,627) | (5,530) | (69,312) | (3,193) | 3,207 | (33,846) | (794,730) |
| | Depreciation expense | - | - | (5,126,522) | (16,681,726) | (2,408,437) | (3,377,376) | (19,348,877) | (2,583,601) | (2,632,094) | (52,158,633) |
| | Increases (decreases) in exchange differences | 1,085,067 | 8,249,104 | 3,945,392 | 5,365,480 | 137,263 | - | 21,498,690 | 180,464 | 325,427 | 40,786,887 |
| | Other increases (decreases) | (62,856) | - | (80,884) | 35,693 | - | - | 6,209 | (12,897) | 37,225 | (77,510) |
| | **Closing balance as of December 31, 2018** | **20,300,853** | **159,251,012** | **132,522,864** | **244,152,371** | **5,604,123** | **13,567,908** | **209,909,170** | **9,102,349** | **7,887,111** | **802,297,761** |

## Note 19 - Right-of-use assets and lease liabilities

Quiñenco and its subsidiaries adopted IFRS 16 "Leases" on January 1, 2019, recognizing assets and liabilities at the present value of all future payments under lease contracts. These flows are discounted at an incremental borrowing rate according to the lease term and the nature of the right-of-use asset. Right-of-use assets recognized at the initial application date are depreciated over the shorter of the non-cancellation period of the lease contract or the useful life of the asset.

### a) Right-of-use leased assets

Movements in right-of-use leased assets subject to IFRS 16 for 2019 by class of underlying asset are detailed as follows:

| | ENEX ThCh$ | SM SAAM ThCh$ | CSAV ThCh$ | Total ThCh$ |
|---|---|---|---|---|
| Balance as of January 1, 2019 | 209,086,769 | 21,835,959 | 20,694,487 | 251,617,215 |
| Additions | 7,002,325 | 268,757 | 3,456,194 | 10,727,276 |
| Acquisitions through business combinations | - | 420,418 | - | 420,418 |
| Depreciation for the year | (19,898,918) | (3,828,911) | (18,764,348) | (42,492,177) |
| Increase (decrease) in currency translation | - | 2,563,730 | 18,909 | 2,582,639 |
| Contract terminations | (193,827) | - | - | (193,827) |
| Debt revaluation adjustment | 4,339,053 | - | - | 4,339,053 |
| Others | 8,102,722 | (8,465) | 1,018,947 | 9,113,204 |
| **Balance as of December 31, 2019** | **208,438,124** | **21,251,488** | **6,424,189** | **236,113,801** |

### b) Lease liabilities

A maturity analysis of lease liabilities is detailed as follows:

| Company | Total debt ThCh$ | **Current debt as of 12/31/2019 ThCh$** | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | **Non-current debt as of 12/31/2019 ThCh$** | 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | Over 5 years ThCh$ |
|---|---|---|---|---|---|---|---|---|
| Enex | 210,796,810 | **17,268,840** | 4,287,700 | 12,981,140 | **193,527,970** | 49,515,839 | 74,472,311 | 69,539,820 |
| SM SAAM | 21,598,153 | **3,776,644** | 891,004 | 2,885,640 | **17,821,509** | 7,437,981 | 7,526,334 | 2,857,194 |
| CSAV | 5,893,333 | **5,893,333** | 5,893,333 | - | - | - | - | - |
| Total | 238,288,296 | **26,938,817** | | | **211,349,479** | | | |

As of December 31, 2019, the liquidity risk associated with these maturities is covered by the operating cash flows of the respective subsidiaries. There are no restrictions associated with these leases.

Subsidiaries have specific contracts that contain renewal options and it is reasonably certain that this option will be exercised indefinitely, or for an indicated period. The lease term used to measure the asset and liability is the shorter of that period or the useful life of the asset.

## Note 20 – Investment properties

a) Investment properties as of December 31, 2019 and 2018, are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Land | 3,957,126 | 3,863,704 |
| Buildings | 13,263,283 | 13,654,577 |
| **Total** | **17,220,409** | **17,518,281** |

b) Movements

Movements in investment properties during 2019 and 2018 are detailed as follows:

| **As of December 31, 2019** | **Land** | **Buildings** | **Total** |
|---|---|---|---|
| Movements | **ThCh$** | **ThCh$** | **ThCh$** |
| Opening balance, net | 3,863,704 | 13,654,577 | 17,518,281 |
| Divestments | - | (878,221) | (878,221) |
| Depreciation | - | (234,895) | (234,895) |
| Increase (decrease) in exchange differences | 93,422 | 721,822 | 815,244 |
| **Closing balance, net** | **3,957,126** | **13,263,283** | **17,220,409** |

| **As of December 31, 2018** | **Land** | **Buildings** | **Total** |
|---|---|---|---|
| Movements | **ThCh$** | **ThCh$** | **ThCh$** |
| Opening balance, net | 3,862,893 | 12,854,065 | 16,716,958 |
| Additions | - | 90,683 | 90,683 |
| Transfers to (from) property, plant and equipment | (152,047) | 3,961,188 | 3,809,141 |
| Transfers to (from) non-current assets and disposal groups held for sale | - | (7,151) | (7,151) |
| Divestments | - | (4,251,425) | (4,251,425) |
| Depreciation | - | (275,148) | (275,148) |
| Increase (decrease) in exchange differences | 152,858 | 67,163 | 220,021 |
| Other increases (decreases) | - | 1,215,202 | 1,215,202 |
| **Closing balance, net** | **3,863,704** | **13,654,577** | **17,518,281** |

c) Revenue

Revenue from rentals and direct operating expenses of investment properties during 2019 and 2018 are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Revenue from rental of investment properties | 1,636,376 | 1,902,818 |
| Direct operating expenses | (637,779) | (674,735) |

d) The fair values of investment properties do not vary significantly from their book values.

## Note 21 – Current and deferred taxes

### (a) General information

As of December 31, 2019, these balances are as follows.

| | ThCh$ |
|---|---|
| Income subject to personal income tax or withholding tax | 221,299,474 |
| Income exempt from personal income tax or withholding tax | 117,113,998 |
| Non-taxable income | 419,965,854 |
| Total taxable income (STUT in Spanish, formerly FUT) | 195,074,845 |
| | |
| According to the records, the credit balances are: | |
| Accumulated credits from January 1, 2017, subject to restitution and without right to a refund | 1,072,436 |
| Accumulated credits from January 1, 2017, subject to restitution and with right to a refund | 6,719,956 |
| Accumulated credits as of December 31, 2016 with right to a refund | 38,470,589 |

### (b) Deferred taxes

Deferred tax assets and liabilities as of December 31, 2019 and 2018, are detailed as follows.

| | 12/31/2019 | | 12/31/2018 | |
|---|---|---|---|---|
| **Deferred taxes** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| Depreciation | - | 73,374,393 | - | 81,900,753 |
| Amortization | - | 18,733,475 | - | 21,986,691 |
| Provisions | 17,205,097 | 887,257 | 15,375,994 | - |
| Post-employment benefits | 2,199,842 | 308,481 | 2,352,679 | 446,737 |
| Revaluations of property, plant and equipment | 3,474,849 | 10,502,319 | 4,002,445 | 9,606,716 |
| Intangible assets | - | 48,362,462 | - | 48,362,462 |
| Revaluations of financial instruments | 78,609 | 491,173 | 190,209 | - |
| Tax losses | 192,976,602 | - | 176,615,308 | 8,337 |
| Tax credits | 13,884,815 | - | 32,300,435 | - |
| Deferred tax assets related to others | 11,674,381 | - | 19,862,418 | - |
| Deferred tax liabilities related to others | - | 10,611,142 | - | 16,109,161 |
| **Total** | **241,494,195** | **163,270,702** | **250,699,488** | **178,420,857** |

**Note 21 – Current and deferred taxes (continued)**

**(c) Income tax expense**

This account is detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Current tax expense | (41,939,163) | (22,939,842) |
| Other tax expense | 828 | (47,340) |
| Adjustment for deferred tax assets and liabilities | 2,483,638 | 4,866,156 |
| Others | 26,281,529 | 14,959,801 |
| **Net income tax expense** | **(13,173,168)** | **(3,161,225)** |

**(d) Reconciliation of applicable taxation**

The reconciliation of the income tax expense from the financial net income before taxes as of December 31, 2019 and 2018, is detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| **Income tax (expense) using the statutory rate (27% 2019-2018)** | **(30,093,396)** | **(22,364,703)** |
| Tax effect of rates in other jurisdictions | (1,531,830) | (11,185,063) |
| Tax effect of non-taxable revenue | 32,682,411 | 55,752,574 |
| Tax effect of expenses disallowed for tax purposes | (26,363,485) | (27,106,230) |
| Tax effect of tax benefit not previously recognized in income statement | 285,686 | (5,038,651) |
| Tax rate effect of reassessment of unrecognized deferred tax assets | (10,759) | 153,924 |
| Other increases in charge for statutory taxes | 3,052,022 | 6,545,558 |
| Income tax expense from discontinued operations | 8,806,183 | 81,366 |
| **Income tax benefit (expense) using the effective rate** | **(13,173,168)** | **(3,161,225)** |

**Note 22 – Other current and non-current financial liabilities**

As of December 31, 2019 and 2018, these are detailed as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
| Bank loans | 106,022,509 | 60,219,474 | 480,613,290 | 315,683,196 |
| Bonds payable | 27,246,414 | 26,175,193 | 1,212,594,341 | 1,115,035,927 |
| Concession liabilities | 2,923,081 | 4,289,510 | 29,855,259 | 25,962,165 |
| Finance leases | 1,611,804 | 1,870,002 | 1,321,697 | 1,939,456 |
| Hedging liabilities | 381,384 | 525,246 | 1,211,198 | - |
| **Total** | **138,185,192** | **93,079,425** | **1,725,595,785** | **1,458,620,744** |

## Note 22 – Other current and non-current financial liabilities (continued)

a) Interest-bearing bank loans as of December 31, 2019, are detailed as follows:

a.1) Book values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current 12/31/2019 ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current 12/31/2019 ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt not yet due ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 91,021,000-9 | Invexans S.A. | Chile | Banco Estado | USD | Semi-annual | 3.39% | 3.27% | 72,360 | 72,360 | - | 7,465,249 | - | 7,465,249 | - | - | - | 7,537,609 |
| 90,160,000-7 | Compañía Sud Americana de Vapores S.A. | Chile | Banco Itau Chile | USD | Semi-annual | 4.55% | Libor+2.5% | 7,858,027 | 4,346,436 | 3,511,591 | 18,517,089 | 7,664,851 | 7,339,150 | 3,513,088 | - | - | 26,375,116 |
| 90,160,000-7 | Compañía Sud Americana de Vapores S.A. | Chile | Banco Consorcio | USD | Semi-annual | 5.40% | Libor+3.5% | 26,049,413 | - | 26,049,413 | - | - | - | - | - | - | 26,049,413 |
| 92,048,000-4 | SAAM S.A. | Chile | Banco Scotiabank | USD | Semi-annual | 3.37% | Libor+1.46% | 4,063,412 | - | 4,063,412 | 70,540,294 | 7,330,165 | 7,330,165 | 7,330,165 | 48,549,799 | - | 74,603,706 |
| Foreign | Florida International Terminal, LLC. | USA | Banco Crédito e Inversiones | USD | Semi-annual | 4.77% | Libor+3% | 758,474 | 423,038 | 335,436 | 2,671,505 | 668,625 | 668,625 | 668,625 | 665,630 | - | 3,429,979 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Crédito e Inversiones | USD | Semi-annual | 4.24% | Libor+2.3% | 1,966,191 | - | 1,966,191 | - | - | - | - | - | - | 1,966,191 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Crédito e Inversiones | USD | Quarterly | 4.04% | 3.47% | 1,741,569 | 443,254 | 1,298,315 | 2,608,610 | 1,737,077 | 871,533 | - | - | - | 4,350,179 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 3.38% | 3.21% | 1,489,244 | 780,187 | 709,057 | 3,546,781 | 1,418,862 | 1,418,862 | 709,057 | - | - | 5,036,025 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.70% | 3.50% | 472,455 | 472,455 | - | - | - | - | - | - | - | 472,455 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.70% | 3.50% | 283,024 | 283,024 | - | - | - | - | - | - | - | 283,024 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 4.10% | 3.95% | 1,439,078 | - | 1,439,078 | 7,721,758 | 1,403,888 | 1,403,888 | 1,403,888 | 1,403,888 | 2,106,206 | 9,160,836 |
| Foreign | Inarpi S.A. | Ecuador | Banco Santander Madrid | USD | Semi-annual | 3.71% | Libor+1.8% | 1,466,033 | - | 1,466,033 | 7,038,155 | 1,407,631 | 1,407,631 | 1,407,631 | 1,407,631 | 1,407,631 | 8,504,188 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 4.28% | 4.07% | 2,615,349 | 1,367,199 | 1,248,150 | 8,734,800 | 2,495,550 | 2,495,550 | 2,495,550 | 1,248,150 | - | 11,350,149 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.64% | Libor+1.6% | 6,326,853 | 3,331,893 | 2,994,960 | 23,959,680 | 5,989,920 | 5,989,920 | 5,989,920 | 5,989,920 | - | 30,286,533 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 6.66% | 6.50% | 463,470 | 161,728 | 301,742 | - | - | - | - | - | - | 463,470 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 7.26% | Libor+5.5% | 810,136 | 160,230 | 649,906 | - | - | - | - | - | - | 810,136 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | BAC San José | USD | Monthly | 5.19% | 5.00% | 200,663 | 50,166 | 150,497 | 1,345,485 | 210,396 | 220,878 | 232,858 | 244,838 | 436,515 | 1,546,148 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | BAC San José | USD | Monthly | 5.19% | 5.00% | 540,591 | 133,276 | 407,315 | 3,638,128 | 569,042 | 598,243 | 628,942 | 662,635 | 1,179,266 | 4,178,719 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco San José | USD | Quarterly | 5.38% | 5.00% | 2,065,774 | 505,400 | 1,560,374 | 15,702,575 | 2,172,095 | 2,289,647 | 2,407,948 | 2,529,992 | 6,302,893 | 17,768,349 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco Davivienda Costa Rica | USD | Monthly | 7.11% | Libor+5.35% | 833,347 | 203,657 | 629,690 | 73,377 | 73,377 | - | - | - | - | 906,724 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco San José | USD | Quarterly | 5.26% | Libor+5.35% | 557,812 | 148,251 | 409,561 | 1,314,038 | 572,037 | 603,484 | 138,517 | - | - | 1,871,850 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Corpbanca New York Branch | USD | Semi-annual | 4.66% | Libor+3% | 6,413,707 | 3,418,747 | 2,994,960 | 5,989,920 | 5,989,920 | - | - | - | - | 12,403,627 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Banco Santander México | MXN | Monthly | 10.12% | TIIE 28+1.66% | 377,365 | 377,365 | - | - | - | - | - | - | - | 377,365 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Banco Santander México | USD | Monthly | 3.82% | Libor+1.6% | 1,132,844 | 1,132,844 | - | - | - | - | - | - | - | 1,132,844 |
| | | | **SUBTOTAL** | | | | | **69,997,191** | | | **180,867,444** | | | | | | **250,864,635** |

## Note 22 – Other current and non-current financial liabilities (continued)

a) Interest-bearing bank loans as of December 31, 2019, are detailed as follows: (continued)
a.1) Book values (continued)

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current 12/31/2019 ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current 12/31/2019 ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt not yet due ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign | SAAM Towage Canada Inc | Canada | Scotiabank Canada | CAD | Monthly | 3.73% | BA+1.75% | 11,546,319 | 261,310 | 11,285,009 | - | - | - | - | - | - | 11,546,319 |
| Foreign | SAAM Towage Canada Inc | Canada | Scotiabank Canada | CAD | Monthly | 3.73% | BA+1.75% | - | - | - | 10,914,383 | 728,524 | 728,524 | 9,457,335 | - | - | 10,914,383 |
| Foreign | SAAM Towage Panama Inc. | Panama | Banco Rabobank | USD | Semi-annual | 5.71% | 3.45% | 712,051 | 361,641 | 350,410 | 1,051,231 | 700,821 | 350,410 | - | - | - | 1,763,282 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 3.70% | 3.70% | 959,136 | 250,828 | 708,308 | 5,983,931 | 944,910 | 944,910 | 944,910 | 944,910 | 2,204,291 | 6,943,067 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 3.70% | 3.70% | 1,152,311 | 301,742 | 850,569 | 7,179,666 | 1,133,592 | 1,133,592 | 1,133,592 | 1,133,592 | 2,645,298 | 8,331,977 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | BRL | Monthly | 8.79% | TJLP+3.70% | 382,606 | 107,070 | 275,536 | 2,324,091 | 366,883 | 366,883 | 366,883 | 366,883 | 856,559 | 2,706,697 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 2.58% | 2.58% | 773,449 | 205,155 | 568,294 | 9,652,757 | 757,725 | 757,725 | 757,725 | 757,725 | 6,621,857 | 10,426,206 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 3.58% | 3.58% | 589,258 | 160,230 | 429,028 | 7,300,965 | 571,289 | 571,289 | 571,289 | 571,289 | 5,015,809 | 7,890,223 |
| Foreign | SAAM Towage Brasil | Brazil | Caterpillar | USD | Monthly | 3.80% | 3.80% | 309,230 | 124,291 | 184,939 | 1,067,701 | 246,335 | 246,335 | 246,335 | 246,335 | 82,361 | 1,376,931 |
| Foreign | SAAM Towage Brasil | Brazil | Caterpillar | USD | Monthly | 3.80% | 3.80% | 376,616 | 151,245 | 225,371 | 1,301,311 | 300,245 | 300,245 | 300,245 | 300,245 | 100,331 | 1,677,927 |
| Foreign | SAAM Towage Brasil | Brazil | Caterpillar | BRL | Monthly | 8.89% | TJLP+3.80% | 120,547 | 49,417 | 71,130 | 411,807 | 95,090 | 95,090 | 95,090 | 95,090 | 31,447 | 532,354 |
| Foreign | SAAM Towage Brasil | Brazil | Banco Do Brasil | USD | Monthly | 3.50% | 3.50% | 915,709 | 246,335 | 669,374 | 7,223,844 | 893,247 | 893,247 | 893,247 | 893,247 | 3,650,856 | 8,139,553 |
| Foreign | SAAM Towage Brasil | Brazil | Banco Do Brasil | USD | Monthly | 3.60% | 3.60% | 621,454 | 167,718 | 453,736 | 4,973,880 | 604,982 | 604,982 | 604,982 | 604,982 | 2,553,952 | 5,595,334 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 4.00% | 4.00% | 260,561 | 65,140 | 195,421 | - | - | - | - | - | - | 260,561 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 4.38% | 4.38% | 323,456 | 83,859 | 239,597 | 852,815 | 319,712 | 319,712 | 213,391 | - | - | 1,176,271 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 3.68% | 3.68% | 937,422 | 256,069 | 681,353 | 10,876,199 | 908,222 | 908,222 | 908,222 | 908,222 | 7,243,311 | 11,813,621 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 5.50% | 5.50% | 137,020 | 122,045 | 14,975 | 643,917 | 135,522 | 135,522 | 135,522 | 135,522 | 101,829 | 780,937 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | Banco Do Brasil | USD | Monthly | 3.75% | 3.75% | 2,670,755 | 692,585 | 1,978,170 | 8,792,448 | 2,637,811 | 2,637,811 | 2,637,811 | 879,015 | - | 11,463,203 |
| Foreign | SAAM Towage Brasil | Brazil | Banco Santander Brasil | USD | At maturity | 3.50% | 3.50% | 2,294,888 | - | 2,294,888 | - | - | - | - | - | - | 2,294,888 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Santander | CLP | At maturity | 4.28% | 3.48% | 6,115,553 | 6,115,553 | - | - | - | - | - | - | - | 6,115,553 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Citibank | USD | At maturity | 2.86% | 2.80% | 3,743,700 | 3,743,700 | - | - | - | - | - | - | - | 3,743,700 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | CLP | At maturity | 4.47% | 3.67% | 149,126 | - | 149,126 | 34,500,000 | - | - | 34,500,000 | - | - | 34,649,126 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | USD | At maturity | 3.69% | 3.69% | 184,221 | 184,221 | - | 54,694,900 | - | - | 54,694,900 | - | - | 54,879,121 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | CLP | Quarterly | 3.81% | 3.01% | 78,594 | - | 78,594 | 20,000,000 | - | - | 20,000,000 | - | - | 20,078,594 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Estado | CLP | Semi-annual | 4.23% | 3.43% | 671,336 | 655,148 | 16,188 | 110,000,000 | 16,721,676 | 16,721,676 | 22,000,000 | 22,000,000 | 32,556,648 | 110,671,336 |
| | | | **SUBTOTAL** | | | | | **36,025,318** | | | **299,745,846** | | | | | | **335,771,164** |
| | | | **TOTAL** | | | | | **106,022,509** | | | **480,613,290** | | | | | | **586,635,799** |

## Note 22 – Other current and non-current financial liabilities (continued)

a) Interest-bearing bank loans as of December 31, 2019, are detailed as follows: (continued)

a.2) Undiscounted values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current 12/31/2019 ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current 12/31/2019 ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt undiscounted ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 91.021.000-9 | Invexans S.A. | Chile | Banco Estado | USD | Semi-annual | 3.39% | 3.27% | 7,222,683 | - | 7,222,683 | - | - | - | - | - | - | 7,222,683 |
| 90.160.000-7 | Compañía Sud Americana de Vapores S.A. | Chile | Banco Itau Chile | USD | Semi-annual | 4.55% | Libor+2.5% | 8,721,368 | - | 8,721,368 | 20,575,945 | 8,523,920 | 8,154,543 | 3,897,482 | - | - | 29,297,313 |
| 90.160.000-7 | Compañía Sud Americana de Vapores S.A. | Chile | Banco Consorcio | USD | Semi-annual | 5.40% | Libor+3.5% | 27,650,219 | - | 27,650,219 | - | - | - | - | - | - | 27,650,219 |
| 92.048.000-4 | SAAM S.A. | Chile | Banco Scotiabank | USD | Semi-annual | 3.37% | Libor+1.46% | 6,326,104 | - | 6,326,104 | 79,062,451 | 9,850,423 | 9,594,354 | 9,344,275 | 50,273,399 | - | 85,388,555 |
| Foreign | Florida International Terminal, LLC. | USA | Banco Crédito e Inversiones | USD | Semi-annual | 4.77% | Libor+3% | 1,637,494 | 418,171 | 1,219,323 | 2,923,080 | 765,961 | 730,770 | 730,770 | 695,579 | - | 4,560,574 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Crédito e Inversiones | USD | Semi-annual | 4.24% | Libor+2.3% | 2,016,357 | - | 2,016,357 | - | - | - | - | - | - | 2,016,357 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Crédito e Inversiones | USD | Quarterly | 4.04% | 3.47% | 1,877,840 | 473,578 | 1,404,262 | 4,516,401 | 1,815,695 | 1,815,695 | 885,011 | - | - | 6,394,241 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 3.38% | 3.21% | 1,568,611 | 395,335 | 1,173,276 | 3,719,740 | 1,522,188 | 1,476,515 | 721,037 | - | - | 5,288,351 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.70% | 3.50% | 476,198 | 238,099 | 238,099 | - | - | - | - | - | - | 476,198 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.70% | 3.50% | 286,018 | 143,009 | 143,009 | - | - | - | - | - | - | 286,018 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 4.10% | 3.95% | 1,754,298 | - | 1,754,298 | 8,647,948 | 1,698,891 | 1,642,736 | 1,586,580 | 1,530,425 | 2,189,316 | 10,402,246 |
| Foreign | Inarpi S.A. | Ecuador | Banco Santander Madrid | USD | Semi-annual | 3.71% | Libor+1.8% | 1,713,117 | - | 1,713,117 | 7,766,680 | 1,659,208 | 1,606,047 | 1,553,636 | 1,500,475 | 1,447,314 | 9,479,797 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 4.28% | 4.07% | 2,934,312 | 739,381 | 2,194,931 | 9,455,838 | 2,830,237 | 2,727,660 | 2,624,334 | 1,273,607 | - | 12,390,150 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.64% | Libor+1.6% | 7,035,161 | 1,768,898 | 5,266,263 | 25,951,329 | 6,819,524 | 6,598,646 | 6,377,019 | 6,156,140 | - | 32,986,490 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 6.66% | 6.50% | 472,455 | 191,303 | 281,152 | - | - | - | - | - | - | 472,455 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 7.26% | Libor+5.5% | 835,593 | 253,448 | 582,145 | - | - | - | - | - | - | 835,593 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | BAC San José | USD | Monthly | 5.19% | 5.00% | 274,039 | 68,510 | 205,529 | 1,575,349 | 274,039 | 274,039 | 296,501 | 274,039 | 456,731 | 1,849,388 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | BAC San José | USD | Monthly | 5.19% | 5.00% | 739,755 | 184,939 | 554,816 | 4,255,839 | 740,504 | 740,504 | 801,901 | 740,504 | 1,232,426 | 4,995,594 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco San José | USD | Quarterly | 5.38% | 5.00% | 2,930,568 | 732,642 | 2,197,926 | 18,437,721 | 2,930,568 | 2,930,568 | 2,930,568 | 2,930,568 | 6,715,449 | 21,368,289 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco Davivienda Costa Rica | USD | Monthly | 7.11% | Libor+5.35% | 870,036 | 217,509 | 652,527 | 74,125 | 74,125 | - | - | - | - | 944,161 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco San José | USD | Quarterly | 5.26% | Libor+5.35% | 631,936 | 157,984 | 473,952 | 1,403,888 | 631,937 | 631,937 | 140,014 | - | - | 2,035,824 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Corpbanca New York Branch | USD | Semi-annual | 4.66% | Libor+3% | 6,413,706 | 1,709,373 | 4,704,333 | 6,126,939 | 6,126,939 | - | - | - | - | 12,540,645 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Banco Santander México | MXN | Monthly | 10.12% | TIIE 28+1.66% | 377,365 | 188,683 | 188,682 | - | - | - | - | - | - | 377,365 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Banco Santander México | USD | Monthly | 3.82% | Libor+1.6% | 1,132,844 | 566,422 | 566,422 | - | - | - | - | - | - | 1,132,844 |
| | | | **SUBTOTAL** | | | | | **85,898,077** | | | **194,493,273** | | | | | | **280,391,350** |

## Note 22 – Other current and non-current financial liabilities (continued)

a) Interest-bearing bank loans as of December 31, 2019, are detailed as follows:(continued)

a.2) Undiscounted values (continued)

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current 12/31/2019 ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current 12/31/2019 ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt undiscounted ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign | SAAM Towage Canada Inc | Canada | Scotiabank Canada | CAD | Monthly | 3.73% | BA+1.75% | 11,931,172 | 131,778 | 11,799,394 | - | - | - | - | - | - | 11,931,172 |
| Foreign | SAAM Towage Canada Inc | Canada | Scotiabank Canada | CAD | Monthly | 3.73% | BA+1.75% | - | - | - | 11,372,612 | 758,474 | 758,474 | 9,855,664 | - | - | 11,372,612 |
| Foreign | SAAM Towage Panama Inc. | Panama | Banco Rabobank | USD | Semi-annual | 5.71% | 3.45% | 756,228 | 381,109 | 375,119 | 1,087,919 | 731,519 | 356,400 | - | - | - | 1,844,147 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 3.70% | 3.70% | 1,188,999 | 299,496 | 889,503 | 6,703,469 | 1,153,060 | 1,081,929 | 1,081,929 | 1,081,929 | 2,304,622 | 7,892,468 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 3.70% | 3.70% | 1,427,098 | 359,395 | 1,067,703 | 8,046,710 | 1,383,672 | 1,299,064 | 1,299,064 | 1,299,064 | 2,765,846 | 9,473,808 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | BRL | Monthly | 8.79% | TJLP+3.70% | 588,884 | 149,374 | 439,510 | 2,975,491 | 555,565 | 491,173 | 491,173 | 491,173 | 946,407 | 3,564,375 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 2.58% | 2.58% | 1,021,655 | 256,443 | 765,212 | 11,273,029 | 1,000,317 | 961,382 | 961,382 | 961,382 | 7,388,566 | 12,294,684 |
| Foreign | SAAM Towage Brasil | Brazil | BNDES | USD | Monthly | 3.58% | 3.58% | 848,323 | 213,391 | 634,932 | 9,008,090 | 826,609 | 785,428 | 785,428 | 785,428 | 5,825,197 | 9,856,413 |
| Foreign | SAAM Towage Brasil | Brazil | Caterpillar | USD | Monthly | 3.80% | 3.80% | 353,405 | 89,100 | 264,305 | 1,142,577 | 341,425 | 256,069 | 256,069 | 256,069 | 32,945 | 1,495,982 |
| Foreign | SAAM Towage Brasil | Brazil | Caterpillar | USD | Monthly | 3.80% | 3.80% | 430,525 | 108,567 | 321,958 | 1,394,155 | 416,299 | 312,225 | 312,225 | 312,225 | 41,181 | 1,824,680 |
| Foreign | SAAM Towage Brasil | Brazil | Caterpillar | BRL | Monthly | 8.89% | TJLP+3.80% | 159,482 | 40,432 | 119,050 | 476,200 | 148,999 | 104,824 | 104,824 | 104,824 | 12,729 | 635,682 |
| Foreign | SAAM Towage Brasil | Brazil | Banco Do Brasil | USD | Monthly | 3.50% | 3.50% | 1,166,537 | 293,506 | 873,031 | 8,284,060 | 2,237,984 | 1,040,000 | 1,040,000 | 1,040,000 | 2,926,076 | 9,450,597 |
| Foreign | SAAM Towage Brasil | Brazil | Banco Do Brasil | USD | Monthly | 3.60% | 3.60% | 799,280 | 201,037 | 598,243 | 5,739,091 | 1,531,173 | 710,554 | 710,554 | 710,554 | 2,076,256 | 6,538,371 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 4.00% | 4.00% | 262,808 | 107,070 | 155,738 | - | - | - | - | - | - | 262,808 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 4.38% | 4.38% | 377,739 | 95,464 | 282,275 | 917,954 | 358,646 | 186,436 | 186,436 | 186,436 | - | 1,295,693 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 3.68% | 3.68% | 1,399,769 | 352,282 | 1,047,487 | 13,728,896 | 1,382,174 | 1,281,094 | 1,281,094 | 1,281,094 | 8,503,440 | 15,128,665 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | BNDES | USD | Monthly | 5.50% | 5.50% | 162,851 | 40,806 | 122,045 | 698,573 | 157,235 | 146,004 | 146,004 | 146,004 | 103,326 | 861,424 |
| Foreign | Tug Brasil Apoio Maritimo | Brazil | Banco Do Brasil | USD | Monthly | 3.75% | 3.75% | 3,028,279 | 763,340 | 2,264,939 | 9,364,492 | 2,926,825 | 2,145,889 | 2,145,889 | 2,145,889 | - | 12,392,771 |
| Foreign | SAAM Towage Brasil | Brazil | Banco Santander Brasil | USD | At maturity | 3.50% | 3.50% | 2,339,064 | - | 2,339,064 | - | - | - | - | - | - | 2,339,064 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Santander | CLP | At maturity | 4.28% | 3.48% | 6,515,342 | 6,515,342 | - | - | - | - | - | - | - | 6,515,342 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Citibank | USD | At maturity | 2.86% | 2.80% | 3,823,922 | 3,823,922 | - | - | - | - | - | - | - | 3,823,922 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | CLP | At maturity | 4.47% | 3.67% | 231,121 | 20,499 | 210,622 | 34,732,318 | 163,989 | - | 34,568,329 | - | - | 34,963,439 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | USD | At maturity | 3.69% | 3.69% | 592,898 | 296,449 | 296,449 | 54,694,900 | - | - | 54,694,900 | - | - | 55,287,798 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | CLP | Quarterly | 3.81% | 3.01% | 98,456 | 98,456 | - | 20,000,000 | - | - | 20,000,000 | - | - | 20,098,456 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Estado | CLP | Semi-annual | 4.23% | 3.43% | 640,863 | 212,630 | 428,233 | 110,142,500 | 16,757,301 | 16,757,301 | 22,035,625 | 22,035,625 | 32,556,648 | 110,783,363 |
| | | | **SUBTOTAL** | | | | | **40,144,700** | | | **311,783,036** | | | | | | **351,927,736** |
| | | | **TOTAL** | | | | | **126,042,777** | | | **506,276,309** | | | | | | **632,319,086** |

## Note 22 – Other current and non-current financial liabilities (continued)

b) Interest-bearing bank loans as of December 31, 2018, are detailed as follows:

b.1) Book values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current 12/31/2019 ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current 12/31/2019 ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt not yet due ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 91.021.000-9 | Invexans S.A. | Chile | Banco Estado | USD | Semi-annual | 4.03% | 3.88% | 6,987,583 | - | 6,987,583 | - | - | - | - | - | - | 6,987,583 |
| 90.160.000-7 | Compañía Sud Americana de Vapores S.A. | Chile | Banco Itau Chile | USD | Semi-annual | 4.89% | Libor+2.5% | 7,481,283 | 4,007,433 | 3,473,850 | 24,041,126 | 8,142,010 | 7,801,572 | 4,048,772 | 4,048,772 | - | 31,522,409 |
| Foreign | Florida International Terminal, LLC. | USA | Banco Crédito e Inversiones | USD | Semi-annual | 5.97% | Libor+3% | 240,391 | 72,951 | 167,440 | 2,931,929 | 416,862 | 416,862 | 416,862 | 416,862 | 1,264,481 | 3,172,320 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Crédito e Inversiones | USD | Semi-annual | 4.94% | Libor+2.3% | 1,842,530 | 1,842,530 | - | 1,802,233 | 1,802,233 | - | - | - | - | 3,644,763 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Itaú Chile | USD | Semi-annual | 3.38% | 3.21% | 1,400,656 | 742,709 | 657,947 | 4,607,019 | 1,316,589 | 1,316,589 | 1,316,589 | 657,252 | - | 6,007,675 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 3.69% | 3.50% | 879,579 | 445,348 | 434,231 | 434,231 | 434,231 | - | - | - | - | 1,313,810 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.70% | 3.50% | 528,025 | 267,486 | 260,539 | 260,539 | 260,539 | - | - | - | - | 788,564 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 4.49% | 3.73% | 1,342,296 | - | 1,342,296 | 8,467,858 | 1,302,694 | 1,302,694 | 1,302,694 | 1,302,694 | 3,257,082 | 9,810,154 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 4.96% | Libor+1.8% | 1,383,287 | - | 1,383,287 | 7,837,007 | 1,306,168 | 1,306,168 | 1,306,168 | 1,306,168 | 2,612,335 | 9,220,294 |
| Foreign | Inarpi S.A. | Ecuador | Banco Santander Madrid | USD | Semi-annual | 4.28% | 4.07% | 2,450,454 | 1,292,272 | 1,158,182 | 10,420,854 | 2,315,668 | 2,315,668 | 2,315,668 | 2,315,668 | 1,158,182 | 12,871,308 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 3.84% | Libor+2% | 962,256 | 528,025 | 434,231 | 4,776,545 | 434,231 | 868,463 | 868,463 | 868,463 | 1,736,925 | 5,738,801 |
| Foreign | Saam Operadora de Ptos.de Estiba y Des.Costa Rica S.A. | Costa Rica | Banco Estado | USD | Semi-annual | 6.50% | 6.50% | 864,294 | 212,600 | 651,694 | 391,850 | 391,850 | - | - | - | - | 1,256,144 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 6.43% | Libor + 5.5% | 869,157 | 216,768 | 652,389 | 728,814 | 728,814 | - | - | - | - | 1,597,971 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 5.00% | 5.00% | 478,002 | 118,806 | 359,196 | 3,919,197 | 500,234 | 525,941 | 553,037 | 581,522 | 1,758,463 | 4,397,199 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco San José | USD | Monthly | 5.19% | 5.00% | 179,945 | 47,244 | 132,701 | 1,434,701 | 184,809 | 194,536 | 204,262 | 215,379 | 635,715 | 1,614,646 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco San José | USD | Monthly | 5.89% | 5.00% | 2,036,371 | 656,558 | 1,379,813 | 16,488,282 | 1,917,565 | 2,015,528 | 2,124,607 | 2,234,380 | 8,196,202 | 18,524,653 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco San José | USD | Quarterly | 6.85% | Libor + 5.35% | 737,846 | 191,757 | 546,089 | 835,808 | 778,142 | 57,666 | - | - | - | 1,573,654 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco Davivienda Costa Rica | USD | Monthly | 4.31% | Libor+3% | 6,041,720 | - | 6,041,720 | 11,116,320 | 5,558,160 | 5,558,160 | - | - | - | 17,158,040 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Corpbanca New York Branch | USD | Semi-annual | 5.19% | 5.00% | 933,771 | 233,443 | 700,328 | 10,295,102 | 933,771 | 9,361,331 | - | - | - | 11,228,873 |
| Foreign | Smit Marine Canada Inc | Canada | Scotiabank Canada | CAD | Monthly | 4.10% | 4.10% | 271,655 | 68,087 | 203,568 | 7,844,648 | 271,655 | 271,655 | 271,655 | 7,029,683 | - | 8,116,303 |
| Foreign | Virtual Logistics Marine Services, Inc | Panama | Banco Rabobank | USD | Semi-annual | 5.71% | 3.45% | 663,506 | 175,777 | 487,729 | 1,625,760 | 650,305 | 650,305 | 325,150 | - | - | 2,289,266 |
| Foreign | Kios S.A. | Uruguay | Banco Santander | USD | Semi-annual | 6.00% | 6.00% | 462,021 | 462,021 | - | - | - | - | - | - | - | 462,021 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | CLP | Semi-annual | 4.28% | 3.82% | 88,625 | 88,625 | - | 34,500,000 | - | - | 34,500,000 | - | - | 34,588,625 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | USD | Semi-annual | 4.28% | 3.82% | 163,092 | 163,092 | - | 50,923,373 | 25,461,687 | 25,461,686 | - | - | - | 51,086,465 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Estado | CLP | Semi-annual | 3.49% | 3.50% | 20,931,129 | 908,608 | 20,022,521 | 110,000,000 | 5,721,676 | 5,721,676 | 22,000,000 | 22,000,000 | 54,556,648 | 130,931,129 |
| | | | **TOTAL** | | | | | **60,219,474** | | | **315,683,196** | | | | | | **375,902,670** |

**Note 22 – Other current and non-current financial liabilities (continued)**

b) Interest-bearing bank loans as of December 31, 2018, are detailed as follows. (continued)

b.2) Undiscounted values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current 12/31/2019 ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current 12/31/2019 ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt undiscounted ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 91.021.000-9 | Invexans S.A. | Chile | Banco Estado | USD | Semi-annual | 4.03% | 3.88% | 7,191,028 | - | 7,191,028 | - | - | - | - | - | - | 7,191,028 |
| 90.160.000-7 | Compañía Sud Americana de Vapores S.A. | Chile | Banco Itau Chile | USD | Semi-annual | 4.89% | Libor+2.5% | 8,460,883 | 4,279,909 | 4,180,974 | 26,954,298 | 8,142,010 | 7,800,878 | 7,436,818 | 3,574,592 | - | 35,415,181 |
| Foreign | Florida International Terminal, LLC. | USA | Banco Crédito e Inversiones | USD | Semi-annual | 5.97% | Libor+3% | 165,356 | 73,646 | 91,710 | 3,609,330 | 795,512 | 721,866 | 721,866 | 721,866 | 648,220 | 3,774,686 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Crédito e Inversiones | USD | Semi-annual | 4.94% | Libor+2.3% | 1,846,699 | 943,498 | 903,201 | 1,806,402 | 1,806,402 | - | - | - | - | 3,653,101 |
| 96,915,330-0 | Iquique Terminal Internacional S.A. | Chile | Banco Itaú Chile | USD | Semi-annual | 3.38% | 3.21% | 1,498,619 | 755,215 | 743,404 | 4,907,160 | 1,455,543 | 1,412,467 | 1,370,086 | 669,064 | - | 6,405,779 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 3.69% | 3.50% | 906,675 | 457,159 | 449,516 | 441,874 | 441,874 | - | - | - | - | 1,348,549 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 3.70% | 3.50% | 544,005 | 274,434 | 269,571 | 265,402 | 265,402 | - | - | - | - | 809,407 |
| Foreign | Inarpi S.A. | Ecuador | Banco Crédito e Inversiones | USD | Semi-annual | 4.49% | 3.73% | 1,680,649 | 845,535 | 835,114 | 9,655,218 | 1,629,930 | 1,576,433 | 1,524,325 | 1,472,218 | 3,452,312 | 11,335,867 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 4.96% | Libor+1.8% | 1,712,608 | 863,599 | 849,009 | 9,012,557 | 1,653,553 | 1,592,413 | 1,531,968 | 1,471,523 | 2,763,100 | 10,725,165 |
| Foreign | Inarpi S.A. | Ecuador | Banco Santander Madrid | USD | Semi-annual | 4.28% | 4.07% | 2,817,292 | 1,418,720 | 1,398,572 | 11,497,055 | 2,722,804 | 2,626,231 | 2,531,047 | 2,435,169 | 1,181,804 | 14,314,347 |
| Foreign | Inarpi S.A. | Ecuador | Banco Estado | USD | Semi-annual | 3.84% | Libor+2% | 1,098,431 | 552,342 | 546,089 | 5,874,281 | 1,064,388 | 1,030,344 | 996,300 | 961,562 | 1,821,687 | 6,972,712 |
| Foreign | Saam Operadora de Ptos.de Estiba y Des.Costa Rica S.A. | Costa Rica | Banco Estado | USD | Semi-annual | 6.50% | 6.50% | 1,841,140 | 920,570 | 920,570 | 877,495 | 877,495 | - | - | - | - | 2,718,635 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 6.43% | Libor + 5.5% | 949,751 | 475,223 | 474,528 | 751,046 | 751,046 | - | - | - | - | 1,700,797 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco Davivienda | USD | Monthly | 5.00% | 5.00% | 686,432 | 343,216 | 343,216 | 4,577,840 | 686,433 | 686,433 | 686,433 | 686,433 | 1,832,108 | 5,264,272 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco San José | USD | Monthly | 5.19% | 5.00% | 254,286 | 127,143 | 127,143 | 1,693,850 | 254,286 | 254,286 | 254,286 | 254,286 | 676,706 | 1,948,136 |
| Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | Banco San José | USD | Monthly | 5.89% | 5.00% | 2,719,330 | 1,359,665 | 1,359,665 | 19,828,042 | 2,719,330 | 2,719,330 | 2,719,330 | 2,719,330 | 8,950,722 | 22,547,372 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco San José | USD | Quarterly | 6.85% | Libor + 5.35% | 815,660 | 407,830 | 407,830 | 874,021 | 815,660 | 58,361 | - | - | - | 1,689,681 |
| Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | Banco Davivienda Costa Rica | USD | Monthly | 4.31% | Libor+3% | 6,234,172 | 3,245,271 | 2,988,901 | 11,540,130 | 5,854,827 | 5,685,303 | - | - | - | 17,774,302 |
| Foreign | Saam Remolques S.A. de C.V. | Mexico | Corpbanca New York Branch | USD | Semi-annual | 5.19% | 5.00% | 1,286,714 | 643,357 | 643,357 | 10,988,482 | 1,291,577 | 9,696,905 | - | - | - | 12,275,196 |
| Foreign | Smit Marine Canada Inc | Canada | Scotiabank Canada | CAD | Monthly | 4.10% | 4.10% | 727,424 | 344,606 | 382,818 | 9,539,193 | 740,625 | 707,276 | 673,927 | 7,417,365 | - | 10,266,617 |
| Foreign | Virtual Logistics Marine Services, Inc | Panama | Banco Rabobank | USD | Semi-annual | 5.71% | 3.45% | 723,950 | 364,754 | 359,196 | 1,711,914 | 701,718 | 1,010,196 | - | - | - | 2,435,864 |
| Foreign | Kios S.A | Uruguay | Banco Santander | USD | Semi-annual | 6.00% | 6.00% | 464,801 | 464,801 | - | - | - | - | - | - | - | 464,801 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | CLP | Semi-annual | 4.28% | 3.82% | 250,393 | 250,393 | - | 34,814,312 | 81,995 | 81,994 | 34,650,323 | - | - | 35,064,705 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Scotiabank | USD | Semi-annual | 4.28% | 3.82% | 242,980 | - | 242,980 | 48,633,900 | - | - | 48,633,900 | - | - | 48,876,880 |
| 78.080.440-8 | Enex S.A. | Chile | Banco Estado | CLP | Semi-annual | 3.49% | 3.50% | 20,886,981 | 837,741 | 20,049,240 | 110,198,906 | 5,757,301 | 5,757,301 | 22,035,625 | 22,035,625 | 54,613,054 | 131,085,887 |
| | | | **TOTAL** | | | | | **66,006,259** | | | **330,052,708** | | | | | | **396,058,967** |

## Note 22 – Other current and non-current financial liabilities (continued)

c) Bonds payable as of December 31, 2019, are detailed as follows:

c.1) Book values

| Debtor ID number | Debtor name | Debtor country | Registration number | Series | Maturity | Currency | Repayment | Effective rate | Nominal rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96.929.880-5 | LQIF | Chile | 385 | Series C | 2039 | CLF | Annual | 4.93% | 4.85% | 2,581,491 | - | 2,581,491 | 84,800,970 | - | - | - | - | 84,800,970 | 87,382,461 |
| 96.929.880-5 | LQIF | Chile | 597 | Series D | 2033 | CLF | Annual | 3.84% | 3.50% | 2,146,510 | - | 2,146,510 | 109,673,204 | - | - | - | - | 109,673,204 | 111,819,714 |
| 90.160.000-7 | CSAV | Chile | 839 | Series B | 2021 | USD | At maturity | 5.20% | 5.20% | - | - | - | 37,249,066 | 37,249,066 | - | - | - | - | 37,249,066 |
| 90.160.000-7 | CSAV | Chile | 955 | Series C | 2026 | USD | Semi-annual | 5.35% | 5.35% | 564,549 | 564,549 | - | 74,286,988 | - | - | - | - | 74,286,988 | 74,851,537 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 793 | Series B | 2021 | CLF | Semi-annual | 2.60% | 2.60% | 44,924 | - | 44,924 | 40,041,118 | 40,041,118 | - | - | - | - | 40,086,042 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 794 | Series C | 2026 | CLF | Semi-annual | 2.80% | 2.80% | 47,920 | - | 47,920 | 40,670,059 | - | - | - | - | 40,670,059 | 40,717,979 |
| 91.705.000-7 | Quiñenco | Chile | 595 | Series I | 2021 | CLF | Annual | 3.71% | 3.70% | 9,846,066 | - | 9,846,066 | 9,418,638 | 9,418,638 | - | - | - | - | 19,264,704 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series J | 2032 | CLF | Annual | 3.90% | 3.85% | 1,917,087 | - | 1,917,087 | 84,315,310 | - | - | - | - | 84,315,310 | 86,232,397 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series O | 2035 | CLF | Annual | 3.36% | 3.40% | 1,020,884 | - | 1,020,884 | 67,331,999 | - | - | - | - | 67,331,999 | 68,352,883 |
| 91.705.000-7 | Quiñenco | Chile | 427 | Series C | 2032 | CLF | Annual | 4.24% | 4.00% | 216,397 | - | 216,397 | 64,902,659 | - | - | - | - | 64,902,659 | 65,119,056 |
| 91.705.000-7 | Quiñenco | Chile | 596 | Series F | 2032 | CLF | Annual | 3.97% | 3.85% | 2,875,631 | - | 2,875,631 | 125,942,339 | - | 11,581,340 | 11,581,340 | 11,581,340 | 91,198,319 | 128,817,970 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series S | 2044 | CLF | Annual | 3.15% | 3.15% | 366,478 | - | 366,478 | 140,593,442 | - | - | - | - | 140,593,442 | 140,959,920 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series R | 2039 | CLF | Annual | 3.20% | 3.15% | 2,614,210 | - | 2,614,210 | 139,681,430 | - | - | - | - | 139,681,430 | 142,295,640 |
| 91.705.000-7 | Quiñenco | Chile | 714 | Series V | 2025 | CLF | Annual | 1.72% | 1.80% | 597,534 | - | 597,534 | 56,433,198 | 11,323,976 | 11,323,976 | 11,323,976 | 11,323,976 | 11,137,294 | 57,030,732 |
| 91.705.000-7 | Quiñenco | Chile | 819 | Series W | 2047 | CLF | Annual | 3.03% | 2.90% | 2,406,733 | - | 2,406,733 | 137,253,921 | - | - | - | - | 137,253,921 | 139,660,654 |
| | | | | | | TOTAL | | | | **27,246,414** | | | **1,212,594,341** | | | | | | **1,239,840,755** |

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)



## Note 22 – Other current and non-current financial liabilities (continued)

c) Bonds payable as of December 31, 2019, are detailed as follows: (continued)

c.2) Undiscounted values

| Debtor ID number | Debtor name | Debtor country | Registration number | Series | Maturity | Currency | Repayment | Effective rate | Nominal rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt undiscounted ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96.929.880-5 | LQIF | Chile | 385 | Series C | 2039 | CLF | Annual | 4.93% | 4.85% | 4,119,096 | - | 4,119,096 | 144,656,714 | 4,119,096 | 4,119,096 | 4,119,096 | 4,119,096 | 128,180,330 | 148,775,810 |
| 96.929.880-5 | LQIF | Chile | 597 | Series D | 2033 | CLF | Annual | 3.84% | 3.50% | 3,913,849 | - | 3,913,849 | 141,178,132 | 3,913,849 | 13,232,538 | 12,906,384 | 12,580,230 | 98,545,131 | 145,091,981 |
| 90.160.000-7 | CSAV | Chile | 839 | Series B | 2021 | USD | At maturity | 5.20% | 5.20% | 1,922,090 | - | 1,922,090 | 38,398,008 | 38,398,008 | - | - | - | - | 40,320,098 |
| 90.160.000-7 | CSAV | Chile | 955 | Series C | 2026 | USD | Semi-annual | 5.35% | 5.35% | 3,953,497 | - | 3,953,497 | 93,652,848 | 3,953,497 | 3,953,497 | 3,953,497 | 22,671,847 | 59,120,510 | 97,606,345 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 793 | Series B | 2021 | CLF | Semi-annual | 2.60% | 2.60% | 1,023,528 | - | 1,023,528 | 40,658,079 | 40,658,079 | - | - | - | - | 41,681,607 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 794 | Series C | 2026 | CLF | Semi-annual | 2.80% | 2.80% | 1,102,145 | - | 1,102,145 | 46,246,674 | 1,102,145 | 1,102,145 | 1,102,145 | 1,102,145 | 41,838,094 | 47,348,819 |
| 91.705.000-7 | Quiñenco | Chile | 595 | Series I | 2021 | CLF | Annual | 3.71% | 3.70% | 10,134,959 | - | 10,134,959 | 9,785,803 | 9,785,803 | - | - | - | - | 19,920,762 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series J | 2032 | CLF | Annual | 3.90% | 3.85% | 3,269,798 | - | 3,269,798 | 129,072,094 | 3,269,798 | 3,269,798 | 3,269,798 | 3,269,798 | 115,992,902 | 132,341,892 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series O | 2035 | CLF | Annual | 3.36% | 3.40% | 2,286,028 | - | 2,286,028 | 101,526,524 | 2,286,028 | 2,286,028 | 2,286,028 | 2,286,028 | 92,382,412 | 103,812,552 |
| 91.705.000-7 | Quiñenco | Chile | 427 | Series C | 2032 | CLF | Annual | 4.24% | 4.00% | 2,632,824 | - | 2,632,824 | 90,832,441 | 2,632,824 | 2,632,824 | 2,632,824 | 2,632,824 | 80,301,145 | 93,465,265 |
| 91.705.000-7 | Quiñenco | Chile | 596 | Series F | 2032 | CLF | Annual | 3.97% | 3.85% | 4,904,697 | - | 4,904,697 | 162,173,491 | 4,904,697 | 16,486,037 | 16,040,156 | 15,594,274 | 109,148,327 | 167,078,188 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series S | 2044 | CLF | Annual | 3.15% | 3.15% | 4,458,816 | - | 4,458,816 | 239,643,644 | 4,458,816 | 4,458,816 | 4,458,816 | 4,458,816 | 221,808,380 | 244,102,460 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series R | 2039 | CLF | Annual | 3.20% | 3.15% | 4,458,816 | - | 4,458,816 | 219,578,974 | 4,458,816 | 4,458,816 | 4,458,816 | 4,458,816 | 201,743,710 | 224,037,790 |
| 91.705.000-7 | Quiñenco | Chile | 714 | Series V | 2025 | CLF | Annual | 1.72% | 1.80% | 1,019,158 | - | 1,019,158 | 59,677,354 | 12,343,134 | 12,139,302 | 11,935,471 | 11,731,639 | 11,527,808 | 60,696,512 |
| 91.705.000-7 | Quiñenco | Chile | 819 | Series W | 2047 | CLF | Annual | 3.03% | 2.90% | 4,104,941 | - | 4,104,941 | 272,483,171 | 4,104,941 | 4,104,941 | 4,104,941 | 4,104,941 | 256,063,407 | 276,588,112 |
| | | | | | | | | | | **53,304,242** | | | **1,789,563,951** | | | | | | **1,842,868,193** |

## Note 22 – Other current and non-current financial liabilities (continued)

d) Bonds payable as of December 31, 2018, are detailed as follows:

d.1) Book values

| Debtor ID number | Debtor name | Debtor country | Registration number | Series | Maturity | Currency | Repayment | Effective rate | Nominal rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96.929.880-5 | LQIF | Chile | 385 | Series C | 2039 | CLF | Annual | 4.93% | 4.85% | 2,520,355 | - | 2,520,355 | 82,561,508 | - | - | - | - | 82,561,508 | 85,081,863 |
| 96.929.880-5 | LQIF | Chile | 597 | Series D | 2033 | CLF | Annual | 3.84% | 3.50% | 2,096,649 | - | 2,096,649 | 106,486,090 | - | - | - | - | 106,486,090 | 108,582,739 |
| 90.160.000-7 | CSAV | Chile | 839 | Series B | 2021 | USD | At maturity | 5.20% | 5.20% | - | - | - | 34,450,866 | - | 34,450,866 | - | - | - | 34,450,866 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 793 | Series B | 2021 | CLF | Semi-annual | 2.60% | 2.60% | 43,771 | 43,771 | - | 39,157,932 | - | - | 39,157,932 | - | - | 39,201,703 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 794 | Series C | 2026 | CLF | Semi-annual | 2.80% | 2.80% | 47,244 | 47,244 | - | 39,679,009 | - | - | - | - | 39,679,009 | 39,726,253 |
| 91.705.000-7 | Quiñenco | Chile | 595 | Series I | 2021 | CLF | Annual | 3.71% | 3.70% | 9,786,586 | - | 9,786,586 | 18,342,524 | 9,188,597 | 9,153,927 | - | - | - | 28,129,110 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series J | 2032 | CLF | Annual | 3.90% | 3.85% | 1,866,695 | - | 1,866,695 | 82,050,685 | - | - | - | - | 82,050,685 | 83,917,380 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series O | 2035 | CLF | Annual | 3.36% | 3.40% | 994,049 | - | 994,049 | 65,568,919 | - | - | - | - | 65,568,919 | 66,562,968 |
| 91.705.000-7 | Quiñenco | Chile | 427 | Series C | 2032 | CLF | Annual | 4.24% | 4.00% | 217,731 | - | 217,731 | 63,112,414 | - | - | - | - | 63,112,414 | 63,330,145 |
| 91.705.000-7 | Quiñenco | Chile | 596 | Series F | 2032 | CLF | Annual | 3.97% | 3.85% | 2,800,042 | - | 2,800,042 | 122,492,394 | - | - | 11,276,915 | 11,276,915 | 99,938,564 | 125,292,436 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series S | 2044 | CLF | Annual | 3.15% | 3.15% | 356,845 | - | 356,845 | 136,858,274 | - | - | - | - | 136,858,274 | 137,215,119 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series R | 2039 | CLF | Annual | 3.20% | 3.15% | 2,533,599 | - | 2,533,599 | 135,868,580 | - | - | - | - | 135,868,580 | 138,402,179 |
| 91.705.000-7 | Quiñenco | Chile | 714 | Series V | 2025 | CLF | Annual | 1.72% | 1.80% | 579,108 | - | 579,108 | 54,915,635 | - | 11,026,316 | 11,026,316 | 11,026,316 | 21,836,687 | 55,494,743 |
| 91.705.000-7 | Quiñenco | Chile | 819 | Series W | 2047 | CLF | Annual | 3.03% | 2.90% | 2,332,519 | - | 2,332,519 | 133,491,097 | - | - | - | - | 133,491,097 | 135,823,616 |
| | | | | | | **TOTAL** | | | | **26,175,193** | | | **1,115,035,927** | | | | | | **1,141,211,120** |

**Note 22 – Other current and non-current financial liabilities (continued)**

d) Bonds payable as of December 31, 2018, are detailed as follows: (continued)
d.2) Undiscounted values

| Debtor ID number | Debtor name | Debtor country | Registration number | Series | Maturity | Currency | Repayment | Effective rate | Nominal rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt undiscounted ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96.929.880-5 | LQIF | Chile | 385 | Series C | 2039 | CLF | Annual | 4.93% | 4.85% | 4,010,822 | - | 4,010,822 | 144,865,112 | 4,010,822 | 4,010,822 | 4,010,822 | 4,010,822 | 128,821,824 | 148,875,934 |
| 96.929.880-5 | LQIF | Chile | 597 | Series D | 2033 | CLF | Annual | 3.84% | 3.50% | 3,810,970 | - | 3,810,970 | 141,278,119 | 3,810,970 | 3,810,970 | 12,884,710 | 12,567,129 | 108,204,340 | 145,089,089 |
| 90.160.000-7 | CSAV | Chile | 839 | Series B | 2021 | USD | At maturity | 5.20% | 5.20% | 1,783,475 | - | 1,783,475 | 37,414,059 | 1,783,475 | 35,630,585 | - | - | - | 39,197,534 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 793 | Series B | 2021 | CLF | Semi-annual | 2.60% | 2.60% | 996,995 | 498,150 | 498,845 | 40,586,379 | 996,995 | 996,995 | 38,592,389 | - | - | 41,583,374 |
| 76.196.718-5 | SM SAAM S.A. | Chile | 794 | Series C | 2026 | CLF | Semi-annual | 2.80% | 2.80% | 1,073,419 | 536,362 | 537,057 | 46,104,939 | 1,073,420 | 1,073,420 | 1,073,420 | 1,073,420 | 41,811,259 | 47,178,358 |
| 91.705.000-7 | Quiñenco | Chile | 595 | Series I | 2021 | CLF | Annual | 3.71% | 3.70% | 10,208,531 | - | 10,208,531 | 9,528,575 | 9,868,553 | 9,528,575 | - | - | - | 19,737,106 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series J | 2032 | CLF | Annual | 3.90% | 3.85% | 3,183,849 | - | 3,183,849 | 125,679,329 | 3,183,849 | 3,183,849 | 3,183,849 | 3,183,849 | 116,127,782 | 128,863,178 |
| 91.705.000-7 | Quiñenco | Chile | 715 | Series O | 2035 | CLF | Annual | 3.36% | 3.40% | 2,225,938 | - | 2,225,938 | 98,857,816 | 2,225,938 | 2,225,938 | 2,225,938 | 2,225,938 | 92,180,002 | 101,083,754 |
| 91.705.000-7 | Quiñenco | Chile | 427 | Series C | 2032 | CLF | Annual | 4.24% | 4.00% | 2,563,618 | - | 2,563,618 | 88,444,836 | 2,563,618 | 2,563,618 | 2,563,618 | 2,563,618 | 80,753,982 | 91,008,454 |
| 91.705.000-7 | Quiñenco | Chile | 596 | Series F | 2032 | CLF | Annual | 3.97% | 3.85% | 4,775,773 | - | 4,775,773 | 157,910,627 | 4,775,773 | 4,775,773 | 16,052,688 | 15,618,527 | 121,463,639 | 162,686,400 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series S | 2044 | CLF | Annual | 3.20% | 3.15% | 4,341,612 | - | 4,341,612 | 233,344,413 | 4,341,612 | 4,341,612 | 4,341,612 | 4,341,612 | 220,319,577 | 237,686,025 |
| 91.705.000-7 | Quiñenco | Chile | 820 | Series R | 2039 | CLF | Annual | 3.20% | 3.15% | 4,341,612 | - | 4,341,612 | 213,766,633 | 4,341,612 | 4,341,612 | 4,341,612 | 4,341,612 | 200,741,797 | 218,108,245 |
| 91.705.000-7 | Quiñenco | Chile | 714 | Series V | 2025 | CLF | Annual | 1.72% | 1.80% | 992,368 | - | 992,368 | 58,108,685 | 992,368 | 12,018,684 | 11,820,211 | 11,621,737 | 22,648,053 | 59,101,053 |
| 91.705.000-7 | Quiñenco | Chile | 819 | Series W | 2047 | CLF | Annual | 3.03% | 2.90% | 3,997,040 | - | 3,997,040 | 265,320,730 | 3,997,040 | 3,997,040 | 3,997,040 | 3,997,040 | 253,329,610 | 269,317,770 |
| | | | | | | | | | | **48,306,022** | | | **1,661,210,252** | | | | | | **1,709,516,274** |

**Note 22 – Other current and non-current financial liabilities (continued)**

e) Concession liabilities

Financial liabilities for concession contracts as of December 31, 2019, are detailed as follows:

e.1) Book values

| Terminal | Debtor ID number | Debtor Name | Debtor Country | Currency | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Total Current ThCh$ | 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | Over 5 years ThCh$ | Total Non-current ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Empresa Portuaria Iquique | 96.915.330-0 | Iquique Terminal Internacional SA | Chile | USD | 151,994 | 469,460 | 621,454 | 1,367,199 | 1,551,389 | 5,728,610 | 8,647,198 | 9,268,652 |
| Administración Portuaria Integral de Mazatlán | Foreign | Terminal Marítima Mazatlán S.A. de C.V. | Mexico | MXN | 196,920 | 569,042 | 765,962 | 4,734,283 | 4,121,814 | 12,351,964 | 21,208,061 | 21,974,023 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | USD | 1,300,561 | - | 1,300,561 | - | - | - | - | 1,300,561 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | USD | 166,969 | - | 166,969 | - | - | - | - | 166,969 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Concesionaria SAAM Costa Rica S.A. | Costa Rica | USD | 68,135 | - | 68,135 | - | - | - | - | 68,135 |
| | | | | | | | **2,923,081** | | | | **29,855,259** | **32,778,340** |

e.2) Undiscounted values

| Terminal | Debtor ID number | Debtor Name | Debtor Country | Currency | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Total Current ThCh$ | 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | Over 5 years ThCh$ | Total Non-current ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Empresa Portuaria Iquique | 96.915.330-0 | Iquique Terminal Internacional SA | Chile | USD | 299,496 | 898,488 | 1,197,984 | 2,395,968 | 2,395,968 | 6,888,408 | 11,680,344 | 12,878,328 |
| Administración Portuaria Integral de Mazatlán | Foreign | Terminal Marítima Mazatlán S.A. de C.V. | Mexico | MXN | 199,165 | 609,474 | 808,639 | 5,706,148 | 6,228,768 | 33,661,853 | 45,596,769 | 46,405,408 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | USD | 1,300,561 | - | 1,300,561 | - | - | - | - | 1,300,561 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | USD | 166,969 | - | 166,969 | - | - | - | - | 166,969 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Concesionaria SAAM Costa Rica S.A. | Costa Rica | USD | 68,135 | - | 68,135 | - | - | - | - | 68,135 |
| | | | | | | | **3,542,288** | | | | **57,277,113** | **60,819,401** |

**Note 22 – Other current and non-current financial liabilities (continued)**

f) Concession liabilities

Financial liabilities for concession contracts as of December 31, 2018, are detailed as follows:

f.1) Book values

| Terminal | Debtor ID number | Debtor Name | Debtor Country | Currency | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Total Current ThCh$ | 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | Over 5 years ThCh$ | Total Non-current ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Empresa Portuaria Iquique | 96.915.330-0 | Iquique Terminal Internacional SA | Chile | USD | 132,006 | 409,220 | 541,226 | 1,190,836 | 1,351,328 | 6,058,394 | 8,600,558 | 9,141,784 |
| Administración Portuaria Integral de Mazatlán | Foreign | Terminal Marítima Mazatlán S.A. de C.V. | Mexico | MXN | 536,362 | 1,638,962 | 2,175,324 | 5,342,087 | 5,342,087 | 6,677,433 | 17,361,607 | 19,536,931 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | USD | 1,317,284 | - | 1,317,284 | - | - | - | - | 1,317,284 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | USD | 183,419 | - | 183,419 | - | - | - | - | 183,419 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Concesionaria SAAM Costa Rica S.A. | Costa Rica | USD | 72,257 | - | 72,257 | - | - | - | - | 72,257 |
| | | | | | | | **4,289,510** | | | | **25,962,165** | **30,251,675** |

f.2) Undiscounted values

| Terminal | Debtor ID number | Debtor Name | Debtor Country | Currency | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Total Current ThCh$ | 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | Over 5 years ThCh$ | Total Non-current ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Empresa Portuaria Iquique | 96.915.330-0 | Iquique Terminal Internacional SA | Chile | USD | 277,908 | 833,724 | 1,111,632 | 2,223,264 | 2,223,264 | 8,503,985 | 12,950,513 | 14,062,145 |
| Administración Portuaria Integral de Mazatlán | Foreign | Terminal Marítima Mazatlán S.A. de C.V. | Mexico | MXN | 556,511 | 1,579,212 | 2,135,723 | 10,125,578 | 12,068,155 | 19,306,964 | 41,500,697 | 43,636,420 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria de Caldera S.A. | Costa Rica | USD | 1,317,284 | - | 1,317,284 | - | - | - | - | 1,317,284 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Sociedad Portuaria Granelera de Caldera S.A. | Costa Rica | USD | 183,419 | - | 183,419 | - | - | - | - | 183,419 |
| Instituto Costarricence de Puerto Pacífico | Foreign | Concesionaria SAAM Costa Rica S.A. | Costa Rica | USD | 72,256 | - | 72,256 | - | - | - | - | 72,256 |
| | | | | | | | **4,820,314** | | | | **54,451,210** | **59,271,524** |

**Note 22 – Other current and non-current financial liabilities (continued)**

g) Finance leases as of December 31, 2019, are detailed as follows:

g.1) Book values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96,915,330-0 | ITI SA | Chile | Banco Santander | USD | Monthly | 2.86% | 2.86% | 703,815 | 350,410 | 353,405 | - | - | - | - | - | - | 703,815 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 3.74% | 3.74% | 30,698 | 30,698 | - | - | - | - | - | - | - | 30,698 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 4.86% | 4.75% | 11,231 | 1,497 | 9,734 | - | - | - | - | - | - | 11,231 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 5.65% | 5.50% | 329,446 | 83,859 | 245,587 | 618,459 | 357,898 | 247,084 | 13,477 | - | - | 947,905 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 749 | 749 | - | - | - | - | - | - | - | 749 |
| Foreign | SAAM Towage Panama Inc. | Panama | Bac International Bank | USD | Monthly | 5.65% | 5.50% | 12,729 | 2,995 | 9,734 | 62,146 | 14,226 | 14,975 | 21,713 | 11,232 | - | 74,875 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 7.44% | 7.44% | 55,316 | 13,468 | 41,848 | 107,074 | 53,537 | 53,537 | - | - | - | 162,390 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 6.90% | 6.90% | 54,332 | 14,092 | 40,240 | 160,261 | 80,131 | 80,130 | - | - | - | 214,593 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 323,729 | 82,347 | 241,382 | 277,038 | 138,519 | 138,519 | - | - | - | 600,767 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 89,759 | 21,815 | 67,944 | 96,719 | 48,360 | 48,359 | - | - | - | 186,478 |
| | | | | | | | | **1,611,804** | | | **1,321,697** | | | | | | **2,933,501** |

g.2) Undiscounted values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96,915,330-0 | ITI SA | Chile | Banco Santander | USD | Monthly | 2.86% | 2.86% | 709,806 | 354,903 | 354,903 | - | - | - | - | - | - | 709,806 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 3.74% | 3.74% | 123,542 | 123,542 | - | - | - | - | - | - | - | 123,542 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 4.86% | 4.75% | 14,974 | 1,497 | 13,477 | 170,713 | 170,713 | - | - | - | - | 185,687 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 5.65% | 5.50% | 379,611 | 83,859 | 295,752 | 649,157 | 379,611 | 269,546 | - | - | - | 1,028,768 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 749 | 749 | - | 749 | 749 | - | - | - | - | 1,498 |
| Foreign | SAAM Towage Panama Inc. | Panama | Bac International Bank | USD | Monthly | 5.65% | 5.50% | 12,729 | 2,995 | 9,734 | 62,146 | 14,226 | 16,472 | 16,472 | 14,976 | - | 74,875 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 7.44% | 7.44% | 64,745 | 16,186 | 48,559 | 129,490 | 64,745 | 64,745 | - | - | - | 194,235 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 6.90% | 6.90% | 69,499 | 17,375 | 52,124 | 185,330 | 92,665 | 92,665 | - | - | - | 254,829 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 369,648 | 92,412 | 277,236 | 369,648 | 184,824 | 184,824 | - | - | - | 739,296 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 99,756 | 24,939 | 74,817 | 124,695 | 62,348 | 62,347 | - | - | - | 224,451 |
| | | | | | | | | **1,845,059** | | | **1,691,928** | | | | | | **3,536,987** |

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

**Note 22 – Other current and non-current financial liabilities (continued)**

h) Finance leases as of December 31, 2018, are detailed as follows:

h.1) Book values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96.915.330-0 | ITI SA | Chile | Banco Santander | USD | Monthly | 2.86% | 2.86% | 1,279,071 | 316,120 | 962,951 | 653,084 | 653,084 | - | - | - | - | 1,932,155 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 3.74% | 3.74% | 168,134 | 41,686 | 126,448 | 29,180 | 29,180 | - | - | - | - | 197,314 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 4.86% | 4.75% | 4,864 | 1,390 | 3,474 | 10,422 | 10,422 | - | - | - | - | 15,286 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 6,253 | 1,390 | 4,863 | - | - | - | - | - | - | 6,253 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 9,726 | 2,084 | 7,642 | - | - | - | - | - | - | 9,726 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 5,559 | 1,389 | 4,170 | 696 | 696 | - | - | - | - | 6,255 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 7.44% | 7.44% | 50,119 | 12,238 | 37,881 | 158,121 | 79,061 | 79,060 | - | - | - | 208,240 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 6.90% | 6.90% | 52,659 | 12,931 | 39,728 | 208,809 | 90,333 | 90,333 | 28,143 | - | - | 261,468 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 230,106 | 57,800 | 172,306 | 675,713 | 337,857 | 337,856 | - | - | - | 905,819 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 63,511 | 15,313 | 48,198 | 203,431 | 101,716 | 101,715 | - | - | - | 266,942 |
| | | | | | | | | **1,870,002** | | | **1,939,456** | | | | | | **3,809,458** |

h.2) Undiscounted values

| Debtor ID number | Debtor Name | Debtor Country | Creditor Name | Currency | Repayment | Effective Rate | Nominal Rate | Current debt ThCh$ | Up to 3 months ThCh$ | 3 to 12 months ThCh$ | Non-current debt ThCh$ | 1 to 2 years ThCh$ | 2 to 3 years ThCh$ | 3 to 4 years ThCh$ | 4 to 5 years ThCh$ | Over 5 years ThCh$ | Total debt ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 96.915.330-0 | ITI SA | Chile | Banco Santander | USD | Monthly | 2.86% | 2.86% | 1,317,284 | 658,642 | 658,642 | 658,642 | 658,642 | - | - | - | - | 1,975,926 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 3.74% | 3.74% | 172,303 | 43,076 | 129,227 | 158,408 | 158,408 | - | - | - | - | 330,711 |
| Foreign | FIT LLC | USA | Wells Fargo Equipment Finance, Inc. | USD | Monthly | 4.86% | 4.75% | 4,864 | 1,390 | 3,474 | 10,422 | 10,422 | - | - | - | - | 15,286 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 6,948 | 3,474 | 3,474 | - | - | - | - | - | - | 6,948 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 9,726 | 4,863 | 4,863 | - | - | - | - | - | - | 9,726 |
| Foreign | Kios S.A. | Uruguay | Banco Santander Uruguay | USD | Monthly | 5.65% | 5.50% | 5,558 | 2,779 | 2,779 | 695 | 695 | - | - | - | - | 6,253 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 7.44% | 7.44% | 63,631 | 15,908 | 47,723 | 174,984 | 87,492 | 87,492 | - | - | - | 238,615 |
| 92.011.000-2 | Enex S.A. | Chile | Metlife Chile | CLF | Monthly | 6.90% | 6.90% | 68,303 | 17,076 | 51,227 | 233,367 | 102,454 | 102,454 | 28,459 | - | - | 301,670 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 363,286 | 90,822 | 272,464 | 735,751 | 367,876 | 367,875 | - | - | - | 1,099,037 |
| 92.011.000-2 | Enex S.A. | Chile | Factoring Security | CLF | Monthly | 7.50% | 7.50% | 98,039 | 24,510 | 73,529 | 226,079 | 113,040 | 113,039 | - | - | - | 324,118 |
| | | | | | | | | **2,109,942** | | | **2,198,348** | | | | | | **4,308,290** |

**Note 22 – Other current and non-current financial liabilities (continued)**

i) Hedge liabilities as of December 31, 2019 and 2018, are detailed as follows:

| Hedge description | Company | Hedged risk | Current | | Non-current | | Fair values | |
|---|---|---|---|---|---|---|---|---|
| | | | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
| Swap | CSAV S.A. | Changes in fuel prices | - | 525,246 | - | - | - | 525,246 |
| Swap | Invexans S.A. | Interest rate | - | - | 16,958 | - | 16,958 | - |
| Swap | SM SAAM S.A. | Exchange rate | 153,492 | - | 1,194,240 | - | 1,347,732 | - |
| Forward | Quiñenco S.A. | Exchange rate | 227,892 | - | - | - | 227,892 | - |
| | | TOTAL | **381,384** | **525,246** | **1,211,198** | **-** | **1,592,582** | **525,246** |

**Note 22 – Other current and non-current financial liabilities (continued)**

j) Service Concession Agreements

The subsidiary SM SAAM has the following Service Concession Agreements.

**Iquique Terminal Internacional S.A. (Chile)**

Empresa Portuaria Iquique (EPI) through the "Concession Contract for Wharf 2 at the Port of Iquique", dated May 3, 2000, granted the indirect subsidiary Iquique Terminal Internacional S.A. (ITI) an exclusive concession to develop, maintain and operate the wharf, including the right to collect from wharf users basic rates for basic services, and special rates for special services.

The original term of the contract was 20 years from the date the wharf was provided on July 1, 2000. The Company extended the term for an additional 10 years, in order to carry out the infrastructure projects stipulated in the concession contract. The wharf and all the assets described in the concession contract, which are required or useful to continually operate the wharf or provide services, shall be immediately transferred to EPI when the concession terminates, in good working order and free of encumbrances.

**Terminal Marítima Mazatlán S.A. de C.V (Mexico)**

Administración Portuaria Integral (API) in Mazatlán through the "Partial Rights Assignment Contract" dated April 16, 2012, granted the indirect subsidiary Terminal Marítimo Mazatlan S.A. de C.V. (the concessionaire) the exclusive right to operate, use and development an area of water and land in the port of Mazatlan de Sinaloa, to construct works and provide port services.

The concession contract is for 20 years, and can be extended to July 26, 2044.

When the concession terminates, the area and all works and improvements permanently attached to it by the concessionaire to operate the area will be transferred to API free of charge and free of encumbrances. The concessionaire will execute, at its own expense, any required repairs when the concession terminates, or if it fails to do so, it will compensate API for any damage to the area or the described assets as a result of improper handling or inadequate maintenance.

**Florida International Terminal (FIT), LLC (USA)**

On April 18, 2005, the indirect subsidiary Florida International Terminal (FIT) was awarded the container terminal operating concession at Port Everglades Florida USA, for an initial period of 10 years, renewable for 2 periods of 5 years each. As from July 1, 2015, FIT renegotiated the contract and lengthened it by 10 years, with the option to extend it for 2 periods of 5 years each. The terminal covers 15 hectares and has the capacity to move 170,000 containers per year through its yards. FIT customers will have docking priority at a specialized wharf with guaranteed use of reach stackers for container loading and unloading.

**Saam Remolques S.A. de C.V. (Mexico)**

Administración Portuaria Integral of Lázaro Cárdenas, Veracruz, Tampico, Altamira and Tuxpan has signed contracts to partially assign rights and obligations to the indirect subsidiary Saam Remolques S.A. de C.V., to provide port and offshore towage services in the ports, free of all encumbrances and without any limitations.

On February 14, November 1 and December 26, 2015, the company renewed the concessions in the ports of Lázaro Cárdenas, Veracruz and Tuxpan, for 8, 10 and 8 years, respectively, which may be extended for an additional 8 years each. On January 16, 2016 and May 21, 2016, the concessions in the ports of Altamira and Tampico were renewed for 8 years, both extendable for an additional 8 years each.

**Note 22 – Other current and non-current financial liabilities (continued)**

j) Service Concession Agreements (continued)

**Concesionaria SAAM Costa Rica S.A. (Costa Rica)**

On August 11, 2006 the indirect subsidiary, Concesionaria SAAM Costa Rica S.A. was awarded the International Public Tender 03- 2001, the "Public Towage Service Management Concession for the Pacific Coast" by the Instituto Costarricense de Puertos del Pacifico. The contract was countersigned by the Comptroller General of the Republic in Ruling 10711, which allowed it to begin operations on December 12, 2006. The concession term is 20 years, which can be extended for an additional 5 years.

**Inarpi S.A. (Ecuador)**

On September 25, 2003, the indirect subsidiary Inarpi S.A. signed a contract for "Commercialization, operation and management services of the Multipurpose Terminal" with Fertilizantes Granulados Fertigran S.A., which granted the company the exclusive right to commercialize, operate and manage the Multipurpose Terminal in the port of Guayaquil, Ecuador.

The contract term is 40 years, and it was extended by an additional 10 years during 2016. When the concession terminates all the investments and improvements agreed with Fertilizantes Granulados Fertilizantes S.A. will be incorporated into the Multipurpose Terminal.

**Sociedad Portuaria Granelera de Caldera (Costa Rica)**

On February 8, 2017, SM SAAM acquired 51% of the shares of Compañía Portuaria Granelera de Caldera S.A., hereinafter SPGC. Its main activities include providing bulk cargo loading and unloading services, as well as the design, planning, financing, construction, maintenance and operation of the new Bulk Terminal at Puerto Caldera, under the public works concession with public services regime, as established in the "Public Works Concession Contract with Public Services for the Construction and Operation of the Bulk Terminal at Puerto Caldera", signed on April 19, 2006, with the Instituto Costarricense de Puertos del Pacífico (INCOP).

The contract term is 20 years, and expires on August 11, 2026, with the option to extend the concession for up to 30 additional years. When the concession terminates, all the infrastructure works and all the rights to the acquired assets must be delivered to INCOP free of encumbrances.

**Sociedad Portuaria de Caldera S.A. (Costa Rica)**

On February 8, 2017, SM SAAM acquired 51% of the shares of Compañía Sociedad Portuaria de Caldera S.A., (hereinafter SPC or the Company). Its main activities include providing services related to commercial calls by any vessel requesting berths at berth one, two and three at the Port of Caldera in Costa Rica, as well as services in relation to general cargo, containers, vehicles, cargo extraction and on chassis, and in the port facilities, such as, loading and unloading, mooring, unmooring, docking, wharfage, stowage, unstowage, transfer and storage of cargo, as well as attending vessels and ships, under the public service management concession regime, as established in the "Puerto Caldera Terminal Public Service Management Concession Contract", signed on March 30, 2006 with the Instituto Costarricense de Puertos del Pacífico (INCOP).

The contract term is 20 years, and expires on August 11, 2026, with the option to extend the concession for up to 5 additional years. When the concession terminates, all the infrastructure works and all the rights to the acquired assets must be delivered to INCOP free of encumbrances.

## Note 23 – Trade and other payables

As of December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Trade payables | 206,140,806 | 199,860,753 |
| Other payables | 11,458,102 | 9,213,623 |
| **Total** | **217,598,908** | **209,074,376** |

Current trade payables not yet due and past due as of December 31, 2019 are detailed as follows:

**Trade payables not yet due**

| | Amounts due by payment terms | | | | | | Total |
|---|---|---|---|---|---|---|---|
| **Supplier** | **Up to 30 days ThCh$** | **31- 60 days ThCh$** | **61- 90 days ThCh$** | **91- 120 days ThCh$** | **121- 365 days ThCh$** | **Over 365 days ThCh$** | **12/31/2019 ThCh$** |
| Products | 143,695,489 | 153,492 | 31,447 | - | - | - | 143,880,428 |
| Services | 56,824,075 | 1,948,970 | 447,746 | 808,639 | 273,894 | 41,181 | 60,344,505 |
| Others | 4,619,160 | - | - | - | - | 5,135,607 | 9,754,767 |
| **Total** | **205,138,724** | **2,102,462** | **479,193** | **808,639** | **273,894** | **5,176,788** | **213,979,700** |

**Trade payables past due**

| | Amount past due by range in days | | | | | | Total |
|---|---|---|---|---|---|---|---|
| **Supplier** | **Up to 30 days ThCh$** | **31- 60 days ThCh$** | **61- 90 days ThCh$** | **91- 120 days ThCh$** | **121- 180 days ThCh$** | **Over 181 days ThCh$** | **12/31/2019 ThCh$** |
| Products | - | - | - | - | - | - | - |
| Services | 1,404,425 | 814,814 | 600,243 | 300,871 | 336,146 | 140,016 | 3,596,515 |
| Others | 14,189 | 744 | 97 | 15 | 2,536 | 5,112 | 22,693 |
| **Total** | **1,418,614** | **815,558** | **600,340** | **300,886** | **338,682** | **145,128** | **3,619,208** |

Current trade payables not yet due and past due as of December 31, 2018, are detailed as follows:

**Trade payables not yet due**

| | Amounts due by payment terms | | | | | | Total |
|---|---|---|---|---|---|---|---|
| **Supplier** | **Up to 30 days ThCh$** | **31- 60 days ThCh$** | **61- 90 days ThCh$** | **91- 120 days ThCh$** | **121- 365 days ThCh$** | **Over 365 days ThCh$** | **12/31/2018 ThCh$** |
| Products | 113,754,800 | 223,021 | 70,172 | 8,337 | - | - | 114,056,330 |
| Services | 61,861,308 | 6,113,281 | 553,731 | 1,445,722 | - | 25,012 | 69,999,054 |
| Others | 19,473,126 | - | - | - | - | 2,340,681 | 21,813,807 |
| **Total** | **195,089,234** | **6,336,302** | **623,903** | **1,454,059** | **-** | **2,365,693** | **205,869,191** |

**Trade payables past due**

| | Amount past due by range in days | | | | | | Total |
|---|---|---|---|---|---|---|---|
| **Supplier** | **Up to 30 days ThCh$** | **31- 60 days ThCh$** | **61- 90 days ThCh$** | **91- 120 days ThCh$** | **121- 180 days ThCh$** | **Over 181 days ThCh$** | **12/31/2018 ThCh$** |
| Products | - | - | - | - | - | - | - |
| Services | 771,484 | 277,657 | 123,088 | 132,899 | 172,278 | 971,581 | 2,448,987 |
| Others | 558,970 | 26,025 | 26,275 | 19,260 | 110,791 | 14,877 | 756,198 |
| **Total** | **1,330,454** | **303,682** | **149,363** | **152,159** | **283,069** | **986,458** | **3,205,185** |

As of December 31, 2019 and 2018, there are no confirming transactions.

Amounts past due payable to suppliers are invoices with documentary reconciliation differences, suppliers that have not collected their respective cashier's checks, and other reasons. There are also open positions, as payments are made through agencies. The subsidiary ENEX has withholdings on contracts with construction companies, which will not be paid until the construction requirements are fulfilled.

## Note 24 – Other provisions

### a) Composition

As of December 31, 2019 and 2018, these are detailed as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
| Restructuring expenses | - | - | 2,806,469 | 3,035,616 |
| Profit sharing and bonuses | 1,651,256 | 1,377,164 | - | - |
| Legal claims | 1,078,186 | 1,244,029 | 9,231,964 | 8,930,573 |
| Onerous contracts | 3,386,147 | 32,654 | - | - |
| Other provisions (1) (2) | 6,564,133 | 20,055,937 | 21,653,807 | 25,661,016 |
| **Total** | **12,679,722** | **22,709,784** | **33,692,240** | **37,627,205** |

### b) Other provisions

(1) Other current provisions as of December 31, 2019 and 2018, are detailed as follows:

| | Current | |
|---|---|---|
| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
| Contingencies | 380,888 | 15,372,941 |
| Service station maintenance and operational services | 1,132,129 | 1,288,914 |
| Brand agreements | 2,769,896 | 2,710,451 |
| Commissions and insurance | 81,652 | 133,425 |
| Fees and consultancies | 1,386,384 | 180,633 |
| General, audit, annual report and other expenses | 120,060 | 85,699 |
| Municipal taxes | 10,584 | - |
| Others | 682,540 | 283,874 |
| **Total** | **6,564,133** | **20,055,937** |

(2) Details of other non-current provisions as of December 31, 2019 and 2018, are detailed as follows:

| | Non-current | |
|---|---|---|
| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
| Contingencies | 9,872,592 | 9,282,143 |
| Tank removal | 11,781,215 | 10,817,806 |
| Claims incurred but not reported (Insurance companies) | - | 5,561,067 |
| **Total** | **21,653,807** | **25,661,016** |

## Note 24 – Other provisions (continued)

### c) Movements

Movements in other provisions for the year ended December 31, 2019, are detailed as follows:

| Movements | Restructuring ThCh$ | Legal claims ThCh$ | Onerous contracts ThCh$ | Other provisions ThCh$ | Total ThCh$ |
|---|---|---|---|---|---|
| Opening balance as of 01/01/2019 | 3,035,616 | 10,174,602 | 32,654 | 47,094,117 | 60,336,989 |
| Additional provisions | - | - | - | 37,461,235 | 37,461,235 |
| Increase (decrease) in provisions | (462) | 96,587 | 3,566,997 | (10,158,980) | (6,495,858) |
| Acquisitions through business combinations | - | 272,990 | - | - | 272,990 |
| Disposals through sales of businesses | - | - | - | (6,894,244) | (6,894,244) |
| Provision used | (231,486) | (1,059,467) | (216,041) | (39,133,416) | (40,640,410) |
| Reversal of unused provision | - | - | - | 11,471 | 11,471 |
| Increase (decrease) in currency translation | 2,801 | 825,438 | 2,537 | 427,382 | 1,258,158 |
| Other increases (decreases) | - | - | - | 1,061,631 | 1,061,631 |
| Changes in provisions | (229,147) | 135,548 | 3,353,493 | (17,224,921) | (13,965,027) |
| Closing balance as of 12/31/2019 | **2,806,469** | **10,310,150** | **3,386,147** | **29,869,196** | **46,371,962** |

Movements in other provisions for the year ended December 31, 2018, are detailed as follows:

| Movements | Restructuring ThCh$ | Legal claims ThCh$ | Onerous contracts ThCh$ | Other provisions ThCh$ | Total ThCh$ |
|---|---|---|---|---|---|
| Opening balance as of 01/01/2018 | 2,741,292 | 16,202,351 | 856,962 | 45,324,298 | 65,124,903 |
| Additional provisions | 55,582 | 248,152 | - | 37,458,924 | 37,762,658 |
| Increase (decrease) in provisions | 314,983 | 1,035,902 | 32,654 | 4,120,455 | 5,503,994 |
| Provision used | (76,241) | (9,360,839) | (968,509) | (39,523,198) | (49,928,787) |
| Provisions reversed | - | - | - | (312,405) | (312,405) |
| Increase (decrease) in currency translation | - | 2,049,036 | 111,547 | (131,633) | 2,028,950 |
| Other increases (decreases) | - | - | - | 157,676 | 157,676 |
| Changes in provisions | 294,324 | (6,027,749) | (824,308) | 1,769,819 | (4,787,914) |
| Closing balance as of 12/31/2018 | **3,035,616** | **10,174,602** | **32,654** | **47,094,117** | **60,336,989** |

**Note 24 – Other provisions (continued)**

**d) Description of main provisions**

Legal claims: Provisions for legal claims are mainly estimates of disbursements for legal claims associated with cargo transported and for lawsuits and other legal proceedings, to which the Company is exposed. These include those referring to the investigations by antitrust authorities into the car carrier business.

Profit sharing and bonuses: Provisions for profit sharing and bonuses relate to estimates of the Parent company and some of its subsidiaries of profit sharing and bonuses for performance.

Restructuring expenses: Provisions for restructuring expenses contemplate future expenses to be incurred through reductions in personnel as a result of unification of functions in several companies, and reorganizations.

Onerous contracts: This refers to the estimate of those services (voyages in progress) on which there is a reasonable estimate that the revenue obtained will not cover the costs incurred during the voyage, so it is expected that the voyages will close with operating losses. It is expected that these will be used in the current period considering the business cycle of the subsidiary CSAV S.A. Nevertheless, new provisions may be established in subsequent years.

Other provisions: Amounts have been recognized as Other provisions with respect to concepts of contingencies, fees and consultancies received, which as of the closing date are pending payment. These include general, annual report and external audit expenses contracted but not yet paid.

**Note 25 – Provisions for employee benefits**

**a) Composition**

As of December 31, 2019 and 2018, these were detailed as follows:

| | **Current** | | **Non-current** | |
|---|---|---|---|---|
| | **12/31/2019 ThCh$** | **12/31/2018 ThCh$** | **12/31/2019 ThCh$** | **12/31/2018 ThCh$** |
| Personnel vacations | 8,454,888 | 6,371,693 | - | - |
| Remuneration | 13,872,688 | 12,110,985 | - | - |
| Termination benefits and retirement fund | 939,669 | 317,510 | 21,019,227 | 18,850,819 |
| Other benefits | 1,036,256 | 990,047 | 11,892 | 7,759 |
| **Total** | **24,303,501** | **19,790,235** | **21,031,119** | **18,858,578** |

**Note 25 – Provisions for employee benefits (continued)**

**b) Termination benefits**

As of December 31, 2019 and 2018, the subsidiaries Enex and SM SAAM have collective agreements with their personnel, which establish remuneration and/or short and long-term benefits whose main characteristics are as follows:

i. Short-term benefits are generally based on mixed plans or agreements intended to compensate employees, such as covering the risks of employee disability and death.
ii. Long-term benefits are plans or agreements mainly for covering post-employment benefits at the end of the labor relationship.

The cost of these benefits is charged to income in Personnel expenses. The liability recorded under post-employment benefit plans is derived from employee benefit obligations and is valued using the actuarial method using actuarial assumptions such as personnel turnover and expected retirement age. The actuarial assumptions used by the subsidiaries Enex and SM SAAM as of December 31, 2019 and 2018, are detailed as follows.

**b.1) Enex**

The Company has negotiated collective agreements with its employees that establish short-term and long-term employee benefits, and the main features are as follows:

i) Short-term benefits are generally based on mixed plans or agreements intended to compensate employees, such as covering the risks of employee disability and death.
ii) Long-term benefits are plans or agreements intended to cover post-employment benefits that arise when the employment relationship terminates.

The cost of these benefits is charged to income under "Personnel expenses."

The liability recorded under post-employment benefit plans is derived from employee benefit obligations and is valued using the actuarial method, where the following actuarial assumptions were used as of December 31, 2019 and 2018:

| **Provision for Termination Benefits** | **12/31/2019** | **12/31/2018** |
|---|---|---|
| Mortality table | M95H-M95M | M95H-M95M |
| Annual interest rate | 3.14% | 4.21% |
| Voluntary employee turnover rate | Turnover statistics for the last few years | Turnover statistics for the last few years |
| Involuntary employee turnover rate (business need) | Turnover statistics for the last few years | Turnover statistics for the last few years |
| Salary increase | 2.00% | 2.00% |
| Retirement age | | |
| Men | 65 | 65 |
| Women | 60 | 60 |

| **Provision for Post-Employment Benefits** | **12/31/2019** | **12/31/2018** |
|---|---|---|
| Mortality table | RV-2014 | RV-2014 |
| Annual interest rate | 0.84% | 1.93% |

**Note 25 – Provisions for employee benefits (continued)**

**b.1) Enex (continued)**

**Sensitivity analysis of actuarial variables**

The method used to quantify the effect on the provisions for termination and post-employment benefits includes an increase and decrease of 10% in the actuarial variables used to calculate these provisions.

The actuarial variables used by Empresa Nacional de Energía Enex S.A. and its subsidiaries, to measure this liability and for the sensitivity analysis are detailed as follows:

**December 31, 2019**

**Provision for Termination Benefits**

| Actuarial assumptions | -10% | Actual | +10% |
|---|---|---|---|
| Mortality table | 36% | M95H-M95M at 40% | 44% |
| Annual interest rate (in pesos) | 2.86% | 3.14% | 3.45% |
| Leaving rate (annual) by Art. 159 | 4.50% | 5% | 5.50% |
| Leaving rate (annual) by Art. 161 | 7.20% | 8% | 8.80% |
| Salary increment (in pesos) | 1.80% | 2% | 2.20% |
| Average annual future inflation | 2.70% | 3% | 3.30% |

| Effect of the change in actuarial variables | -10% | +10% |
|---|---|---|
| Book value as of 12.31.2019 | 4,737,011 | 4,737,011 |
| Actuarial change | (36,581) | 32,215 |
| **Book value after the actuarial change** | **4,700,430** | **4,769,226** |

**Provision for Post-Employment Benefits:**

| Actuarial assumptions | +10% | Actual | -10% |
|---|---|---|---|
| Mortality table | 90% | Tables at 100% CB-2014, RV-2014-M B-2014-M | 110% |
| Annual interest rate (in pesos) | 0.76% | 0.84% | 0.92% |

| Effect of the change in actuarial variables | -10% | +10% |
|---|---|---|
| Book value as of 12.31.2019 | 8,523,023 | 8,523,023 |
| Actuarial change | 505,825 | (442,633) |
| **Book value after the actuarial change** | **9,028,848** | **8,080,390** |

**Note 25 – Provisions for employee benefits (continued)**

**b.1) Enex (continued)**

**December 31, 2018**

**Provision for Termination Benefits**

| **Actuarial assumptions** | **-10%** | **Actual** | **+10%** |
|---|---|---|---|
| Mortality table | 36% | M95H-M95M at 40% | 44% |
| Annual interest rate (in pesos) | 3.79% | 4.59% | 4.63% |
| Leaving rate (annual) by Art. 159 | 4.50% | 5% | 5.50% |
| Leaving rate (annual) by Art. 161 | 7.20% | 8% | 8.80% |
| Salary increment (in pesos) | 1.80% | 2% | 2.20% |
| Average annual future inflation | 2.70% | 3% | 3.30% |

| **Effect of the change in actuarial variables** | **-10%** | **+10%** |
|---|---|---|
| Book value as of 12.31.2018 | 4,383,418 | 4,383,418 |
| Actuarial change | (19,925) | 17,565 |
| **Book value after the actuarial change** | **4,363,493** | **4,400,983** |

**Provision for Post-Employment Benefits:**

| **Actuarial assumptions** | **+10%** | **Actual** | **-10%** |
|---|---|---|---|
| Mortality table | 90% | Tables at 100% CB-2014, RV-2014-M B-2014-M | 110% |
| Annual interest rate (in pesos) | 1.74% | 1.93% | 2.12% |

| **Effect of the change in actuarial variables** | **-10%** | **+10%** |
|---|---|---|
| Book value as of 12.31.2018 | 8,446,524 | 8,446,524 |
| Actuarial change | 542,244 | (473,373) |
| **Book value after the actuarial change** | **8,988,768** | **7,973,151** |

**b.2) SM SAAM**

The defined obligation is for termination benefits that will be paid to all employees under the collective agreements between the company and its employees. The obligations that Iquique Terminal Internacional S.A. recognizes for the legal indemnity that it will have to pay to all of its employees at the end of the concession, as well as the obligation of the Mexican subsidiaries where workers are legally entitled to such indemnity, have also been included.

The actuarial valuation is based on the following parameters and percentages:
i) Discount rate between 1.23% and 1.9%
ii) Salary increase rate between 1.1% and 1.69%
iii) Average group employee turnover between 0.2% and 3% for voluntary terminations, and between 0.8% and 9.2% for dismissals.
iv) Mortality table RV-2014.

**Note 25 – Provisions for employee benefits (continued)**

**b.2) SM SAAM (continued)**

**Sensitivity analysis of actuarial variables**

The method used to quantify the effect on the provisions for termination benefits includes an increase and decrease of 10% in the actuarial variables used to calculate these provisions.

The actuarial variables used by SM SAAM to measure this liability and for the sensitivity analysis are detailed as follows:

| Actuarial assumptions | +10% | Actual | -10% |
|---|---|---|---|
| Discount rate | 1.63% | 1.48% | 1.33% |
| Salary increment | 1.58% | 1.44% | 1.29% |
| Employee turnover due to resignation (*) | 0.22% - 3.30% | 0.20% - 3.00% | 0.18% - 2.70% |
| Employee turnover due to business need (*) | 0.88% - 10.12% | 0.80% - 9.20% | 0.72% - 8.28% |

(*) Employee turnover includes the variables applied to each company

The results of the analysis using these variables are detailed as follows:

| Effect of +10% change in actuarial variables | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Book value | 8,698,862 | 6,338,387 |
| Actuarial change | (88,351) | (63,224) |
| Book value after the actuarial change | **8,610,511** | **6,275,163** |

| Effect of -10% change in actuarial variables | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Book value | 8,698,862 | 6,338,387 |
| Actuarial change | 91,346 | 70,172 |
| Book value after the actuarial change | **8,790,208** | **6,408,559** |

**c) Reconciliation of present value obligation defined benefit plan**

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| **Present value of defined benefit plan obligation, opening balance** | **19,168,329** | **20,115,504** |
| Current service costs for defined benefit plan obligation | 1,518,915 | 1,315,395 |
| Interest costs for defined benefit plan obligation | 694,455 | 792,391 |
| Actuarial gains on defined benefit plan obligation | 755,430 | (114,789) |
| Increase (decrease) in foreign currency translation | 2,110,763 | 179,409 |
| Contributions paid for defined benefit plan obligation | (2,288,996) | (3,119,581) |
| **Present value of defined benefit plan obligation, closing balance** | **21,958,896** | **19,168,329** |

**Note 25 – Provisions for employee benefits (continued)**

**d) Presentation in the statement of financial position**

| Post-employment benefits | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Termination benefit liabilities, current | 939,669 | 317,510 |
| Termination benefit liabilities, non-current | 21,019,227 | 18,850,819 |
| **Total termination benefit liabilities** | **21,958,896** | **19,168,329** |

**Note 26 – Other non-financial liabilities, current**

As of December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Dividends payable to Quiñenco shareholders | 63,099,289 | 54,219,865 |
| Dividends payable to minority shareholders of subsidiaries | 6,768,752 | 5,425,391 |
| Sales advances and revenue in process | 4,881,744 | 4,967,143 |
| Others | 2,246,753 | 2,037,366 |
| **Total** | **76,996,538** | **66,649,765** |

**Note 27 – Other non-financial liabilities, non-current**

As of December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019 ThCh$ | 12/31/2018 ThCh$ |
|---|---|---|
| Unexpired risk reserve | - | 40,092,963 |
| Retirement insurance reserves | - | 9,423 |
| Mathematical reserve | - | 39,122,006 |
| Fund value reserve | - | 526,782 |
| Others | 45,411 | 115,236 |
| **Total** | **45,411** | **79,866,410** |

The changes in reserves relate to the sale of Banchile Seguros de Vida and Segchile Seguros Generales.

**Note 28 - Classes of financial assets and liabilities**

Financial assets as of December 31, 2019 and 2018, are detailed as follows:

| | | Current | | Non-Current | | Fair value | |
|---|---|---|---|---|---|---|---|
| | | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| **Description of financial asset** | **Category and valuation of financial asset** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| **Cash and cash equivalents** | **Financial asset at fair value** | **551,692,639** | **295,396,896** | **-** | **-** | **551,692,639** | **295,396,896** |
| Equity instruments (investments in shares) | Financial asset at fair value (market value) held for sale | - | - | 40,485,538 | 38,864,484 | 40,485,538 | 38,864,484 |
| Financial investments more than 90 days for current assets and more than one year for non-current assets | Financial asset at fair value | 38,662,396 | 236,536,905 | 1,673,835 | 112,161,350 | 40,336,231 | 348,698,255 |
| Foreign exchange hedges | Fair value hedge instrument | 8,570,534 | 7,642 | 262,059 | 2,105,153 | 8,832,593 | 2,112,795 |
| **Other current and non-current financial assets** | | **47,232,930** | **236,544,547** | **42,421,432** | **153,130,987** | **89,654,362** | **389,675,534** |
| **Trade and other receivables** | **Financial asset at amortized cost** | **208,040,780** | **222,385,740** | **10,852,238** | **10,999,599** | **218,893,018** | **233,385,339** |
| **Related party receivables** | **Financial asset at amortized cost** | **28,346,212** | **28,197,643** | **-** | **-** | **28,346,212** | **28,197,643** |
| **Total financial assets** | | **835,312,561** | **782,524,826** | **53,273,670** | **164,130,586** | **888,586,231** | **946,655,412** |

**Note 28 - Classes of financial assets and liabilities (continued)**

Financial liabilities as of December 31, 2019 and 2018, are detailed as follows:

| | | Current | | Non-Current | | Fair value | |
|---|---|---|---|---|---|---|---|
| | | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| **Description of financial liability** | **Category and valuation of financial liability** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| Bank loans, bonds payable and other loans | Financial liabilities at amortized cost | 136,192,004 | 90,684,177 | 1,723,062,890 | 1,456,681,288 | 2,118,405,030 | 1,666,416,029 |
| Finance lease obligations | Non-financial liabilities | 1,611,804 | 1,870,002 | 1,321,697 | 1,939,456 | 2,933,501 | 3,809,458 |
| Foreign exchange hedges | Fair value hedge instrument | 381,384 | 525,246 | 1,211,198 | - | 1,592,582 | 525,246 |
| **Other current & non-current financial liabilities** | | **138,185,192** | **93,079,425** | **1,725,595,785** | **1,458,620,744** | **2,122,931,113** | **1,670,750,733** |
| **Trade payables, social security withholdings, taxes and other payables** | **Non-financial liabilities at amortized cost** | **217,598,908** | **209,074,376** | **-** | **-** | **217,598,908** | **209,074,376** |
| **Lease liabilities** | **Non-financial liabilities at amortized cost** | **26,938,817** | **-** | **211,349,479** | **-** | **238,288,296** | **-** |
| **Related entity payables** | **Financial liability at amortized cost** | **2,301,475** | **592,412** | **-** | **-** | **2,301,475** | **592,412** |
| **Total financial liabilities** | | **385,024,392** | **302,746,213** | **1,936,945,264** | **1,458,620,744** | **2,581,119,792** | **1,880,417,521** |

## Note 29 - Equity

### a) Capital and number of shares

The capital of the Company as of December 31, 2019, is detailed as follows:

**Number of shares**

| Series | Number of shares subscribed | Number of shares paid | Number of shares with voting rights |
|---|---|---|---|
| Single | 1,662,759,593 | 1,662,759,593 | 1,662,759,593 |

**Share capital**

| | Share capital subscribed ThCh$ | Share capital paid ThCh$ |
|---|---|---|
| Issued capital | 1,223,669,810 | 1,223,669,810 |
| Share premium | 31,538,354 | 31,538,354 |
| | **1,255,208,164** | **1,255,208,164** |

### b) Controlling shareholders

Of the issued and paid shares of Quiñenco S.A., 82.9% are held by the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas Ltda., Inversiones Salta SpA., Inversiones Alaska Ltda., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly controls 100% of Andsberg Inversiones Ltda., 100% of Ruana Copper A. G. Agencia Chile and 99.76% of Inversiones Orengo S.A.

Andrónico Luksic Craig and family control all the shares of Inversiones Consolidadas Ltda. and Inversiones Alaska Ltda. Andrónico Luksic Craig's family holds 100% of Inversiones Salta SpA. Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. are indirectly controlled by the Emian Foundation, in which the heirs of Guillermo Luksic Craig† have interests. There is no shareholder agreement between the controllers of the Company.

### c) Dividend policy

Article 79 of Chile's Corporations Law establishes that, except if unanimously agreed otherwise by shareholders of all issued shares, listed corporations should distribute a cash dividend to its shareholders on a yearly basis, prorated based on their shares or the proportion established in the company's by-laws if there are preferred shares, of at least 30% of net income for each period, except when accumulated losses from prior years must be absorbed.

The following dividends have been distributed between January 1, 2018 and December 31, 2019.

| Dividend No. | Dividend | Date agreed | Date paid | Dividend per share Ch$ |
|---|---|---|---|---|
| 41 and 42 | Final | 04/27/2018 | 05/09/2018 | 32.6986 |
| 43 and 44 | Final | 04/29/2019 | 05/09/2019 | 43.4051 |

The Parent company's policy for determining distributable net income in order to calculate the dividends to be distributed, is to consider the total net income (loss) attributable to shareholders of the controller.

**Note 29 - Equity (continued)**

**d) Other reserves**

Other reserves as of December 31, 2019, are detailed as follows:

| **Reserves** | **12/31/2019** |
|---|---|
| | **ThCh$** |
| Revaluation surplus reserves | 1,031,342 |
| Currency translation reserves | 252,500,197 |
| Cash flow hedge reserves | (9,905,966) |
| Held for sale reserves | 17,244,506 |
| Other miscellaneous reserves | 382,171,046 |
| **Total other reserves** | **643,041,125** |

As of December 31, 2019, Other miscellaneous reserves are detailed as follows:

| | **12/31/2019** |
|---|---|
| | **ThCh$** |
| Effect of sale of LQIF-D shares | 131,642,239 |
| Other reserves from the equity of subsidiary LQIF S.A. | 140,731,285 |
| Effect of changes in interest in Banco de Chile | 78,652,952 |
| Capital revaluation reserves and other adjustments (ruling 456) | (73,627,503) |
| Effect of changes in interest in Invexans | 52,593,943 |
| Dilution effect of non-concurrence capital increase CCU | 40,399,427 |
| Effect of changes in interest in CSAV | 6,184,791 |
| Effect of changes in interest in Tech Pack | 19,389,665 |
| Income from selling investments in Vita S.A., Banchile S.A. and Segchile S.A. | (1,605,751) |
| Other reserves from the equity of subsidiary SM SAAM S.A. | 2,768,041 |
| Effect of changes in interest in SM SAAM | 2,258,411 |
| Other reserves from the equity of other subsidiaries | (16,640,557) |
| Other effects | (575,897) |
| **Total other miscellaneous reserves** | **382,171,046** |

The exchange differences in the consolidated statement of comprehensive income relate mainly to translating the US dollar functional currency of the subsidiaries Invexans, Tech Pack, Compañía Sud Americana de Vapores (CSAV) and SM SAAM to Chilean pesos at the closing of the consolidated statement of financial position.

## Note 30 – Revenue and expenses

### (a) Revenue

For the years ended December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| | ThCh$ | ThCh$ |
| Goods sold | 2,545,151,916 | 2,244,377,809 |
| Services provided | 465,031,825 | 422,058,901 |
| **Total** | **3,010,183,741** | **2,666,436,710** |

### (b) Other expenses by function

For the years ended December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| | ThCh$ | ThCh$ |
| Amortization of intangible assets | (400,720) | (400,720) |
| Impairment of property, plant and equipment | (81,826) | (185,275) |
| Impairment of inventory | (174,234) | (694,947) |
| Taxes on the temporary import of assets | (615,109) | (971,872) |
| Lawsuit expenses Brazil | (20,171) | (338,283) |
| Unrecoverable VAT and additional taxes | (561,498) | (1,430,115) |
| Employment litigation | (808,388) | (173,407) |
| Other operating expenses | (1,455,421) | (577,888) |
| **Total** | **(4,117,367)** | **(4,772,507)** |

### (c) Other gains (losses)

For the years ended December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| **Other gains** | | |
| Gain on sale of non-controlling interests (1) | 3,785,561 | - |
| Dividends from investments held for sale | - | 3,178,361 |
| Effect of change in investment in Nexans S.A. | 31,690 | 37,677 |
| Gain (loss) on forward hedges | - | 592,022 |
| Gain on sale of assets | 945,906 | 8,678,002 |
| Gain on sale of inventories | 130,499 | 285,556 |
| **Total other gains** | **4,893,656** | **12,771,618** |
| | | |
| **Other losses** | | |
| Directors' allowances, profit sharing and remuneration | (1,603,737) | (1,501,839) |
| Third-party consultancy | (2,726,284) | (557,376) |
| Donations | (115,852) | (68,603) |
| Amortization of intangible assets | - | (38,760) |
| Other gains (losses) | (95,271) | (329,633) |
| **Total other losses** | **(4,541,144)** | **(2,496,211)** |
| **Total other gains (losses), net** | **352,512** | **10,275,407** |

(1) Mainly corresponds to the pre-tax gain from the sale of Terminal Puerto Arica S.A. in February 2019.

## Note 30 – Revenue and expenses (continued)

### (d) Financial costs

For the years ended December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Interest on bank loans and bonds issued | (59,341,159) | (49,908,325) |
| Interest paid on lease contracts | (7,529,886) | - |
| Interest on other financial instruments | (2,219,351) | (1,086,106) |
| Bank commission, stamp taxes and other finance costs | (5,253,545) | (4,914,371) |
| **Total** | **(74,343,941)** | **(55,908,802)** |

## Note 31 – Personnel expenses

For the years ended December 31, 2019 and 2018, these are detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Wages and salaries | (148,184,603) | (129,229,385) |
| Short-term employee benefits | (14,025,858) | (17,956,485) |
| Post-employment benefits | (6,086,414) | (7,553,348) |
| Termination benefits | (1,909,628) | (2,596,900) |
| Other personnel expenses | (13,405,982) | (6,109,765) |
| Total | (183,612,485) | (163,445,883) |

## Note 32 – Earnings per share

Basic earnings per share are calculated by dividing the result available to shareholders by the weighted average number of shares in circulation during the period.

The calculation as of December 31, 2019 and 2018, is detailed as follows:

| | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Net income (loss) attributable to equity holders of the controller | 210,049,493 | 180,430,410 |
| Basic earnings available to common shareholders | 210,049,493 | 180,430,410 |
| Basic weighted average number of shares | 1,662,759,593 | 1,662,759,593 |
| **Basic earnings per share ThCh$** | **0.126325834** | **0.108512626** |

## Note 33 –Environment

The Parent company is not affected by this concept as it is an investment company.

As of December 31, 2019, the subsidiaries Invexans, Tech Pack and CSAV have made no disbursements for this concept.

As of December 31, 2019, the subsidiary Enex disbursed ThCh$904,073 (ThCh$875,500 in 2018) to control atmospheric emissions, change fuel tanks in the service station network, clean soil and underground water in order to mitigate the risk of harming people and the environment, and waste removal.

The subsidiary SM SAAM and its subsidiaries SAAM Puertos S.A. and SAAM Logistics have contracted civil liability insurance in favor of third parties, which includes pollution damage and/or fines, as of the closing date of the financial statements. These policies are separated into two groups. The first group refers to Chilean Terminals, which has a combined annual insured limit of UF 90,000. The second group refers to logistics companies in Chile, whose combined annual insured limit is equivalent to UF 60,000. The companies insured by the group of Chilean Terminals policies have an additional policyholder in SAAM S.A., and the logistics companies, only SAAM Logistics S.A. and SAAM Extraportuarios S.A. are additional policyholders to SAAM S.A.

The Company has no commitments for future payments in relation to the environment, however, it is constantly evaluating such projects.

## Note 34 – Financial risk management policy

### Financial risks

***Credit risk***
Surplus corporate cash is invested with first-class Chilean and foreign financial entities under limits established for each entity, and which have a credit rating of at least the levels pre-established for each type of instrument.

Techpack manages the risk associated with financial assets in accordance with its investment policy. Cash surpluses and available funds are invested in accordance with its investment policy in low-risk fixed income instruments with institutions with strong credit ratings and diversified investment portfolios, subject to diversification limits by institution. Issuers and institutions that are subject to credit limits and investment limits are regularly reviewed to assess potential changes in their solvency that could affect the company.

Invexans manages the risk associated with financial assets or liabilities in accordance with its policies. Cash surpluses are invested in accordance with policy, in low-risk instruments (primarily time deposits) with institutions having strong credit ratings and within the limits established for each institution (funds are placed in a diversified manner). Management selects institutions with strong credit ratings for its financial hedges.

LQ Inversiones Financieras has no accounts receivable subject to credit risk. Cash surpluses are invested under market conditions in fixed-income instruments, according to the maturities of its financial commitments and operating expenses.

**Note 34 – Financial risk management policy (continued)**

**Financial risks (continued)**

The subsidiary Enex manages customer credit risk within its credit policy and its authorizations manual. Sales on credit terms are controlled by the management system by blocking purchase orders when the customer has past due debt or exceeds their previously agreed and approved credit limit. The Finance and Administration Department at Enex approves customer credit lines, with the support and recommendation of commercial areas, in accordance with a credit assessment model that takes into account both commercial and technical aspects. When considered appropriate, guarantees and other requirements are requested in support of the credit. Should the credit granted be insufficient to meet commercial needs, the case is taken to the credit committee.

Enex's financial investments are limited to fixed-income instruments, such as resale agreements and time deposits, with financial entities that are evaluated at least once a year, with exposure limits assigned by entity according to reports and opinions issued by prestigious and experienced credit rating agencies, in line with Enex's current treasury policy.

CSAV has a strict credit policy to manage its receivables portfolio, which is based on lines of credit and payment terms granted on the basis of an individual analysis of the solvency, payment ability, and general references of each customer, their shareholders, the industry and the customer's market, as well as its payment history with the company. These credit lines are reviewed at least annually, and payment behavior and percentage utilization are monitored regularly. Agencies that represent CSAV are constantly monitored to ensure that the administrative, commercial, operational and collection processes, and their relationship with customers and suppliers comply with agreed contract terms.

CSAV backs its vessel and slot chartering agreements with third parties using charter party freight contracts and slot charter agreements. CSAV charters vessels to third parties and slots to other shipping companies, always taking into consideration the counterparty's creditworthiness. However, CSAV often leases slots from the same shipping companies to which it leases its own slots on other voyages and services, which significantly reduces the risk of default.

CSAV has an investment policy to manage its financial assets, which include time deposits and resale agreements, whereby its checking accounts and investments are held in financial institutions with investment grade credit ratings. Its risk control policy also includes taking hedge positions in interest rates, exchange rates and oil prices, with prestigious financial institutions within the industry that have investment grade credit ratings.

Credit granted to customers at SM SAAM is regularly revised in order to apply the controls defined by the company, and to monitor the status of accounts pending collection.

Cash surpluses at SM SAAM can be invested in low-risk financial instruments.

See Note 28 Classes of financial assets and liabilities, for details of the balances of financial assets.

**Note 34 – Financial risk management policy (continued)**

***Liquidity risk***

Quiñenco finances its activities and investments with dividend and profit distributions from the companies in which it holds an interest and with funds obtained from the sale of assets and by issuing debt and shares.

Quiñenco prefers long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturities are compatible with cash flow generation.

Invexans regularly estimates its projected liquidity requirements for each period, covering cash to be received (rents receivable, dividends receivable, etc.), the respective payments (commercial, financial, etc.) and available cash, in order to avoid short-term external financing. Invexan's financing policy seeks funding sources with a balanced structure between short and long term, low-risk exposure and alignment with the cash flows generated by the company.

The capital management policy at Techpack aims to ensure the liquidity and availability of resources, and ensure that it has sufficient liquidity.

LQIF distributes dividends based on available cash flow taking into account the Company's actual and forecast costs, including financial obligations. The main source of funds to pay interest and capital on the financial obligations of LQIF are the dividends received from its direct and indirect shareholdings in Banco de Chile. Consequently, its ability to meet the scheduled payments of interest and principal depends entirely on the ability of Banco de Chile to generate positive net income from its operations, and the agreements approved annually at shareholders' meetings regarding the distribution of dividends.

Enex regularly updates its short-term cash flow projections based on information received from its commercial areas. Enex has credit lines with its principal banks, in order to cover possible unexpected cash deficits.

CSAV is not directly exposed to the container shipping business, but indirectly as the main shareholder of Hapag-Lloyd. This limits liquidity risk to the expected flow of dividends or any additional capital required by this joint venture. CSAV has specific long-term borrowing to finance its investment in Hapag-Lloyd. CSAV has sufficient liquidity to cover its direct transport services. It has an available line of credit, if required.

The subsidiary SM SAAM estimates its forecast liquidity needs for each year, covering receipts such as customer receivables and dividends, payments such as commercial and financial liabilities, and available cash balances. SM SAAM ensures that financing has a balanced short and long-term structure, a low risk exposure and repayments match the company's cash flows.

See Note on Other current and non-current financial liabilities for details of the balances and maturities of financial debt.

***Market risk***[4]

Exchange rate risk

As of December 31, 2019, the net corporate exposure to exchange rate risk is an asset equivalent to Ch$188,497 million. If there is a 5% change in the exchange rate of currencies other than the functional currency, the estimated effect on comprehensive income before taxes would be Ch$9,425 million. This exposure is covered by derivatives contracted to eliminate or mitigate foreign exchange rate risk. As of December 31, 2019, corporate foreign exchange exposure arising from financial assets with related third parties is covered by derivatives contracted to eliminate or mitigate foreign exchange rate risks.

[4] The exposure of financial assets and liabilities to market risk is measured on a consolidated basis, where any balances between subsidiaries have already been eliminated in consolidation. In some cases these individual balances may affect consolidated financial performance with a corresponding equal effect on equity.

**Note 34 – Financial risk management policy (continued)**

Exposure to exchange rate risk at Invexans derives from asset and liability positions held in currencies other than its functional currency, which is the US dollar, and the related appreciations/depreciations between both currencies. The Board and management at Invexans regularly review its net exposure to exchange rate risk, based on projecting the financial effects of changes in currencies other than the functional currency that would be generated by assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Invexans, financial derivatives may be contracted (primarily cross currency swaps) in order to mitigate these potential risks. As of December 31, 2019, the net exposure to exchange rate risk at Invexans is an asset equivalent to Ch$2,533 million. If there is a 5% change in the exchange rate of currencies other than the functional currency, the estimated effect on comprehensive income before tax would be Ch$127 million.

Exposure to exchange rate risk at Techpack arises from exchange differences on potential mismatches in asset and liability positions denominated in a currency other than the functional currency (US dollar). The Board and management of Techpack and its subsidiaries and associates regularly review their net exposure to exchange rate risk, based on projecting the financial effects of changes in currencies other than the functional currency that would be generated by assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Techpack, financial derivatives may be contracted (primarily cross currency swaps) in order to mitigate these potential risks. As of December 31, 2019, Techpack's net exposure to exchange rate risk is a liability equivalent to Ch$281 million. If there is a 5% change in the exchange rate of currencies other than the functional currency, the estimated effect on comprehensive income before taxes would be Ch$14 million.

LQIF has no exposure to exchange rate risk as it has no foreign currency assets or liabilities as of December 31, 2019 and 2018.

The subsidiary Enex is exposed to exchange risk due to specific agreements with suppliers and customers agreed in a currency other than the functional currency (Chilean peso). The most important cases relate to the import of fuels, lubricants and bitumen where the obligation is generated and payable in US dollars. Enex has a policy of minimizing the net exposure (assets-liabilities) in foreign currencies using a regular currency purchase mechanism on the spot market, in order to mitigate this risk. As of December 31, 2019, the net exposure to exchange rate risk of Enex is a liability equivalent to Ch$105,760 million. If there is a 5% change in the exchange rate of currencies other than the functional currency, the estimated effect on comprehensive income before taxes would be Ch$5,288 million.

CSAV has assets and liabilities primarily denominated in its functional currency, the US dollar. However, it also has assets and liabilities in other currencies. The company reduces the risk of exchange-rate fluctuations by regularly converting any balance in local currency that exceeds payment needs in that currency to US dollars. As of December 31, 2019, the net exposure to exchange rate risk of CSAV is a liability equivalent to Ch$1,397 million. If there is a 5% change in the exchange rate of the US dollar against other currencies, the estimated effect on comprehensive income before taxes would be Ch$70 million.

**Note 34 – Financial risk management policy (continued)**

***Market risk***

The major currencies to which SM SAAM is exposed, other than the functional currency (US dollar), are the Chilean peso, Mexican peso and Canadian dollar. Usually SM SAAM mitigates volatility in its results, caused by net positions of assets and liabilities in foreign currencies, using hedging instruments. As of December 31, 2019, the net exposure to exchange rate risk at SM SAAM is a liability equivalent to Ch$162,089 million. If there is a 5% change in the exchange rate of the US dollar against other currencies, the estimated effect on comprehensive income before taxes would be Ch$8,104 million.

Exchange differences produced by translating to Chilean pesos balances in the functional currencies of consolidated entities or associates whose functional currency is other than the Chilean peso, are recognized as a credit or charge to equity, until they are settled when they are recognized in net income.

Note 36 contains the detail of assets and liabilities by currency, which includes the financial assets and liabilities described here.

<u>Interest rate risk</u>
As of December 31, 2019, Quiñenco has corporate financial assets at fair value through profit and loss of Ch$234,282 million, which are subject to interest rate risk. A change of 10 basis points in the interest rate would generate an effect on finance income for the year of Ch$16 million.

Quiñenco has all its corporate financial obligations at fixed interest rates, which implies a low exposure to interest-rate risk.

Invexans has all of its financial obligations at protected interest rates.

As of December 31, 2019, Techpack has no financial obligations that cause interest rate risks.

LQIF has all its financial obligations at fixed interest rates, which implies a low exposure to interest rate risk.

Enex has all its financial obligations at fixed interest rates, which implies a low exposure to interest rate risk.

CSAV has 68.1% of its obligations at fixed rates and 31.9% at variable rates.

SM SAAM has 57.3% of its obligations at fixed rates, 33.3% at protected rates and 9.4% at variable rates.

The consolidated interest-rate structure is as follows. As can be seen, the consolidated interest-rate risk is low, as 95.2% of debt is structured with fixed or protected interest rates.

| **Consolidated Financial Liabilities by interest rate** | **12/31/2019** | **12/31/2018** |
|---|---|---|
| Fixed interest rate | 87.9% | 93.4% |
| Protected interest rate | 7.3% | 0.8% |
| Variable interest rate | 4.8% | 5.8% |
| **Total** | **100.0%** | **100.0%** |

As of December 31, 2019, the consolidated exposure to variable interest rates was a liability of Ch$87,987 million. A 100 basis point change in the interest rate would generate an effect on finance costs for the 12-month period of Ch$880 million.

## Note 35 - Segment reporting

### General information

General Information Quiñenco is structured on the basis of the industrial and financial businesses where its financial resources are invested, and has defined six business segments: Manufacturing, Financial, Energy, Transport, Port Services and Other.

The Manufacturing segment includes Tech Pack, Invexans and their subsidiaries.
The Financial segment includes LQIF and its subsidiaries.
The Energy segment includes Enex and its subsidiaries.
The Transport segment includes CSAV and its subsidiaries.
The Port Services segment includes SM SAAM and subsidiaries.
The Other segment includes Quiñenco corporate, CCU, others and eliminations.

With the exception of the subsidiaries Tech Pack, Invexans, CSAV, SM SAAM, and the associate CCU, all the group's operations are mainly conducted in Chile.

In order to determine segment reporting, those exceeding 10% of the consolidated revenue and the particular information characteristics of the group have been considered.

Quiñenco, as an investment company, defines its revenue as sales of goods and services at its subsidiaries and the net revenue of the banking sector (Banco de Chile).

### Geographical area

Revenue from external customers by geographical area as of December 31, 2019 and 2018, isdetailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Chile | 2,358,635,627 | 2,338,631,648 |
| South America | 126,798,846 | 105,718,699 |
| Central America | 70,355,185 | 50,686,508 |
| North America | 413,380,816 | 135,299,717 |
| Europe | 29,834,970 | 25,114,317 |
| Asia | 11,178,297 | 10,985,821 |
| **Total revenue from external customers** | **3,010,183,741** | **2,666,436,710** |

Non-current assets by geographic area as of December 31, 2019 and 2018, are detailed as follows:

| | 12/31/2019<br>ThCh$ | 12/31/2018<br>ThCh$ |
|---|---|---|
| Chile | 575,286,484 | 615,743,141 |
| Rest of America | 851,964,106 | 593,428,109 |
| Asia | 5,996,658 | - |
| **Total non-current assets (*)** | **1,433,247,248** | **1,209,171,250** |

(*) Includes balances of property, plant and equipment, investment properties and intangible assets other than goodwill.

## Note 35 – Segment reporting (continued)

Net income attributable to owners of the controller for each segment consists of the final contribution from each segment, and the companies they comprise, to Quiñenco's net income.

| **As of December 31, 2019, the results by segment are as follows.** | **Segments December 2019** | | | | | | |
|---|---|---|---|---|---|---|---|
| **Income Statement** | **Manufacturing** | **Financial** | **Energy** | **Transport** | **Port Services** | **Other** | **Total** |
| **Non-banking sector** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| Revenue | 66,682 | - | 2,570,311,105 | 65,499,350 | 373,717,530 | 589,074 | 3,010,183,741 |
| Cost of sales | - | - | (2,291,878,752) | (66,347,439) | (257,748,617) | (220,388) | (2,616,195,196) |
| Gross margin | 66,682 | - | 278,432,353 | (848,089) | 115,968,913 | 368,686 | 393,988,545 |
| Other revenue by function | - | - | 8,775,256 | 768,851 | 1,392,718 | - | 10,936,825 |
| Administrative expenses | (4,149,121) | (1,185,218) | (246,793,787) | (8,767,508) | (51,968,374) | (16,917,447) | (329,781,455) |
| Other expenses by function | (20,171) | (400,720) | (317,052) | - | (3,379,424) | - | (4,117,367) |
| Other gains (losses) | 816,623 | 7,000 | (949,361) | 933,056 | 4,060,020 | (4,514,826) | 352,512 |
| **Operating income (loss)** | (3,285,987) | (1,578,938) | 39,147,409 | (7,913,690) | 66,073,853 | (21,063,587) | 71,379,060 |
| Finance income | 4,162,484 | 234,368 | 1,534,262 | 418,597 | 4,953,304 | 7,365,529 | 18,668,544 |
| Finance costs | (311,890) | (8,310,318) | (18,460,546) | (7,760,924) | (14,387,858) | (25,112,405) | (74,343,941) |
| Share of income (loss) of associates and joint ventures accounted for using the equity method | (29,887,938) | - | 1,136,325 | 105,454,106 | 9,152,862 | 36,950,644 | 122,805,999 |
| Exchange differences | (2,740,289) | - | 2,977,931 | (13,921) | (97,799) | (546,927) | (421,005) |
| Gain (loss) from indexation adjustments | 911,604 | (5,100,107) | - | - | 57,800 | (22,500,932) | (26,631,635) |
| **Net income (loss) before taxes** | (31,152,016) | (14,754,995) | 26,335,381 | 90,184,168 | 65,752,162 | (24,907,678) | 111,457,022 |
| Income tax benefit (expense) | 6,285 | 1,758,038 | (626,733) | (1,334,493) | (19,688,812) | 6,712,547 | (13,173,168) |
| **Net income (loss) from continuing operations** | (31,145,731) | (12,996,957) | 25,708,648 | 88,849,675 | 46,063,350 | (18,195,131) | 98,283,854 |
| Net income (loss) from discontinued operations | (818,997) | 0 | 0 | (697,270) | - | 23,251,852 | 21,735,585 |
| **Net income (loss) from non-banking sector** | **(31,964,728)** | **(12,996,957)** | **25,708,648** | **88,152,405** | **46,063,350** | **5,056,721** | **120,019,439** |
| **Banking sector** | | | | | | | |
| Total net operating revenue | - | 1,667,248,056 | - | - | - | 675,272 | 1,667,923,328 |
| Total operating expenses | - | (911,004,452) | - | - | - | - | (911,004,452) |
| Operating income | - | 756,243,604 | - | - | - | 675,272 | 756,918,876 |
| Result of investments in other companies | - | 6,450,481 | - | - | - | - | 6,450,481 |
| Interest on subordinated debt with the Chilean Central Bank | - | (28,164,600) | - | - | - | - | (28,164,600) |
| Net income before taxes | - | 734,529,485 | - | - | - | 675,272 | 735,204,757 |
| Income tax expense | - | (169,683,320) | - | - | - | - | (169,683,320) |
| Net income from continuing operations | - | 564,846,165 | - | - | - | 675,272 | 565,521,437 |
| Net income from banking sector | - | 564,846,165 | - | - | - | 675,272 | 565,521,437 |
| **Consolidated net income (loss)** | **(31,964,728)** | **551,849,208** | **25,708,648** | **88,152,405** | **46,063,350** | **5,731,993** | **685,540,876** |
| | | | | | | | |
| Net income (loss) attributable to owners of the controller | **(32,262,255)** | **136,937,678** | **25,708,648** | **52,808,592** | **19,149,700** | **7,707,130** | **210,049,493** |
| Net income (loss) attributable to non-controlling interests | 297,527 | 414,911,530 | - | 35,343,813 | 26,913,650 | (1,975,137) | 475,491,383 |
| **Consolidated net income (loss)** | **(31,964,728)** | **551,849,208** | **25,708,648** | **88,152,405** | **46,063,350** | **5,731,993** | **685,540,876** |

**Note 35 – Segment reporting (continued)**

Depreciation, amortization and cash flows by segment as of December 31, 2019, are detailed as follows:

| | Manufacturing | Financial | Energy | Transport | Port Services | Other | Total |
|---|---|---|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Depreciation and amortization | (13,225) | (410,570) | (52,128,875) | (18,926,017) | (60,916,599) | (1,388,842) | (133,784,128) |
| Cash flows from non-banking sector | | | | | | | |
| Operating cash flows | 1,789,549 | 651,152 | 99,112,153 | 19,426,011 | 105,782,654 | (25,849,734) | 200,911,785 |
| Investing cash flows | 15,023,335 | 610,199 | (60,637,659) | (75,896,747) | (153,077,140) | 333,629,512 | 59,651,500 |
| Financing cash flows | - | (128,464,140) | (10,554,061) | 78,278,361 | 38,131,028 | (58,598,589) | (81,207,401) |
| Cash flows from banking sector | | | | | | | |
| Operating cash flows | - | 1,184,795,478 | - | - | - | (48,443,008) | 1,136,352,470 |
| Investing cash flows | - | (263,650,060) | - | - | - | - | (263,650,060) |
| Financing cash flows | - | 846,754,982 | - | - | - | 390,952 | 847,145,934 |

Assets and liabilities by segment as of December 31, 2019, are as follows.

| | Manufacturing | Financial | Energy | Transport | Port Services | Other | Total |
|---|---|---|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Current assets | 119,881,632 | 1,545,905 | 351,371,515 | 54,351,036 | 292,803,013 | 205,895,101 | 1,025,848,202 |
| Non-current assets | 345,591,210 | 846,490,140 | 988,373,532 | 1,830,755,686 | 987,911,068 | 397,899,223 | 5,397,020,859 |
| Banking assets | - | 41,273,330,853 | - | - | - | (2,831) | 41,273,328,022 |
| **Total assets** | **465,472,842** | **42,121,366,898** | **1,339,745,047** | **1,885,106,722** | **1,280,714,081** | **603,791,493** | **47,696,197,083** |
| Current liabilities | 1,100,448 | 5,055,830 | 291,212,667 | 80,850,365 | 146,824,920 | (3,774,243) | 521,269,987 |
| Non-current liabilities | 17,736,909 | 246,105,026 | 438,405,211 | 139,244,318 | 465,731,031 | 847,762,241 | 2,154,984,736 |
| Banking liabilities | - | 37,590,839,535 | - | - | - | (70,289,119) | 37,520,550,416 |
| **Total liabilities** | **18,837,357** | **37,842,000,391** | **729,617,878** | **220,094,683** | **612,555,951** | **773,698,879** | **40,196,805,139** |

## Note 35 – Segment reporting (continued)

Net income attributable to owners of the controller for each segment consists of the final contribution from each segment, and the companies they comprise, to Quiñenco's net income.

As of December 31, 2018, the results by segment are detailed as follows:

| | Segments December 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| **Income Statement** | **Manufacturing** | **Financial** | **Energy** | **Transport** | **Port Services** | **Other** | **Total** |
| **Non-banking sector** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| Revenue | 31,425 | - | 2,276,313,552 | 58,474,142 | 330,997,299 | 620,292 | 2,666,436,710 |
| Cost of sales | - | - | (2,054,317,817) | (55,859,698) | (234,890,522) | (229,513) | (2,345,297,550) |
| Gross margin | 31,425 | - | 221,995,735 | 2,614,444 | 96,106,777 | 390,779 | 321,139,160 |
| Other revenue by function | - | - | 9,471,450 | 834,474 | 1,453,847 | | 11,759,771 |
| Administrative expenses | (6,207,747) | (1,296,218) | (202,826,709) | (11,119,421) | (51,910,464) | (16,357,510) | (289,718,069) |
| Other expenses by function | (338,283) | (400,720) | (83,380) | - | (3,950,124) | - | (4,772,507) |
| Other gains (losses) | (177,113) | 7,000 | (487,674) | 5,721,653 | 6,375,019 | (1,163,478) | 10,275,407 |
| **Operating income (loss)** | (6,691,718) | (1,689,938) | 28,069,422 | (1,948,850) | 48,075,055 | (17,130,209) | 48,683,762 |
| Finance income | 3,433,604 | 242,636 | 561,759 | 423,949 | 3,809,727 | 7,220,817 | 15,692,492 |
| Finance costs | (329,762) | (8,101,031) | (5,834,964) | (3,554,612) | (11,618,814) | (26,469,619) | (55,908,802) |
| Share of income (loss) of associates and joint ventures accounted for using the equity method | (3,865,927) | - | 1,119,374 | 10,991,335 | 11,730,318 | 90,876,093 | 110,851,193 |
| Exchange differences | (4,979,918) | - | (2,381,656) | (759,206) | (2,343,197) | 16,583 | (10,447,394) |
| Gain (loss) from indexation adjustments | 1,027,487 | (5,277,601) | - | - | (51,557) | (21,737,346) | (26,039,017) |
| **Net income (loss) before taxes** | (11,406,234) | (14,825,934) | 21,533,935 | 5,152,616 | 49,601,532 | 32,776,319 | 82,832,234 |
| Income tax benefit (expense) | (331,293) | 1,119,745 | (2,257,336) | 5,844,828 | (12,501,560) | 4,964,391 | (3,161,225) |
| **Net income (loss) from continuing operations** | (11,737,527) | (13,706,189) | 19,276,599 | 10,997,444 | 37,099,972 | 37,740,710 | 79,671,009 |
| Net income (loss) from discontinued operations | (17,374,980) | - | - | (301,353) | - | 8,203,647 | (9,472,686) |
| **Net income (loss) from non-banking sector** | **(29,112,507)** | **(13,706,189)** | **19,276,599** | **10,696,091** | **37,099,972** | **45,944,357** | **70,198,323** |
| **Banking sector** | | | | | | | |
| Total net operating revenue | - | 1,592,366,450 | - | - | - | 960,989 | 1,593,327,439 |
| Total operating expenses | - | (848,361,301) | - | - | - | - | (848,361,301) |
| Operating income | - | 744,005,149 | - | - | - | 960,989 | 744,966,138 |
| Result of investments in other companies | - | 7,255,066 | - | - | - | - | 7,255,066 |
| Interest on subordinated debt with the Chilean Central Bank | - | (79,534,161) | - | - | - | - | (79,534,161) |
| Net income before taxes | - | 671,726,054 | - | - | - | 960,989 | 672,687,043 |
| Income tax expense | - | (156,609,295) | - | - | - | - | (156,609,295) |
| Net income from continuing operations | - | 515,116,759 | - | - | - | 960,989 | 516,077,748 |
| Net income from banking sector | - | 515,116,759 | - | - | - | 960,989 | 516,077,748 |
| **Consolidated net income (loss)** | **(29,112,507)** | **501,410,570** | **19,276,599** | **10,696,091** | **37,099,972** | **46,905,346** | **586,276,071** |
| | | | | | | | |
| Net income (loss) attributable to owners of the controller | **(29,108,760)** | **121,272,510** | **19,276,599** | **6,008,521** | **15,333,211** | **47,648,329** | **180,430,410** |
| Net income (loss) attributable to non-controlling interests | (3,747) | 380,138,060 | - | 4,687,570 | 21,766,761 | (742,983) | 405,845,661 |
| **Consolidated net income (loss)** | **(29,112,507)** | **501,410,570** | **19,276,599** | **10,696,091** | **37,099,972** | **46,905,346** | **586,276,071** |

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

**Note 35 – Segment reporting (continued)**

Depreciation, amortization and cash flows by segment as of December 31, 2018, are detailed as follows:

| | Manufacturing | Financial | Energy | Transport | Port Services | Other | Total |
|---|---|---|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Depreciation and amortization | (15,199) | (402,373) | (21,743,946) | (181,881) | (49,101,975) | (612,764) | (72,058,138) |
| Cash flows from non-banking sector | | | | | | | |
| Operating cash flows | 5,349,533 | (32,516) | 25,233,748 | (16,490,296) | 75,683,835 | (9,839,928) | 79,904,376 |
| Investing cash flows | (60,626,261) | (1,349,063) | (137,454,994) | 10,249,519 | (9,899,189) | (111,068,791) | (310,148,779) |
| Financing cash flows | (2,115,964) | (104,677,556) | 119,787,954 | (5,020,954) | (51,071,131) | 140,146,110 | 97,048,459 |
| Cash flows from banking sector | | | | | | | |
| Operating cash flows | - | (566,812,080) | - | - | - | 19,816,219 | (546,995,861) |
| Investing cash flows | - | 284,890,116 | - | - | - | - | 284,890,116 |
| Financing cash flows | - | 449,182,818 | - | - | - | 341,124 | 449,182,818 |

Assets and liabilities by segment as of December 31, 2018, are as follows.

| | Manufacturing | Financial | Energy | Transport | Port Services | Others | Total |
|---|---|---|---|---|---|---|---|
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Current assets | 106,185,380 | 2,159,845 | 302,113,074 | 34,154,200 | 272,907,044 | 256,471,422 | 973,990,965 |
| Non-current assets | 357,218,427 | 846,724,893 | 763,996,280 | 1,534,762,157 | 785,429,166 | 547,465,884 | 4,835,596,807 |
| Banking assets | - | 35,926,498,078 | - | - | - | (3,268) | 35,926,494,810 |
| **Total assets** | **463,403,807** | **36,775,382,816** | **1,066,109,354** | **1,568,916,357** | **1,058,336,210** | **803,934,038** | **41,736,082,582** |
| Current liabilities | 8,371,599 | 4,815,555 | 191,810,472 | 21,632,358 | 90,502,826 | 106,034,292 | 423,167,102 |
| Non-current liabilities | 9,589,066 | 240,806,731 | 290,170,860 | 67,614,710 | 281,490,143 | 883,722,284 | 1,773,393,794 |
| Banking liabilities | - | 32,499,405,671 | - | - | - | (80,926,394) | 32,418,479,277 |
| **Total liabilities** | **17,960,665** | **32,745,027,957** | **481,981,332** | **89,247,068** | **371,992,969** | **908,830,182** | **34,615,040,173** |

## Note 36 – Effect of changes in foreign exchange rates

### a) Assets by local and foreign currency as of December 31, 2019, are detailed as follows:

| Assets<br>Non-banking sector<br>Current assets | US dollars<br>ThCh$ | Chilean Pesos<br>ThCh$ | Unidad de Fomento<br>ThCh$ | Euros<br>ThCh$ | Peruvian Soles<br>ThCh$ | Argentinean Pesos<br>ThCh$ | Brazilian Reals<br>ThCh$ | Colombian Pesos<br>ThCh$ | Other currencies<br>ThCh$ | Total<br>ThCh$ |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 427,223,480 | 107,545,304 | - | 2,147,900 | - | - | 2,561,440 | - | 12,214,515 | 551,692,639 |
| Other financial assets, current | 8,570,534 | 38,662,396 | - | - | - | - | - | - | - | 47,232,930 |
| Other non-financial assets, current | 7,763,058 | 11,086,388 | 4,399,113 | - | - | - | - | - | 2,589,142 | 25,837,701 |
| Trade and other receivables, current | 47,318,496 | 141,058,798 | - | 17,296 | - | - | 116,055 | - | 19,530,135 | 208,040,780 |
| Related party receivables, current | 3,092,354 | 25,253,858 | - | - | - | - | - | - | - | 28,346,212 |
| Inventory, current | 21,023,201 | 95,939,701 | - | - | - | - | - | - | 2,840,720 | 119,803,622 |
| Current tax assets | 14,853,504 | 10,537,239 | - | - | 128,035 | - | - | - | 4,211,663 | 29,730,441 |
| **Total current assets other than assets or disposal groups classified as held for sale or as held for distribution to owners** | **529,844,627** | **430,083,684** | **4,399,113** | **2,165,196** | **128,035** | **-** | **2,677,495** | **-** | **41,386,175** | **1,010,684,325** |
| Non-current assets or disposal groups classified as held for sale | 14,749,456 | 375,118 | - | - | - | 39,303 | - | - | - | 15,163,877 |
| **Non-current assets or disposal groups classified as held for sale or for distribution to the owners** | **14,749,456** | **375,118** | **-** | **-** | **-** | **39,303** | **-** | **-** | **-** | **15,163,877** |
| **Total current assets** | **544,594,083** | **430,458,802** | **4,399,113** | **2,165,196** | **128,035** | **39,303** | **2,677,495** | **-** | **41,386,175** | **1,025,848,202** |
| **Non-current assets** | | | | | | | | | | |
| Other financial assets, non-current | 1,509,460 | 40,911,972 | - | - | - | - | - | - | - | 42,421,432 |
| Other non-financial assets, non-current | 15,952,905 | 3,113,936 | - | - | - | - | 9,258,024 | - | 2,686,480 | 31,011,345 |
| Receivables, non-current | 9,543,440 | 1,195,738 | - | - | - | - | - | - | 113,060 | 10,852,238 |
| Related party receivables, non-current | - | - | - | - | - | - | - | - | - | - |
| Inventory, non-current | 851,317 | 7,488 | - | - | - | - | - | - | - | 858,805 |
| Investments accounted for using the equity method | 80,907,347 | 441,149,822 | - | 1,924,518,863 | - | - | - | - | 8,937,116 | 2,455,513,148 |
| Intangible assets other than goodwill | 158,340,031 | 212,353,987 | - | - | - | - | - | - | 28,753,863 | 399,447,881 |
| Goodwill | 75,976,146 | 869,219,528 | - | - | - | - | - | - | - | 945,195,674 |
| Property, plant and equipment | 601,510,537 | 353,274,160 | - | - | 25,457 | - | - | - | 61,768,804 | 1,016,578,958 |
| Right-of-use leased assets | 78,151,341 | - | 157,962,460 | - | - | - | - | - | - | 236,113,801 |
| Investment property | 9,518,732 | 7,701,677 | - | - | - | - | - | - | - | 17,220,409 |
| Tax assets, non-current | - | - | - | - | - | - | - | - | 312,973 | 312,973 |
| Deferred tax assets | 197,109,940 | 29,595,142 | - | - | - | - | - | - | 14,789,113 | 241,494,195 |
| **Total non-current assets** | **1,229,371,196** | **1,958,523,450** | **157,962,460** | **1,924,518,863** | **25,457** | **-** | **9,258,024** | **-** | **117,361,409** | **5,397,020,859** |
| **Total non-banking assets** | **1,773,965,279** | **2,388,982,252** | **162,361,573** | **1,926,684,059** | **153,492** | **39,303** | **11,935,519** | **-** | **158,747,584** | **6,422,869,061** |

**Note 36 – Effect of changes in foreign exchange rates (continued)**

**b) Liabilities by domestic and foreign currency as of December 31, 2019, are detailed as follows:**

| **Liabilities<br>Non-banking sector<br>Current liabilities** | **US dollars<br>ThCh$** | **Chilean Pesos<br>ThCh$** | **Unidad de Fomento<br>ThCh$** | **Euros<br>ThCh$** | **Peruvian Soles<br>ThCh$** | **Argentinean Pesos<br>ThCh$** | **Brazilian Reals<br>ThCh$** | **Colombian Pesos<br>ThCh$** | **Other currencies<br>ThCh$** | **Total<br>ThCh$** |
|---|---|---|---|---|---|---|---|---|---|---|
| Other financial liabilities, current | 90,208,234 | 7,014,609 | 27,769,550 | - | - | - | 503,153 | - | 12,689,646 | 138,185,192 |
| Lease liabilities, current | 13,565,467 | - | 13,373,350 | - | - | - | - | - | - | 26,938,817 |
| Trade and other payables, current | 46,541,722 | 163,828,241 | 498,711 | 302,754 | - | - | 122,045 | - | 6,305,435 | 217,598,908 |
| Related party payables, current | 975,910 | 1,325,565 | - | - | - | - | - | - | - | 2,301,475 |
| Other short-term provisions | 8,442,037 | 3,814,730 | 97,171 | 62,969 | - | - | - | - | 262,815 | 12,679,722 |
| Current tax liabilities | 11,018,458 | 10,180,834 | - | - | - | - | - | - | 679,108 | 21,878,400 |
| Provisions for employee benefits, current | 7,492,641 | 10,513,208 | - | - | - | - | - | - | 6,297,652 | 24,303,501 |
| Other non-financial liabilities, current | 16,729,768 | 59,952,299 | - | - | - | - | - | - | 314,471 | 76,996,538 |
| **Total current liabilities other than liabilities included in asset disposal groups classified as held for sale** | **194,974,237** | **256,629,486** | **41,738,782** | **365,723** | **-** | **-** | **625,198** | **-** | **26,549,127** | **520,882,553** |
| Liabilities included in disposal groups classified as held for sale | 60,648 | 1,225 | 566 | - | - | 324,995 | - | - | - | 387,434 |
| **Total current liabilities** | **195,034,885** | **256,630,711** | **41,739,348** | **365,723** | **-** | **324,995** | **625,198** | **-** | **26,549,127** | **521,269,987** |
| **Non-current liabilities** | | | | | | | | | | |
| Other financial liabilities, non-current | 350,251,076 | 164,500,000 | 1,175,986,367 | - | - | - | 2,735,898 | - | 32,122,444 | 1,725,595,785 |
| Lease liabilities, non-current | 65,239,874 | - | 146,109,605 | - | - | - | - | - | - | 211,349,479 |
| Trade and other payables, non-current | - | - | - | - | - | - | - | - | - | - |
| Related party payables, non-current | - | - | - | - | - | - | - | - | - | - |
| Other long-term provisions | 8,286,306 | 15,168,559 | - | - | - | - | 9,258,023 | - | 979,352 | 33,692,240 |
| Deferred tax liabilities | 50,366,698 | 92,517,311 | - | - | - | - | - | - | 20,386,693 | 163,270,702 |
| Provisions for employee benefits, non-current | 2,482,074 | 18,423,257 | - | - | - | - | - | - | 125,788 | 21,031,119 |
| Other non-financial liabilities, non-current | - | 45,411 | - | - | - | - | - | - | - | 45,411 |
| **Total non-current liabilities** | **476,626,028** | **290,654,538** | **1,322,095,972** | **-** | **-** | **-** | **11,993,921** | **-** | **53,614,277** | **2,154,984,736** |
| **Total non-banking liabilities** | **671,660,913** | **547,285,249** | **1,363,835,320** | **365,723** | **-** | **324,995** | **12,619,119** | **-** | **80,163,404** | **2,676,254,723** |

## Note 36 – Effect of changes in foreign exchange rates (continued)

### c) Assets by local and foreign currency as of December 31, 2018, are detailed as follows:

| **Assets**<br>**Non-banking sector**<br>**Current assets** | **US dollars**<br>**ThCh$** | **Chilean Pesos**<br>**ThCh$** | **Unidad de Fomento**<br>**ThCh$** | **Euros**<br>**ThCh$** | **Peruvian Soles**<br>**ThCh$** | **Argentinean Pesos**<br>**ThCh$** | **Brazilian Reals**<br>**ThCh$** | **Colombian Pesos**<br>**ThCh$** | **Other currencies**<br>**ThCh$** | **Total**<br>**ThCh$** |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 204,421,653 | 84,876,546 | - | 127,125 | - | - | 9,727 | 1,831 | 5,960,014 | 295,396,896 |
| Other financial assets, current | 5,929,269 | 211,329,851 | 19,285,427 | - | - | - | - | - | - | 236,544,547 |
| Other non-financial assets, current | 6,563,453 | 32,160,342 | 1,917,001 | - | - | - | - | - | 343,911 | 40,984,707 |
| Trade and other receivables, current | 40,955,817 | 169,372,321 | - | 105,070 | - | - | 20,843 | 22,636 | 11,909,053 | 222,385,740 |
| Related party receivables, current | 7,166,311 | 21,031,332 | - | - | - | - | - | - | - | 28,197,643 |
| Inventory, current | 11,713,823 | 86,807,293 | - | - | - | - | - | - | 505,097 | 99,026,213 |
| Current tax assets | 14,640,888 | 13,272,827 | - | - | 35,433 | - | - | - | 2,570,650 | 30,519,798 |
| **Total current assets other than assets or disposal groups classified as held for sale or as held for distribution to owners** | **291,391,214** | **618,850,512** | **21,202,428** | **232,195** | **35,433** | **-** | **30,570** | **24,467** | **21,288,725** | **953,055,544** |
| Non-current assets or disposal groups classified as held for sale | 18,109,526 | 382,201 | - | - | - | 65,687 | - | 2,378,007 | - | 20,935,421 |
| **Non-current assets or disposal groups classified as held for sale or for distribution to the owners** | **18,109,526** | **382,201** | **-** | **-** | **-** | **65,687** | **-** | **2,378,007** | **-** | **20,935,421** |
| **Total current assets** | **309,500,740** | **619,232,713** | **21,202,428** | **232,195** | **35,433** | **65,687** | **30,570** | **2,402,474** | **21,288,725** | **973,990,965** |
| **Non-current assets** | | | | | | | | | | |
| Other financial assets, non-current | 2,537,301 | 150,543,663 | - | - | - | - | - | - | 50,023 | 153,130,987 |
| Other non-financial assets, non-current | 15,341,911 | 20,867,979 | - | - | - | - | 8,677,441 | - | 38,213 | 44,925,544 |
| Receivables, non-current | 9,987,319 | 905,285 | - | - | - | - | - | - | 106,995 | 10,999,599 |
| Related party receivables, non-current | - | - | - | - | - | - | - | - | - | - |
| Inventory, non-current | 726,729 | 6,948 | - | - | - | - | - | - | - | 733,677 |
| Investments accounted for using the equity method | 142,184,680 | 438,538,772 | - | 1,661,594,762 | - | - | - | - | - | 2,242,318,214 |
| Intangible assets other than goodwill | 151,223,615 | 231,726,508 | - | - | - | - | - | - | 6,405,085 | 389,355,208 |
| Goodwill | 11,811 | 923,606,237 | - | - | - | - | - | - | - | 923,618,048 |
| Property, plant and equipment | 289,062,484 | 464,151,861 | - | - | - | - | - | - | 49,083,416 | 802,297,761 |
| Investment property | 9,762,908 | 7,755,373 | - | - | - | - | - | - | - | 17,518,281 |
| Tax assets, non-current | - | - | - | - | - | - | - | - | - | - |
| Deferred tax assets | 186,031,710 | 61,990,135 | - | - | - | - | - | - | 2,677,643 | 250,699,488 |
| **Total non-current assets** | **806,870,468** | **2,300,092,761** | **-** | **1,661,594,762** | **-** | **-** | **8,677,441** | **-** | **58,361,375** | **4,835,596,807** |
| **Total non-banking assets** | **1,116,371,208** | **2,919,325,474** | **21,202,428** | **1,661,826,957** | **35,433** | **65,687** | **8,708,011** | **2,402,474** | **79,650,100** | **5,809,587,772** |

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

**Note 36 – Effect of changes in foreign exchange rates (continued)**

**d) Liabilities by domestic and foreign currency as of December 31, 2018, are detailed as follows:**

| Liabilities<br>Non-banking sector | US dollars | Chilean Pesos | Unidad de Fomento | Euros | Peruvian Soles | Argentinean Pesos | Brazilian Reals | Colombian Pesos | Other currencies | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Current liabilities** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| Other financial liabilities, current | 43,041,104 | 21,019,754 | 26,571,588 | - | - | - | - | - | 2,446,979 | 93,079,425 |
| Trade and other payables, current | 20,607,744 | 185,119,239 | 637,237 | 423,670 | - | - | 21,538 | - | 2,264,948 | 209,074,376 |
| Related party payables, current | 234,081 | 358,331 | - | - | - | - | - | - | - | 592,412 |
| Other short-term provisions | 4,908,482 | 17,609,195 | 67,553 | 50,256 | - | - | 24,424 | - | 49,874 | 22,709,784 |
| Current tax liabilities | 7,167,248 | 1,680,912 | - | - | 6,253 | - | - | - | 1,848,087 | 10,702,500 |
| Provisions for employee benefits, current | 6,068,816 | 9,422,877 | - | - | - | - | - | - | 4,298,542 | 19,790,235 |
| Other non-financial liabilities, current | 14,330,326 | 51,367,278 | - | - | 11,116 | - | - | 326 | 940,719 | 66,649,765 |
| **Total current liabilities other than liabilities included in asset disposal groups classified as held for sale** | **96,357,801** | **286,577,586** | **27,276,378** | **473,926** | **17,369** | **-** | **45,962** | **326** | **11,849,149** | **422,598,497** |
| Liabilities included in disposal groups classified as held for sale | 29,180 | 41,954 | 552 | - | - | 496,919 | - | - | - | 568,605 |
| **Total current liabilities** | **96,386,981** | **286,619,540** | **27,276,930** | **473,926** | **17,369** | **496,919** | **45,962** | **326** | **11,849,149** | **423,167,102** |
| **Non-current liabilities** | | | | | | | | | | |
| Other financial liabilities, non-current | 207,083,354 | 144,500,000 | 1,081,831,135 | - | - | - | - | - | 25,206,255 | 1,458,620,744 |
| Other long-term provisions | 8,349,746 | 19,963,609 | - | - | - | - | 8,677,441 | - | 636,409 | 37,627,205 |
| Deferred tax liabilities | 46,663,599 | 125,505,023 | - | - | - | - | - | - | 6,252,235 | 178,420,857 |
| Provisions for employee benefits, non-current | 1,608,393 | 17,067,461 | - | - | - | - | - | - | 182,724 | 18,858,578 |
| Other non-financial liabilities, non-current | - | 79,866,410 | - | - | - | - | - | - | - | 79,866,410 |
| **Total non-current liabilities** | **263,705,092** | **386,902,503** | **1,081,831,135** | **-** | **-** | **-** | **8,677,441** | **-** | **32,277,623** | **1,773,393,794** |
| **Total non-banking liabilities** | **360,092,073** | **673,522,043** | **1,109,108,065** | **473,926** | **17,369** | **496,919** | **8,723,403** | **326** | **44,126,772** | **2,196,560,896** |

**Note 37 – Contingencies**

**(a) Lawsuits**

CSAV is a defendant in litigation and arbitrations relating to cargo transport seeking compensation for damage caused. Most of the potential contingencies are covered by insurance. There are provisions covering the estimated value of the proportion not covered by insurance, and the respective deductibles.

On February 21, 2018, the European Commission fined four international maritime shipping companies, including CSAV, for practices that infringed the rules of its free competition law between October 2006 and September 2012, in relation to its investigation into infringements of free competition rules in the vehicle transport (car carrier) business, during 2018 and through to December 31, 2019. CSAV was fined approximately ThEUR 7,033 based on an agreement reached with the European Commission, due to its collaboration since the start of the investigation and its limited involvement in those practices. This is 1.8% of the total fines it imposed (EUR 395 million).

These payments had no impact on CSAV's net income since a provision was established for such purposes in the Q1 2013 financial statements, which was disclosed to the market in May of that year.

On January 27, 2015, the Chilean National Economic Prosecutor's Office (FNE) issued a summons against several shipping companies, including CSAV, for violating letter a) of article 3 of Decree Law 211 of 1973, regarding the Defense of Free Competition ("DL 211"), in the car carrier business (the "Summons"). As indicated in the Summons and set forth in article 39 bis of DL 211, because the Company is cooperating with the FNE's investigation, it is exempt from fines relating to the practices referred to in the Summons. On April 24, 2019 the TDLC ruled on the case, and CSAV was declared exempt from the fine, because it was entitled to the leniency benefit and had demonstrated that it met the requirements for eligibility. The Court fined two of the shipping companies under investigation, partially upholding the FNE's injunction. There are pending appeals filed by some participants in the case, and the final resolution lies with the Supreme Court.

Additionally, on March 13, 2017, the Peruvian National Institute in Defense of Competition and Protection of Intellectual Property (INDECOPI) initiated an administrative procedure against several shipping companies, including CSAV, for alleged collusive practices in the maritime car carrier business. CSAV is exempt from fines in relation to conduct described in the administrative procedure as a result of its cooperation in the INDECOPI investigation, so this process does not have any financial effect on CSAV's net income. On May 14, 2018, INDECOPI concluded these proceedings and exempted CSAV from any fines, in accordance with Peruvian law.

Some vehicle end buyers, distributors and freight forwarders or direct contract holders have filed a class action "on their own behalf and on behalf of those in a similar situation" before the US Federal Maritime Commission (FMC) based on investigations by the US Department of Justice (US DOJ), against a group of companies engaged in the car carrier business, including CSAV and its former agency in New Jersey, for damages and losses suffered directly by contracting freight services or indirectly by buying imported cars in the United States. These class action suits were consolidated in the District Court of New Jersey. However, in late August 2015 the court ruled that they should be decided by the FMC, based on a motion filed by the Company. The U.S. Supreme Court dismissed the motions that were pending against this ruling.

Fiat Chrysler automobiles NV, FCA US LLC, and FCA Italy SpA (together Fiat Chrysler) filed a demand before the FMC against a group of companies engaged in maritime vehicle transport, including CSAV. The US Shipping Act of 1984 and the FMC's regulations do not provide for resolving class action suits. Therefore, on May 7, 2018 the FMC rejected these proceedings. The parties reached an agreement with respect to the Fiat Chrysler claim, so the case has been dropped.

**Note 37 – Contingencies (continued)**

**(a) Lawsuits (continued)**

On April 17, 2019, the South African Competition Commission filed an injunction against CSAV for alleged anti-competitive behavior when negotiating a contract to transport vehicles from South Africa to Europe in 2011. The injunction is currently before the South African Competition Court. Therefore, an estimate of any potential financial impact on CSAV cannot be made at this time.

On August 23, 2019, CSAV was served with a claim for damages by Daimler AG against the company and the shipping companies MOL, WWL, K-Line and NYK before the High Court of Justice, Commercial and Property Courts, of England and Wales. The claim is based on alleged losses suffered by the plaintiff as a result of agreements or collusion between the defendants and others in connection with providing international roll-on/roll-off maritime transport services (referred to as 'RoRo Services') from February 1997 to at least September 6, 2012. On September 26, 2019, CSAV responded to the lawsuit, objecting to the period covered by the claim and other issues, and the case is currently in its discussion stage. Therefore, an estimate of any potential financial impact on CSAV cannot be made at this time.

As of December 31, 2019, claims have been filed against CSAV related to its container shipping business prior to the merger with HLAG. However, in accordance with the merger agreement between CSAV and HLAG, HLAG is now legally and financially liable for all legal contingencies related to the operations of the container shipping business, including legal expenses and potential disbursements, even when CSAV is party to the claim.

**a.2** Enex is party to civil lawsuits for breach of contract, damages and to enforce performance of supply and transaction contracts, brought by Combustibles Surenergy Limitada and others against Enex, based on alleged breaches of fuel supply and transaction contracts. The damages demanded amount to Ch$3,889,266,189 plus court costs. The case is being processed by the Ninth Civil Court of Santiago under case number 2342-16. The initial ruling was unfavorable for Enex, with Enex ordered to pay: a) Ch$2,008,218,176 plus indexation and interest, for consequential damages; b) Ch$5,589,501 per month until it refunds the performance guarantees and promissory notes paid; c) Ch$205,157,904 for loss of profits; and d) court costs. Enex filed an appeal against the first ruling, which was fully accepted by the Santiago Court of Appeals, and the plaintiffs were ordered to pay the court costs. The plaintiffs filed an appeal against the Appeals Court ruling before the Supreme Court, which has not yet ruled (Supreme Court case number 18118-2019).

**a.2.1** Arbitral claim brought by Constructora Geometra Limitada for alleged breach of the construction contract for a service station located on the western side of the concessionary north-south highway operated by Autopista Central S.A. at kilometer 29 in San Bernardo. The lawsuit is being processed by the arbitrator Luis Absalón Valencia under the case number CAM 32112017, and the amount claimed is Ch$1,700,000,000 for consequential damage and lost profits. The discussion stage is complete. Testimonial evidence is currently being provided.

**a.3** Although Alusa S.A. and its subsidiaries were sold during the year ended December 31, 2016, Tech Pack S.A. has rights and obligations on contingencies related to transactions involving the packaging operations that occurred prior to the date of the sale of that business.

**a.4** As of December 31, 2019, the subsidiary Invexans S.A. has lawsuits pending against it with respect to demands related to its normal businesses, which present no risk of significant losses, according to its legal advisors.

The tax contingencies of Invexans deriving from the sale of the cables unit to Nexans are detailed in Note 37 c).

**a.5** The subsidiary SM SAAM has pending litigation and lawsuits for compensation for damages arising from its operations. The amounts below the deductible have been provisioned and the Company also has insurance policies to cover any potential loss contingencies.

## Note 37 – Contingencies (continued)

### b. Financial contingencies

**b.1** As of December 31, 2019, Quiñenco and its group companies comply with the financial covenants related to bond issues. Quiñenco's principal financial covenants are as follows.

- To maintain unencumbered assets over unsecured debt at book value of at least 1.3 times. As of December 31, 2019, the ratio of unencumbered assets to unsecured debt at book value is 4.5 times, detailed as follows:

| **Quiñenco individual** | **ThCh$** |
|---|---|
| Total assets | 4,484,746,288 |
| Encumbered assets | - |
| **Unencumbered assets** | **4,484,746,288** |
| Total current liabilities | 89,543,335 |
| Other short-term provisions | (1,143,686) |
| Provisions for employee benefits, current | (775,711) |
| Total non-current liabilities | 908,768,775 |
| Other long-term provisions | (2,970,789) |
| **Unencumbered liabilities** | **993,421,924** |

- To maintain unconsolidated financial debt over total capitalization of no more than 0.48. As of December 31, 2019, the financial debt over total capitalization at book value is 0.21, as detailed follows:

| **Financial debt** | **ThCh$** |
|---|---|
| Other financial liabilities, current | 22,088,912 |
| Related party payables, current | 4,273 |
| Other financial liabilities, non-current | 825,872,936 |
| Related party payables, non-current | 79,925,050 |
| **Financial debt** | **927,891,171** |
| **Capitalization** | |
| Equity attributable to owners of the controller | 3,486,434,178 |
| Financial debt | 927,891,171 |
| **Capitalization** | **4,414,325,349** |

- To maintain a consolidated financial debt ratio over total capitalization of no more than 0.63. As of December 31, 2019, consolidated financial debt over total capitalization at book value is 0.25, detailed as follows:

| **Financial debt** | **ThCh$** |
|---|---|
| Other financial liabilities, current | 138,185,192 |
| Related party payables, current | 2,301,475 |
| Other financial liabilities, non-current | 1,725,595,785 |
| Related party payables, non-current | - |
| **Financial debt** | **1,866,082,452** |
| **Capitalization** | |
| Equity attributable to owners of the controller | 3,486,434,178 |
| Financial debt | 1,866,082,452 |
| Non-controlling interests (i) | 2,221,125,853 |
| **Capitalization** | **7,573,642,483** |

(i) Corresponds to: Non-controlling interests in Quiñenco of ThCh$4,012,957,766 less non-controlling interests in LQIF of ThCh$1,791,831,913.

- Minimum equity of Ch$851,659 million. As of December 31, 2019, the equity attributable to owners of the controller is Ch$ 3,486,434 million.
- The Luksic Group must maintain control of Quiñenco.

**Note 37 – Contingencies (continued)**

**b. Financial contingencies (continued)**

Regarding the sale of the insurance business, in which Quiñenco participated through its subsidiary Inversiones Vita S.A., and the latter's insurance subsidiaries Banchile Seguros de Vida S.A. and Seg Chile Seguros Generales S.A, on March 2, 2020 the acquiring companies (related to the Chubb insurance group), issued a price adjustment notice to the sellers, which resulted in a negative adjustment to the sale price of UF27,643 for Quiñenco through its subsidiary Inmobiliaria Norte Verde S.A. The sellers are reviewing the equity adjustments used to justify the price adjustment, and may notify Chubb of any disagreements until mid-April. Discrepancies communicated in this manner that are not resolved by mutual agreement shall be settled by an audit firm appointed in accordance with the respective purchase contract. However, that audit firm cannot grant a greater adjustment than the originally notified amount.

**b.2** The subsidiary LQIF is subject to certain financial covenants contained in the bond-issuance contract and other loan agreements. The principal restrictions as of December 31, 2019, are as follows.

- LQIF should maintain a leverage ratio in its quarterly financial statements of no more than 0.40, measured as the ratio of total adjusted liabilities over total adjusted assets, equivalent to the balances of non-banking service accounts plus the investment in companies (equity value), the restitution of lesser and higher values fixed in UF as of December 31, 2008, and the restitution of balances eliminated in the consolidation. The leverage ratio as of December 31, 2019, was 0.077.
- During three months prior to payment of coupons on these issues, it can pay or lend to related parties provided it maintains a liquidity reserve throughout this period equivalent to at least the payment to bond-holders as of that date.
- LQIF should retain its control of Banco de Chile, and the present controller of the company should remain as such.

**b.3** As of December 31, 2019, Tech Pack has contingencies related to its normal business.

The Share Purchase Agreement signed on April 18, 2016 was finalized on May 31, 2016. As a result, Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A. to Amcor. In said contract Tech Pack S.A. committed to maintaining its liability for tax obligations and rights in the companies that it sold as of the sale date, and in accordance with the terms and conditions of that contract.

The transaction totaled US$ 435 million (on a debt and cash free basis, or Enterprise Value) for the entire flexible packaging business described above, including Nexus Group's share. Tech Pack's share was approximately US$ 285 million, from which net debt was deducted, in addition to adjustments for changes in working capital, as is usual in such transactions.

When this transaction was closed in May 2016, Techpack received US$204 million. It also subsequently sold a logistics center in Chile in 2016, it was reimbursed by the buyer for specific tax credits the same year, and a price adjustment was agreed for changes in working capital recognized in March 2017. These events resulted in Tech Pack SA receiving a total of US$212 million in cash for its interest in the flexible packaging business. A price adjustment was agreed in December 2018 (Note 10 b.1).

**Note 37 – Contingencies (continued)**

**b. Financial contingencies (continued)**

**b.4** Invexans S.A. (legal successor of Madeco S.A.)

Invexans signed a US$10 million loan agreement with Scotiabank in September 2019, which was used to repay the loan from Banco Estado.

In addition to the usual obligations for such loans, it must maintain total leverage of no more than one, and minimum equity of US$250 million in the annual consolidated financial statements. Quiñenco S.A. should also maintain control.

Invexans is complying with all the restrictions stated in the above agreement, as follows:

| Covenants | **12/31/2019** | **Covenants** |
|---|---|---|
| Net total leverage in consolidated statement of financial position | 0.04 | < 1.00 |
| Minimum equity | ThUS$ 397,307 | > ThUS$250,000 |
| Controlled by Quiñenco S.A. | Yes | Yes |

**b.5** Enex S.A.

As of December 31, 2019, the subsidiary Empresa Nacional de Energía Enex S.A. is in compliance with the financial covenants associated with its bank loans.

- Maintain a financial debt to equity plus minority interest ratio of less than 0.5. As of December 31, 2019, the financial debt to equity plus minority interest ratio was 0.38, detailed as follows:

| | **ThCh$** |
|---|---|
| | **12/31/2019** |
| Other financial liabilities, current | 11,465,666 |
| Other financial liabilities, non-current | 219,835,992 |
| Total financial debt | 231,301,658 |

| | **12/31/2019** |
|---|---|
| Equity attributable to owners of the controller | 610,127,175 |
| Non-controlling interests | (6) |
| Total equity | 610,127,169 |

- Maintain a ratio of EBITDA over financial costs greater than 2.5. As of December 31, 2019, EBITDA over financial costs was 4.94, as follows.

| | **ThCh$** |
|---|---|
| | **12/31/2019** |
| Net income from operating activities | 39,147,409 |
| Depreciation | 32,213,838 |
| Amortization of rights of use | 19,898,918 |
| EBITDA | 91,260,165 |
| Interest on bank loans | 11,452,718 |
| Right-of-use interest | 5,871,854 |
| Other interest | 1,135,974 |
| Total finance costs | 18,460,546 |

**Note 37 – Contingencies (continued)**

**b. Financial contingencies (continued)**

**b.6** CSAV

The financing agreements at CSAV and its subsidiaries have the following covenants:

**b.6.1**. Loan from Banco Itaú Chile for ThUS$45,000

a) Restrict consolidated borrowing to keep Total Liabilities over Total Equity to no more than 1.3. As of December 31, 2019 CSAV's borrowing ratio was 0.13.
b) Maintain unencumbered assets at 130% of consolidated financial liabilities. As of December 31, 2019, the unencumbered assets over consolidated financial liabilities ratio was 10.07.
c) Quiñenco S.A. should have control over the issuer or should have at least 37.4% of the subscribed and paid capital of the issuer.
d) Maintain minimum consolidated total assets of ThUS$1,614,606. As of December 31, 2019, total assets were ThUS$2,517,379.

**b.6.2** Series B bearer bonds for ThUS$50,000, Securities Registry 839:

a) Restrict consolidated borrowing to keep Total Liabilities over Total Equity to no more than 1.3. As of December 31, 2019 CSAV's borrowing ratio was 0.13.
b) Maintain unencumbered assets at 130% of consolidated financial liabilities. As of December 31, 2019 this ratio was 11.3.
c) Maintain total minimum consolidated assets of ThUS$ 1,614,302. As of December 31, 2019, total assets were ThUS$2,517,379.

**b.6.3** Series C bearer bonds for ThUS$100,000, Securities Registry (CMF) 955:

a) Restrict consolidated borrowing to keep Total Liabilities over Total Equity to no more than 1.3. As of December 31, 2019 CSAV's borrowing ratio was 0.13.
b) Maintain unencumbered assets at 130% of consolidated financial liabilities. As of December 31, 2019 this ratio was 10.07.
c) Maintain total minimum consolidated assets of ThUS$ 1,614,302. As of December 31, 2019, total assets were ThUS$2,517,379.

**b.6.4** Mortgages for financial commitments.

As of December 31, 2019, CSAV has not mortgaged any of its assets to guarantee its financial obligations.

## Note 37 – Contingencies (continued)

### b. Financial contingencies (continued)

**b.7** SM SAAM

The subsidiary SM SAAM and its subsidiaries have the following contractual provisions governing its management and financial indicators.

| Company | Financial Entity | Description | Condition | 12/31/2019 | 12/31/2018 |
|---|---|---|---|---|---|
| Sociedad Matriz SAAM S.A. | Santander (Bonds) | Net financial debt to equity<br>Net financial costs coverage ratio<br>Guarantees over total assets | ≤ 1.2 each quarter<br>> 2.75 each quarter<br>< 5% | 0.42<br>13.34<br>0% | 0.10<br>11.96<br>0% |
| SAAM S.A. | Scotiabank | Net financial debt to equity<br>Net financial costs coverage ratio | ≤ 1.2 each quarter<br>> 2.75 each quarter | 0.40<br>12.81 | -<br>- |
| Iquique Terminal Internacional S.A. (ITI) | Banco de Crédito e Inversiones | Net Financial Debt / EBITDA<br>Financial debt to equity | ≤ 3.5 as of December 31 each year, from 2016 onwards<br>≤ 3 as of December 31 each year | 0.22<br>0.27 | 0.22<br>0.11 |
| SAAM Remolques SA de C.V | Banco Corpbanca NY | Net Financial Debt/EBITDA ratio<br>Interest coverage ratio | ≤ 3 as of December 31 each year<br>> 3 each quarter | 1.95<br>5.20 | 1.64<br>- |
| SAAM Towage Canada Inc | Banco Scotiabank Canada | Debt over net tangible assets<br>Consolidated EBITDA over financial expenses and debt repayments | < 2.5 every quarter<br>≥ 1.25 every quarter | 1.23<br>4.83 | 1.54<br>6.88 |
| SAAM Towage Canada Inc | Banco Scotiabank Canada | Debt over net tangible assets<br>Consolidated EBITDA over financial expenses and debt repayments | < 2.5 every quarter<br>≥ 1.25 every quarter | 1.23<br>4.83 | 1.54<br>6.88 |
| Sociedad Portuaria Caldera S.A. | Banco Davivienda | Borrowing ratio, Total liabilities / Total assets | ≤83% | 0.7 | 0.6 |
| Sociedad Portuaria Caldera S.A. | BAC San José | Debt servicing coverage<br>Borrowing ratio, Total liabilities / Total assets<br>Debt servicing coverage | > 1.2<br>< 3.5 every quarter<br>≥ 1.25 every quarter | 1.4<br>2.5<br>1.4 | 2.3<br>1.7<br>2.3 |
| Sociedad Portuaria Granelera de Caldera S.A. | BAC San José | Borrowing ratio, Total liabilities / Equity<br>Debt servicing coverage | < 3.5 every quarter<br>≥ 1.25 every quarter | 1.9<br>2.5 | 2.0<br>2.7 |
| Sociedad Portuaria de Caldera S.A. | Banco Davivienda | Borrowing ratio, Total liabilities / Total assets<br>Debt servicing coverage | < 83% every quarter<br>≥ 1.2 every quarter | 0.7<br>2.5 | 0.7<br>2.7 |
| Florida International Terminal | BCI Miami | Borrowing ratio, Total liabilities / Equity<br>Ratio, Financial debt / EBITDA | < 5.0<br>< 4.0 | 2.5<br>3.9 | 0.7<br>0.3 |
| Inarpi | BCI Miami | Finance expense coverage ratio<br>Net Financial Debt/EBITDA<br>Guarantor's minimum equity | ≥ 3 as of December 31 each year<br>≤ 4.5 as of December 31 each year<br>SAAM Puertos must have minimum equity of ThUS$140,000 as of December 31 each year | 47.8<br>0.6<br>307,007 | -<br>-<br>- |
| SAAM Towage Brasil | BNDES<br>Caterpillar | Total liabilities / Total assets<br>Total liabilities / Total assets | < 80%<br>< 80% | 0.5<br>0.5 | -<br>- |

**Note 37 – Contingencies (continued)**

**(c) Tax contingencies**

**c.1** Lawsuits following the acquisition of Ficap S.A.

Sale of the Cable Unit to Nexans

On September 30, 2008, the sale of the company's cable unit to Nexans was completed. This cable unit had operations in Chile, Peru, Brazil, Argentina, and Colombia. In addition to the usual reps and warranties, the following covenants and restrictions were agreed: i) to maintain assets of not less than US$250 million during the term of the reps and warranties, and indemnities derived therefrom; and, ii) to grant Nexans the same collateral that it may grant to its creditors in the future.

Nexans is entitled to be indemnified for the taxes in Brazil accrued until the date of sale, with Invexans liable for 90% and the remaining 10% to be covered by Nexans, limited to: i) US$2.8 million for lawsuits at the time of sale; and, ii) US$24 million for subsequent lawsuits. Invexans' general liability is limited to US$147 million.

Invexans has to respond to the following process in Brazil regarding tax payments arising prior to September 30, 2008.

On July 19, 2006, Ficap S.A., a former Invexans cables subsidiary and now Nexans Brasil S.A. ("Nexans Brasil – ex Ficap"), received an assessment from the Brazilian Federal Tax Authority for the tax years 2001 to 2005, which rejected the amortization of the goodwill that arose when it was acquired by Madeco. This assessment was paid by Invexans at the end of 2014 under a tax amnesty program in Brazil.

In applying the same criteria for taxable years 2006 and following, Nexans Brasil -ex Ficap made court deposits in order to avoid paying interest and fines on the additional income tax that it would have had to pay if the law were to be interpreted as indicated by the tax authorities in that assessment.

Simultaneously, Nexans Brasil - ex Ficap initiated a legal action in order to obtain a judgment recognizing its right to amortize the goodwill.

In accordance with the agreement with Nexans, Invexans retains the right to receive those deposits if they are returned by the courts. Invexans also has control over these cases.

The amount claimed by the Brazilian tax authorities for the tax years 2006 and following is largely guaranteed by those deposits.

**Note 38 – Guarantees**

The Company has received no guarantees from third parties as of December 31, 2019 and 2018.

**Note 39 – Sanctions**

Neither the Company nor its directors or managers received any sanctions from the CMF or any other regulatory authority during 2019 and 2018.

**Note 40 – Subsequent events**

On January 13, 2020, the subsidiary CSAV reported the following material event:

In accordance with articles 9 and 10-2 of Law 18,045 and General Regulation 30, as duly authorized, I inform your Commission on behalf of Compañía Sud Americana de Vapores S.A. (hereinafter "CSAV" or the "Company") of the following material event.

1. At an extraordinary meeting of CSAV's Board of Directors held today, January 13, 2020, the Company's Board of Directors approved the acquisition of shares in Hapag-Lloyd AG (hereinafter "HLAG") by CSAV's wholly owned German subsidiary, CSAV Germany Container Holding GmbH (hereinafter "CG Hold Co"). As a result of this acquisition of shares, CSAV via CG Hold Co will hold 52,728,038 shares, equivalent to almost 30% of HLAG.

This acquisition will require an investment of around US$330 million and will be financed by CSAV with a loan from its controller, Quiñenco S.A.

The financial effect of this transaction can only be reasonably quantified once the purchase price allocation (PPA) process for the new shares has been completed, not withstanding the booking CSAV must carry out of its investment in HLAG under the equity method, in accordance with accounting regulations.

2. At the same extraordinary meeting, the Board of Directors agreed to announce that an Extraordinary Shareholders' Meeting will be called within the next few weeks on a date to be determined by the Board, in order for shareholders to approve a capital increase of US$350 million, which will be used to adjust the Company's indebtedness ratio."

On March 4, 2020, INVEXANS S.A. reported a material event:

"In accordance with the provisions of Articles 9 and 10-2 of Law 18,045 and General Regulation 30 issued by the Financial Market Commission, duly authorized, I inform you of the following material event of Invexans S.A. (hereinafter the "Company" or "Invexans").

At today's meeting, the Board of Directors agreed to call an Extraordinary Shareholders' Meeting to be held on March 23, 2020, at 10:00 am, at Enrique Foster 30, Las Condes, Santiago, in the Hyatt Centric Hotel, Sauvignon Blanc Room, in order for the shareholders to approve the company's merger (hereinafter "Merger") with Inversiones Río Argenta S.A., (hereinafter "Inversiones Río Argenta"), where Invexans would absorb by incorporation Inversiones Río Argenta, and address the following particular issues:

1. Approve the Merger in accordance with Chapter XVI of Law 18,046 on Corporations (hereinafter "CL").
2. Approve the Merger in accordance with Chapter IX of CL, based on background information used as a basis for the Merger.
3. Approve a capital increase at Invexans of US$811,394,437 by issuing 28,470,766,980 new registered shares without par value or whatever the Extraordinary Shareholders' Meeting may determine, and accordingly amend articles five and eighteen of the Company's bylaws, in accordance with the other conditions for this purpose.
4. Amend the corporate purpose of Invexans, in order to update and complement it, incorporating the business of Inversiones Río Argenta, and amending article four of the Company's bylaws for such purposes.

**Note 40 – Subsequent events (continued)**

5. Authorize the Board of Directors to issue the new shares under the capital increase and to directly distribute them among the shareholders of Inversiones Río Argenta, and register them in the Securities Registry of the Financial Market Commission.
6. Select the date when the Merger will take effect.
7. Approve all other agreements required to carry out the Merger, and grant powers to proceed with and legalize the Merger.
8. Review the agreements with related parties regarding the Company's business, in accordance with Chapter XVI of CL.

The holders of shares registered in the Company's Shareholders Registry at midnight on March 17, 2020, shall have the right to participate in this Meeting.

Any powers of attorney shall be authorized on the same day of the Meeting when it is scheduled to begin.

The shareholders may request copies of the documents that explain and support the matters that are submitted for their approval at the Extraordinary Shareholders' Meeting, which include: (i) the Merger terms and conditions; (ii) the audited financial statements of the companies; (iii) the expert's report on the Merger; (iv) the bylaws of the successor company; (v) the reports of independent appraisers appointed by the Boards of Invexans and Inversiones Río Argenta, regarding related party transactions; and (vi) other information related to the Merger, from the Company's offices at Enrique Foster Sur 20, Office 1202, Las Condes, Santiago, from Monday to Friday between 9:00am and 6:00pm. Furthermore, these documents will be available to shareholders on the Company's website www.invexans.cl

Finally, approving the Merger will grant dissenting shareholders the right to withdraw from the Company. This right of withdrawal must be exercised within 30 days of the Extraordinary Shareholders' Meeting. The share price payable to shareholders who have exercised their right of withdrawal will be the book value of their shares. According to the financial statements as of December 31, 2019, filed with the Financial Market Commission, this price will be US$0.01784 per share, which will be paid in Chilean pesos as will be reported at Invexans Extraordinary Shareholders' Meeting".

There were no other events of a financial or other nature between December 31, 2019, and the date of issuance of these consolidated financial statements that could significantly affect their interpretation.

**Note 41 - Additional notes**

The Notes to the consolidated financial statements of Banco de Chile and subsidiaries in accordance with the regulations issued by the Financial Market Commission are detailed as follows:

**Note 41.1 – Corporate information**

Banco de Chile has been authorized to operate as a commercial bank since September 17, 1996. In accordance with Article 25 of Law 19,396, it is the legal successor to Banco de Chile resulting from the merger of Banco Nacional de Chile, Banco Agrícola and Banco de Valparaíso, which was constituted by public deed dated October 28, 1893, granted before the Notary Public of Santiago, Mr. Eduardo Reyes Lavalle, authorized by Supreme Decree dated November 28, 1893.

Banco de Chile is a corporation organized under the laws of the Republic of Chile, supervised by the Financial Market Commission (hereinafter the "CMF"), in accordance with Law 21,130 dated January 12, 2019, which integrated the Superintendency of Banks and Financial Institutions ("SBIF") with the Financial Market Commission as of June 1, 2019. Since 2001, it has been regulated by the United States Securities and Exchange Commission (hereinafter the "SEC") because it is listed on the New York Stock Exchange (hereinafter the "NYSE") through an American Depositary Receipt (hereinafter "ADR") program.

Banco de Chile offers a wide range of banking services to its customers, who range from individuals to large corporations. Banco de Chile also provides international banking and treasury services and services provided by subsidiaries, which include securities brokerage, mutual and investment fund management, insurance brokerage, financial advisory services, and securitization.

The Extraordinary Shareholders' Meeting held on July 18, 1996, recorded in public deed dated July 19, 1996, before the Santiago notary, René Benavente Cash, resolved that the company previously called Banco de Chile accept the provisions of the third and fifth paragraphs of Law 19,396 which modified the conditions of payment of the Subordinated Obligation with the Chilean Central Bank. This resolution transformed the company, changed its name to Sociedad Matriz del Banco de Chile S.A., or SM-Chile S.A., and amended its corporate purpose to holding shares in Banco de Chile and carrying out the other activities permitted by Law 19,396. It was also agreed to transfer all the assets and liabilities of the company, with the sole exception of the Subordinated Obligation with the Chilean Central Bank, to a new banking corporation to be called Banco de Chile, and agreed to create a closely-held corporation called Sociedad Administradora de la Obligación Subordinada SAOS S.A., to which would be transferred this obligation with the Chilean Central Bank as a part of the shares in the new banking company, Banco de Chile.

On November 8, 1996, Banco de Chile thus became Sociedad Matriz del Banco de Chile S.A., or SM-Chile S.A., and all of its assets, liabilities and memorandum accounts were transferred, except for the Subordinated Obligation, to the new banking company Banco de Chile. On the same date, the company subscribed and paid a capital increase in Sociedad Administradora de la Obligación Subordinada SAOS S.A. through the transfer of ownership of 28,593,701,789 shares in the new Banco de Chile, granting a special pledge in favor of the Chilean Central Bank, which shares represent 28.31% of the share capital of that bank (28.31% in 2018) and transferred to that company the responsibility for paying the Subordinated Obligation, thus releasing Sociedad Matriz del Banco de Chile S.A. from that obligation. The Company retains the commitment to transfer to Sociedad Administradora de la Obligación Subordinada SAOS S.A. the dividends and 567,712,826 fully paid shares in Banco de Chile that it holds, while the latter company maintains the subordinated obligation with the Chilean Central Bank.

**Note 41– Additional notes (continued)**

**Note 41.1 – Corporate information (continued)**

On April 30, 2019, the contractual value of the subordinated obligation with the Chilean Central Bank, was repaid including interest, which totaled UF 3,264,381.89 (UF 3,213,032.06 as of December 31, 2018), net of the surplus balance in the "Surpluses for Future Deficits account." The total paid in 2019 was ThCh$90,299,887 (ThCh$88,569,767 for the year ended December 31, 2018).

The elimination of the subordinated obligation with the Chilean Central Bank allowed the law to dissolve SM Chile and the subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. Subsequently, SM Chile shareholders received the shares that SM Chile held in Banco de Chile on June 6, 2019.

As of December 31, 2019, SM Chile is being liquidated.

SM Chile is governed by Law 19,396 and is subject to the regulatory authority of the Financial Market Commission.

**Note 41.2 - Accounting Changes**

The accounting policies adopted when preparing these consolidated financial statements are consistent with those used to prepare the consolidated financial statements of the Bank for the year ended December 31, 2018, except for adopting new standards with effect from January 1, 2019.

As of January 1, 2019, the Bank adopted IFRS 16 Leases for the first time. For the purposes of initial application, the Bank chose to recognize the accumulated effect on the initial adoption date (January 1, 2019), and not to restate comparative information, by recognizing a right-of-use asset for an amount equal to the lease liabilities of ThCh$144,496,638 (See Note 41.14 letter d). This amount was the present value of the remaining lease payments, discounted using the Bank's incremental financing rate.

During the year ended December 31, 2019, no other significant accounting changes have occurred that affect the presentation of these consolidated financial statements.

**Note 41.3 – Material information on the banking subsidiaries**

(a) On January 18, 2019, the subsidiary Banchile Corredores de Bolsa S.A. informed that at a Board Meeting held on that day, the Board accepted the resignation submitted by Mr. Roberto Serwaczak Slowinski as director of the company.

(b) On January 24, 2019, at Ordinary Board Meeting 2,895, the Board of Directors agreed to call an Annual General Shareholders' Meeting for March 28, 2019 with the purpose of proposing to distribute dividend 207 of Ch$3.52723589646 per share, which represents 70% of net distributable income and retain the remaining 30%, and other matters.

**Note 41– Additional notes (continued)**

**Note 41.3 – Material information on the banking subsidiaries (continued)**

(c) On January 28, 2019, Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada, signed a Strategic Alliance Framework Agreement with the insurance companies Chubb Seguros Chile S.A. and Chubb Seguros de Vida Chile S.A. that establishes the general terms and conditions under which the Bank will grant these companies exclusive access for a period of 15 years to offer the Bank's customers insurance services using Banchile and the Bank's physical and digital channels, subject to the exceptions agreed by the parties.

This Agreement included an initial payment on the date the contract was signed, in accordance with its conditions, and annual payments subject to meeting insurance sales targets during its term.

Signing the contracts described in the Agreement was subject to the National Economic Prosecutor's Office approving all of them, accordingly the parties notified the transaction, in accordance with Chapter IV of Decree Law 211.

(d) On March 14, 2019, the Board of Directors of Banco de Chile at its Ordinary Meeting 2,897 agreed that minimum dividends of 60% of the net distributable income for the year should be provisioned. Therefore, net distributable income shall be understood to be net income for the period, less inflation adjustments to share capital and reserves according to changes in the Consumer Price Index as of the previous month and November of the previous year.

(e) On March 28, 2019, the Banco de Chile Annual General Shareholders' Meeting approved the distribution of dividend 207 of Ch$3.52723589646 per share, payable from net distributable income for 2018. This AGM also agreed to retain 30% of net distributable income for 2018.

Mr. Julio Santiago Figueroa was appointed a director of Banco de Chile. He will hold this position until the Board of Directors is reappointed.

(f) On May 20, 2019, the subsidiary Banchile Corredores de Bolsa S.A. reported that at an Ordinary Board Meeting of Banchile Corredores de Bolsa S.A. held on May 17, 2019, the Board appointed Mr. Fuad Jorge Muvdi Arenas as a Director.

(g) On June 4, 2019, Banco de Chile reported that having fulfilled the conditions included in the Strategic Alliance Framework Agreement signed by Banco de Chile, its subsidiary Banchile Corredores de Seguros Limitada and the insurance companies Chubb Seguros Chile S.A. and Chubb Seguros de Vida Chile S.A. on January 28, 2019, and in order to comply with the Agreement, the following contracts were signed:

- Exclusive access contracts to distribution channels between the Bank and the Companies;
- Insurance supply, brokerage and distribution contracts between Banchile and each company;
- Trademark usage contracts between the Bank and each company; and
- Collection contracts between the Bank and each company.

**Note 41– Additional notes (continued)**

**Note 41.3 – Material information on the banking subsidiaries (continued)**

(h) On June 10, 2019, Banco de Chile reported that on that date Mr. Rodrigo Manubens Moltedo presented his resignation from the position of alternate director of Banco de Chile.

(i) On June 27, 2019, Banco de Chile reported that at an Ordinary Board Meeting Ms. Sandra Guazzotti was appointed as first alternate director to replace Mr. Rodrigo Manubens Moltedo until the next Annual General Shareholders' Meeting.

(j) On July 1, 2019, Banco de Chile reported the decease of Banco de Chile's director Gonzalo Menéndez Duque.

(k) On July 8, 2019, Banchile Administradora General de Fondos S.A. reported that on July 5, 2019, Mr. Nicolás Luksic Puga resigned from his position as Director.

(l) On August 8, 2019, Banco de Chile reported that at an Ordinary Board Meeting Mr. Hernán Büchi Buc was appointed as director to replace Mr. Gonzalo Menéndez Duque until the next Annual General Shareholders' Meeting.

(m) On November 28, 2019, Banco de Chile reported that at an Ordinary Board Meeting Mr. Paul Fürst Gwinner was appointed as second alternate director to replace Mr. Thomas Fürst Freiwirth until the next Annual General Shareholders' Meeting.

(n) On November 29, 2019, Banco de Chile reported that together with Citigroup Inc. it has agreed to extend the validity of the Cooperation Contract and the Global Connectivity Contract both signed on October 22, 2015. Therefore these contracts were extended from January 1, 2020 to January 1, 2022, and the parties may agree before August 31, 2021, on a two-year extension with effect from January 1, 2022. In the absence of such an agreement, the contracts will be extended only once for one year from January 1, 2022 until January 1, 2023. The same renewal procedure may be used in the future as many times as agreed by the parties.

Together with the above and on the same date, Banco de Chile and Citigroup Inc. signed an Amended and Restated Trademark License Agreement and an Amended and Restated Master Services Agreement, agreeing that their duration will be the same as those established in the Cooperation Agreement referred to in the previous paragraph.

On November 28, 2019, at Banco de Chile Ordinary Board Meeting 2,912, the Board approved this extension, under the terms in Articles 146 onwards of CL.

**Note 41– Additional notes (continued)**

**Note 41.4 - Segment reporting**

For management purposes, the Bank is organized into four segments, based on its products and services and its target customers, which are defined as follows:

Retail: This segment focuses on individuals and small and medium-sized businesses (SMEs) with annual sales up to UF70,000, where the products are focused primarily on consumer loans, commercial loans, checking accounts, credit cards, credit lines and mortgage loans.

Wholesale: This segment focuses on corporate clients and large companies, whose annual revenue exceeds UF70,000, where the products focus primarily on commercial loans, checking accounts and cash-management services, debt instruments, foreign trade, derivative contracts and leases.

Treasury: This segment includes revenue associated with managing the Bank's investment portfolio and its finance and exchange operations.

Transactions with customers carried out by the Treasury are shown in the above respective segments. These products are generally highly transaction-focused and include foreign exchange transactions, derivative contracts and financial instruments.

Subsidiaries: This segment includes companies and corporations controlled by the Bank, where results are obtained individually by the company, but their management is related to the previously mentioned segments. The companies that comprise this segment are:

**Entity**

- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- Banchile Corredores de Seguros Ltda.
- Banchile Corredores de Bolsa S.A.
- Banchile Securitizadora S.A.
- Socofin S.A.

**Note 41– Additional notes (continued)**

**Note 41.4 – Segment reporting (continued)**

The financial information used to measure the performance of the Bank's business segments is not comparable with similar information from other financial companies because it is based on internal reporting policies. The accounting policies described in the summary of accounting principles are applied to all business segments. The Bank obtains most of its revenue from interest, indexation adjustments, fees, financial transactions and foreign exchange transactions, less provisions for loan losses and operational expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals and the allocation of resources to each unit. Although the segment results are reconciled with those of the Bank as a whole, this is not necessarily the case at the level of various items, since management is measured and controlled on an individual basis and not on a consolidated basis, by applying the following criteria:

- The net interest margin of loans and deposits is measured by aggregating the net financial margins of each of the Bank's individual loan and deposit transactions. The volume of each transaction and its contribution margin are used for this purpose, which is the difference between the customer's effective rate and the internal transfer price established according to the term and currency of each transaction. Net margin includes interest income and adjustments from accounting hedges.

- Capital and its financial impacts on income have been assigned to each segment in accordance with their risk-weighted assets.

- Operating expenses are shown at each of the Bank's functional areas. Expenses are allocated from functional areas to business segments using various allocation criteria to the corresponding expenditure headings.

Taxes are managed on a corporate basis and are not allocated to business segments.

There were no transactions with a customer or counterparty that exceed 10% of the Bank's total revenue for the years ended December 31, 2019 and 2018.

## Note 41– Additional notes (continued)

### Note 41.4 – Segment reporting (continued)

The following table shows the results for the years ended December 31, 2019 and 2018, for each segment.

| | Retail | | Wholesale | | Treasury | | Subsidiaries | | Subtotal | | Consolidation adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| Net interest and indexation income | 1,033,646,157 | 972,171,038 | 359,074,369 | 355,450,530 | (19,246,101) | (2,414,876) | (7,651,139) | (8,994,239) | 1,365,823,286 | 1,316,212,453 | 3,551,746 | 3,697,434 | 1,369,375,032 | 1,319,909,887 |
| Net fee income | 270,063,499 | 184,547,282 | 48,096,694 | 45,904,991 | (3,241,368) | (4,031,127) | 153,330,440 | 145,703,549 | 468,249,265 | 372,124,695 | (10,948,186) | (12,168,282) | 457,301,079 | 359,956,413 |
| Other operating income | 34,854,743 | 43,288,394 | 61,505,469 | 59,375,587 | 45,105,047 | 63,930,672 | 53,931,436 | 33,340,588 | 195,396,695 | 199,935,241 | (7,552,441) | (6,518,519) | 187,844,254 | 193,416,722 |
| Total operating revenue | 1,338,564,399 | 1,200,006,714 | 468,676,532 | 460,731,108 | 22,617,578 | 57,484,669 | 199,610,737 | 170,049,898 | 2,029,469,246 | 1,888,272,389 | (14,948,881) | (14,989,367) | 2,014,520,365 | 1,873,283,022 |
| Provisions for loan losses | (333,156,736) | (287,569,105) | (14,052,050) | 6,040,687 | — | — | (65,714) | 118,169 | (347,274,500) | (281,410,249) | — | — | (347,274,500) | (281,410,249) |
| Depreciation and amortization | (58,725,596) | (29,570,912) | (5,885,273) | (5,008,172) | (84,515) | (90,731) | (5,846,011) | (3,011,119) | (70,541,395) | (37,680,934) | — | — | (70,541,395) | (37,680,934) |
| Other operating expenses | (587,212,248) | (561,511,596) | (151,660,142) | (152,920,938) | (5,040,429) | (4,693,199) | (111,499,119) | (105,906,138) | (855,411,938) | (825,031,871) | 14,948,881 | 14,989,367 | (840,463,057) | (810,042,504) |
| Income from investments in other companies | 3,957,444 | 4,220,228 | 1,669,187 | 2,173,018 | 331,145 | 399,767 | 492,705 | 462,053 | 6,450,481 | 7,255,066 | — | — | 6,450,481 | 7,255,066 |
| Net income (loss) before taxes | 363,427,263 | 325,575,329 | 298,748,254 | 311,015,703 | 17,823,779 | 53,100,506 | 82,692,598 | 61,712,863 | 762,691,894 | 751,404,401 | — | — | 762,691,894 | 751,404,401 |
| Income tax expense | | | | | | | | | | | | | (169,683,320) | (156,531,375) |
| Net income after taxes | | | | | | | | | | | | | 593,008,574 | 594,873,026 |

The following table shows the total assets and liabilities for the years ended December 31, 2019 and 2018, for each segment.

| | Retail | | Wholesale | | Treasury | | Subsidiaries | | Subtotal | | Consolidation adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| Assets | 18,139,502,606 | 16,425,487,137 | 10,766,373,725 | 10,591,701,687 | 11,426,849,369 | 8,093,849,508 | 964,695,111 | 925,439,546 | 41,297,420,811 | 36,036,477,878 | (345,395,259) | (388,614,921) | 40,952,022,721 | 35,647,859,689 |
| Current and deferred taxes | | | | | | | | | | | | | 321,305,301 | 278,635,121 |
| Total assets | | | | | | | | | | | | | 41,273,328,022 | 35,926,494,810 |
| Liabilities | 11,407,062,747 | 10,399,589,887 | 10,750,445,860 | 9,873,018,230 | 15,075,651,744 | 11,952,655,960 | 781,052,006 | 764,735,619 | 38,014,212,357 | 32,989,999,696 | (345,395,259) | (388,614,921) | 37,444,261,223 | 32,397,540,118 |
| Current and deferred taxes | | | | | | | | | | | | | 76,289,193 | 20,939,159 |
| Total liabilities | | | | | | | | | | | | | 37,520,550,416 | 32,418,479,277 |

**Note 41– Additional notes (continued)**

**Note 41.5 – Cash and cash equivalents**

(a) Cash and cash equivalents and their reconciliation to the statement of cash flows as of December 31, 2019 and 2018, are detailed as follows:

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Cash and bank deposits | | |
| Cash (*) | 889,910,887 | 624,861,697 |
| Deposits in the Chilean Central Bank (*) | 178,428,703 | 121,806,949 |
| Deposits with banks in Chile | 75,650,888 | 26,697,565 |
| Deposits abroad | 1,248,174,902 | 106,713,961 |
| Subtotal – cash and deposits in banks | 2,392,165,380 | 880,080,172 |
| Transactions in the course of collection, net | 232,550,846 | 244,759,098 |
| Highly liquid financial instruments (**) | 1,192,188,095 | 1,058,904,399 |
| Investments under resale agreements (**) | 114,465,711 | 72,629,707 |
| Total cash and cash equivalents | 3,931,370,032 | 2,256,373,376 |

(*) The funds in cash and with the Chilean Central Bank reflect average monthly reserve requirements.

(**) Trading instruments, investment instruments held for sale and investments under resale agreements that meet the definition of cash and cash equivalents.

(b) Transactions in the course of settlement:

Transactions in the course of settlement are transactions for which the only remaining step is settlement, which will increase or decrease funds with the Chilean Central Bank or in foreign banks, normally occurring within 24 to 48 business hours, detailed as follows:

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| **Assets** | | |
| Documents payable by other banks (clearing) | 222,260,689 | 210,743,379 |
| Funds receivable | 362,411,151 | 369,591,163 |
| Subtotal – assets | 584,671,840 | 580,334,542 |
| **Liabilities** | | |
| Funds payable | (352,120,994) | (335,575,444) |
| Subtotal – liabilities | (352,120,994) | (335,575,444) |
| Transactions in the course of settlement, net | 232,550,846 | 244,759,098 |

**Note 41– Additional notes (continued)**

**Note 41.6 – Trading instruments**

Instruments classified as financial instruments for trading are detailed as follows:

| | 2019<br>ThCh$ | 2018<br>ThCh$ |
|---|---|---|
| **Instruments of the State and the Chilean Central Bank** | | |
| Chilean Central Bank bonds | 16,489,898 | 24,905,625 |
| Chilean Central Bank promissory notes | 1,008,034,500 | 1,410,080,885 |
| Other instruments issued by the Chilean Government and Central Bank | 99,164,019 | 88,486,084 |
| **Instruments issued by Chilean Institutions** | | |
| Bonds from other Chilean companies | 1,556,643 | 7,532,018 |
| Bonds from banks in Chile | 55,094,206 | 20,186,116 |
| Deposits with banks in Chile | 315,414,569 | 100,224,558 |
| Other instruments issued in Chile | 3,273,499 | 1,663,813 |
| **Instruments issued by Foreign Institutions** | | |
| Foreign sovereign or central bank instruments | — | — |
| Other foreign instruments | — | 4,446,111 |
| **Investments in mutual funds** | | |
| Funds managed by related parties | 373,328,854 | 87,840,522 |
| Funds managed by third parties | — | — |
| Total | 1,872,356,188 | 1,745,365,732 |

Instruments issued by the State and the Chilean Central Bank include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$15,242,722 as of December 31, 2019 (ThCh$115,749,092 as of December 31, 2018). The repurchase agreements have an average maturity of 3 days as of December 31, 2019 (2 days as of December 31, 2018).

Instruments are held that guarantee margins on offset hedging transactions through Comder Contraparte Central S.A. of ThCh$57,639,284 as of December 31, 2019 (ThCh$34,455,851 as of December 31, 2018).

Instruments issued by Chilean Institutions include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$251,157,858 as of December 31, 2019 (ThCh$99,268,202 as of December 31, 2018). The repurchase agreements have an average maturity of 7 days as of December 31, 2019 (10 days as of December 31, 2018).

The Bank also holds investments in its own mortgage-funding notes amounting to ThCh$8,029,055 as of December 31, 2019 (ThCh$11,396,694 as of December 31, 2018), which are shown deducted from Debt instruments issued.

**Note 41– Additional notes (continued)**

**Note 41.7 – Resale/repurchase agreements and securities borrowing/lending**

(a) Repurchase agreement rights: The Bank grants financing to its customers through resale operations and securities borrowing, where it receives financial instruments in guarantee. As of December 31, 2019 and 2018, these transactions are detailed as follows:

| | Up to 1 month | | 1 to 3 months | | 3 to 12 months | | 1 to 3 years | | 3 to 5 years | | Over 5 years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh $ | ThCh$ | ThCh$ |
| **Instruments of the State and the Chilean Central Bank** | | | | | | | | | | | | | | |
| Chilean Central Bank bonds | 11,183,960 | — | — | — | — | — | — | — | — | — | — | — | 11,183,960 | — |
| Chilean Central Bank promissory notes | — | 741,571 | — | — | — | — | — | — | — | — | — | — | — | 741,571 |
| Other instruments of the State and the Chilean Central Bank | 18,458,709 | — | — | — | — | — | — | — | — | — | — | — | 18,458,709 | — |
| Subtotal | 29,642,669 | 741,571 | — | — | — | — | — | — | — | — | — | — | 29,642,669 | 741,571 |
| **Instruments issued by Chilean Institutions** | | | | | | | | | | | | | | |
| Deposit promissory notes from banks in Chile | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Mortgage bonds from banks in Chile | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Bonds from banks in Chile | 15,406,904 | 366,760 | — | — | — | — | — | — | — | — | — | — | 15,406,904 | 366,760 |
| Deposits with banks in Chile | — | 2,052,589 | — | — | — | — | — | — | — | — | — | — | — | 2,052,589 |
| Bonds from other Chilean companies | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Other instruments issued in Chile | 57,007,258 | 70,335,872 | 29,392,923 | 16,917,573 | 10,879,270 | 6,874,927 | — | — | — | — | — | — | 97,279,451 | 94,128,372 |
| Subtotal | 72,414,162 | 72,755,221 | 29,392,923 | 16,917,573 | 10,879,270 | 6,874,927 | — | — | — | — | — | — | 112,686,355 | 96,547,721 |
| **Instruments issued by Foreign Institutions** | | | | | | | | | | | | | | |
| Foreign sovereign or central bank instruments | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Other foreign instruments | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| **Investments in mutual funds** | | | | | | | | | | | | | | |
| Funds managed by related parties | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Funds managed by third parties | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Total | 102,056,831 | 73,496,792 | 29,392,923 | 16,917,573 | 10,879,270 | 6,874,927 | — | — | — | — | — | — | 142,329,024 | 97,289,292 |

**Instruments bought**

The Bank and its subsidiaries have received financial instruments that they can sell or give in guarantee should the owner of these instruments cease to make payments or be declared bankrupt. As of December 31, 2019, the fair value of the instruments received was ThCh$142,370,307 (ThCh$95,316,485 as of December 31, 2018).

**Note 41– Additional notes (continued)**

**Note 41.7 – Resale/repurchase agreements and securities borrowing/lending (continued)**

(b) Obligations under repurchase agreements: The Bank obtains financing by selling financial instruments and committing to purchase them at future dates, plus interest at a prefixed rate. As of December 31, 2019 and 2018, these repurchase agreements are detailed as follows:

| | Up to 1 month | | 1 to 3 months | | 3 to 12 months | | 1 to 3 years | | 3 to 5 years | | Over 5 years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| **Instruments of the State and the Chilean Central Bank** | | | | | | | | | | | | | | |
| Chilean Central Bank bonds | 7,300,535 | 130,196,888 | — | — | — | — | — | — | — | — | — | — | 7,300,535 | 130,196,888 |
| Chilean Central Bank promissory notes | 9,067,223 | — | — | — | — | — | — | — | — | — | — | — | 9,067,223 | — |
| Other instruments of the State and the Chilean Central Bank | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | 16,367,758 | 130,196,888 | — | — | — | — | — | — | — | — | — | — | 16,367,758 | 130,196,888 |
| **Instruments issued by Chilean Institutions** | | | | | | | | | | | | | | |
| Deposit promissory notes from banks in Chile | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Mortgage bonds from banks in Chile | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Bonds from banks in Chile | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Deposits with banks in Chile | 280,696,315 | 162,167,325 | 8,583,315 | 1,448,256 | — | 5,209,767 | — | — | — | — | — | — | 289,279,630 | 168,825,348 |
| Bonds from other Chilean companies | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Other instruments issued in Chile | 1,645,960 | 4,797,774 | — | — | 1,440,060 | — | — | — | — | — | — | — | 3,086,020 | 4,797,774 |
| Subtotal | 282,342,275 | 166,965,099 | 8,583,315 | 1,448,256 | 1,440,060 | 5,209,767 | — | — | — | — | — | — | 292,365,650 | 173,623,122 |
| **Instruments issued by Foreign Institutions** | | | | | | | | | | | | | | |
| Foreign sovereign or central bank instruments | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Other foreign instruments | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| **Investments in mutual funds** | | | | | | | | | | | | | | |
| Funds managed by related parties | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Funds managed by third parties | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Total | 298,710,033 | 297,161,987 | 8,583,315 | 1,448,256 | 1,440,060 | 5,209,767 | — | — | — | — | — | — | 308,733,408 | 303,820,010 |

**Instruments sold**

The fair value of financial instruments given in guarantee by the Bank and its subsidiaries in sale transactions under repurchase agreements as of December 31, 2019, amounts to ThCh$305,592,693 (ThCh$298,707,654 as of December 31, 2018). In the event that the Bank and its subsidiaries go into receivership or bankruptcy, the counterparty is authorized to sell or pledge these investments.

**Note 41– Additional notes (continued)**

**Note 41.8 – Financial derivative contracts and hedge accounting**

(a) As of December 31, 2019 and 2018 the Bank has the following portfolio of derivative instruments.

| | Notional contract value by final maturity | | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2019** | **Up to 1 month ThCh$** | **1 to 3 months ThCh$** | **3 to 12 months ThCh$** | **1 to 3 years ThCh$** | **3 to 5 years ThCh$** | **Over 5 years ThCh$** | **Total ThCh$** | **Assets ThCh$** | **Liabilities ThCh$** |
| **Derivatives held for fair value hedges** | | | | | | | | | |
| Currency and rate swaps | — | — | — | 8,166,333 | — | — | 8,166,333 | — | 2,546,550 |
| Interest rate swaps | — | — | — | 6,806,018 | — | 79,511,310 | 86,317,328 | 32,091 | 6,738,838 |
| Total derivative hedges at fair value | — | — | — | 14,972,351 | — | 79,511,310 | 94,483,661 | 32,091 | 9,285,388 |
| **Cash flow hedge derivatives** | | | | | | | | | |
| Currency and rate swaps | — | 33,182,457 | — | 192,647,362 | 134,812,170 | 821,241,237 | 1,181,883,226 | 61,562,213 | 34,443,166 |
| Total cash flow hedge derivatives | — | 33,182,457 | — | 192,647,362 | 134,812,170 | 821,241,237 | 1,181,883,226 | 61,562,213 | 34,443,166 |
| **Traded derivatives** | | | | | | | | | |
| Currency forwards | 8,770,180,161 | 8,736,612,853 | 14,803,058,105 | 2,067,618,173 | 65,320,798 | 38,345,880 | 34,481,135,970 | 956,632,466 | 673,630,061 |
| Interest rate swaps | 1,790,714,643 | 5,806,453,078 | 19,749,388,707 | 16,219,324,901 | 7,021,586,213 | 10,823,785,929 | 61,411,253,471 | 888,581,082 | 886,963,525 |
| Currency and rate swaps | 414,716,920 | 858,731,827 | 3,849,107,592 | 5,679,500,280 | 3,569,634,766 | 4,204,064,207 | 18,575,755,592 | 873,371,111 | 1,210,060,586 |
| Currency call options | 22,620,239 | 47,513,255 | 96,988,393 | 11,293,238 | — | — | 178,415,125 | 4,960,906 | 1,529,202 |
| Currency put options | 19,582,644 | 36,024,018 | 92,524,186 | 10,541,358 | — | — | 158,672,206 | 1,076,446 | 2,209,366 |
| Total traded derivatives | 11,017,814,607 | 15,485,335,031 | 38,591,066,983 | 23,988,277,950 | 10,656,541,777 | 15,066,196,016 | 114,805,232,364 | 2,724,622,011 | 2,774,392,740 |
| Total | 11,017,814,607 | 15,518,517,488 | 38,591,066,983 | 24,195,897,663 | 10,791,353,947 | 15,966,948,563 | 116,081,599,251 | 2,786,216,315 | 2,818,121,294 |

| | Notional contract value by final maturity | | | | | | | Fair value | |
|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2018** | **Up to 1 month ThCh$** | **1 to 3 months ThCh$** | **3 to 12 months ThCh$** | **1 to 3 years ThCh$** | **3 to 5 years ThCh$** | **Over 5 years ThCh$** | **Total ThCh$** | **Assets ThCh$** | **Liabilities ThCh$** |
| **Derivatives held for fair value hedges** | | | | | | | | | |
| Currency and rate swaps | — | — | — | — | 11,132,342 | — | 11,132,342 | — | 3,012,300 |
| Interest rate swaps | — | — | 10,555,205 | — | 16,077,648 | 200,320,697 | 226,953,550 | 1,115,837 | 3,152,436 |
| Total derivative hedges at fair value | — | — | 10,555,205 | — | 27,209,990 | 200,320,697 | 238,085,892 | 1,115,837 | 6,164,736 |
| **Cash flow hedge derivatives** | | | | | | | | | |
| Currency and rate swaps | — | 142,045,029 | 213,518,398 | 136,852,302 | 163,027,300 | 482,014,590 | 1,137,457,619 | 34,297,766 | 31,817,726 |
| Total cash flow hedge derivatives | — | 142,045,029 | 213,518,398 | 136,852,302 | 163,027,300 | 482,014,590 | 1,137,457,619 | 34,297,766 | 31,817,726 |
| **Trading derivatives** | | | | | | | | | |
| Currency forwards | 8,414,295,600 | 9,941,108,125 | 13,350,050,873 | 3,843,703,226 | 92,394,998 | 35,373,600 | 35,676,926,422 | 735,443,779 | 631,046,991 |
| Interest rate swaps | 3,977,068,108 | 9,065,335,120 | 25,723,239,360 | 17,216,272,109 | 7,219,269,445 | 9,129,644,426 | 72,330,828,568 | 287,610,082 | 284,840,180 |
| Currency and rate swaps | 227,185,018 | 369,508,747 | 1,983,835,799 | 4,366,800,856 | 3,339,945,833 | 3,695,613,383 | 13,982,889,636 | 450,519,067 | 570,032,142 |
| Currency call options | 16,987,800 | 71,242,773 | 131,174,613 | 9,768,692 | — | — | 229,173,878 | 4,839,026 | 2,921,109 |
| Currency put options | 16,140,653 | 62,808,597 | 103,834,288 | 9,768,692 | — | — | 192,552,230 | 119,588 | 1,533,772 |
| Total trading derivatives | 12,651,677,179 | 19,510,003,362 | 41,292,134,933 | 25,446,313,575 | 10,651,610,276 | 12,860,631,409 | 122,412,370,734 | 1,478,531,542 | 1,490,374,194 |
| Total | 12,651,677,179 | 19,652,048,391 | 41,516,208,536 | 25,583,165,877 | 10,841,847,566 | 13,542,966,696 | 123,787,914,245 | 1,513,945,145 | 1,528,356,656 |

**Note 41– Additional notes (continued)**

**Note 41.8 – Financial derivative contracts and hedge accounting (continued)**

**(b) Fair value hedges**

The Bank uses cross-currency and interest-rate swaps to cover its exposure to changes in the fair value of the financial instruments hedged attributable to interest rates. The hedge instruments mentioned modify the effective cost of long-term assets, from a fixed interest rate to a variable interest rate, reducing the term and modifying the sensitivity to the shortest sections of the curve.

The outstanding items and instruments hedged at fair value as of December 31, 2019 and 2018, are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **Hedged Item** | | |
| Commercial loans | 8,166,333 | 11,132,342 |
| Corporate bonds | 86,317,328 | 226,953,550 |
| | | |
| **Fair value hedge instrument** | | |
| Cross-currency swaps | 8,166,333 | 11,132,342 |
| Interest rate swaps | 86,317,328 | 226,953,550 |

**(c) Cash flow hedges**

(c.1) The Bank uses cross-currency swap derivative instruments to hedge the risk of variability of cash flows attributable to changes in interest rates and fluctuations in exchange rates with respect to bonds issued abroad in US dollars, Hong Kong dollars, Swiss francs, Japanese yen, Peruvian soles, Australian dollars, Euros and Norwegian kroner. The cash flows of the cross-currency swaps contracted are similar to the flows of the items hedged, and modify uncertain flows by known flows at a fixed interest rate.

These cross-currency swap contracts are also used to hedge the risk of changes in the Unidad de Fomento (UF) on asset flows denominated in UF up to a nominal amount equivalent to the notional portion in UF of the hedge instrument, whose indexation impacts interest and indexation income in the income statement on a daily basis.

**Note 41– Additional notes (continued)**

**Note 41.8 – Financial derivative contracts and hedge accounting (continued)**

**(c) Cash flow hedges (continued)**

(c.2) The cash flows of due to banks and bonds issued abroad subject to this hedge and the cash flows of the asset part of the derivative instrument are detailed as follows:

| | Up to 1 month | | 1 to 3 months | | 3 to 12 months | | 1 to 3 years | | 3 to 5 years | | Over 5 years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| **Hedged Item** | | | | | | | | | | | | | | |
| Cash outflows | | | | | | | | | | | | | | |
| Corporate bond EUR | — | — | — | — | (1,420,849) | (1,337,710) | (2,841,697) | (2,675,420) | (2,841,697) | (2,675,420) | (91,089,228) | (87,097,017) | (98,193,471) | (93,785,567) |
| Corporate bond HKD | — | — | — | — | (12,829,446) | (66,378,404) | (25,626,933) | (21,600,938) | (91,033,894) | (83,608,440) | (320,603,953) | (263,206,319) | (450,094,226) | (434,794,101) |
| Corporate bond PEN | — | — | (893,717) | — | (893,717) | — | (3,574,869) | — | (3,574,869) | — | (49,650,954) | — | (58,588,126) | — |
| Corporate bond CHF | — | — | — | (89,256,482) | (798,392) | (125,992,740) | (1,596,784) | (1,450,248) | (90,095,304) | (82,552,434) | (116,765,419) | (106,049,924) | (209,255,899) | (405,301,828) |
| Corporate bond USD | — | — | — | — | (1,600,001) | (1,475,981) | (3,200,001) | (2,951,962) | (3,200,001) | (2,951,962) | (43,994,003) | (42,059,903) | (51,994,006) | (49,439,808) |
| Obligation USD | (216,165) | (869,529) | (336,342) | (85,910) | (884,148) | (49,401,458) | (166,591,671) | (105,622,274) | — | — | — | — | (168,028,326) | (155,979,171) |
| Corporate bond JPY | — | — | (34,637,916) | (49,361,877) | (2,120,988) | (1,072,456) | (38,595,770) | (33,486,549) | (3,482,013) | (32,882,360) | (193,624,818) | (71,830,184) | (272,461,505) | (188,633,426) |
| Corporate bond AUD | — | — | (427,895) | — | (3,273,936) | — | (7,398,958) | — | (7,401,310) | — | (156,499,464) | — | (175,001,563) | — |
| Corporate bond NOK | — | — | — | — | (2,341,197) | — | (4,682,394) | — | (4,682,394) | — | (75,918,742) | — | (87,624,727) | — |
| **Fair value hedge instrument** | | | | | | | | | | | | | | |
| Cash inflows | | | | | | | | | | | | | | |
| Cross-currency swap EUR | — | — | — | — | 1,420,849 | 1,337,710 | 2,841,697 | 2,675,420 | 2,841,697 | 2,675,420 | 91,089,228 | 87,097,017 | 98,193,471 | 93,785,567 |
| Cross-currency swap HKD | — | — | — | — | 12,829,446 | 66,378,404 | 25,626,933 | 21,600,938 | 91,033,894 | 83,608,440 | 320,603,953 | 263,206,319 | 450,094,226 | 434,794,101 |
| Cross-currency swap PEN | — | — | 893,717 | — | 893,717 | — | 3,574,869 | — | 3,574,869 | — | 49,650,954 | — | 58,588,126 | — |
| Cross-currency swap CHF | — | — | — | 89,256,482 | 798,392 | 125,992,740 | 1,596,784 | 1,450,248 | 90,095,304 | 82,552,434 | 116,765,419 | 106,049,924 | 209,255,899 | 405,301,828 |
| Cross-currency swap USD | — | — | — | — | 1,600,001 | 1,475,981 | 3,200,001 | 2,951,962 | 3,200,001 | 2,951,962 | 43,994,003 | 42,059,903 | 51,994,006 | 49,439,808 |
| Cross-currency swap USD | 216,165 | 869,529 | 336,342 | 85,910 | 884,148 | 49,401,458 | 166,591,671 | 105,622,274 | — | — | — | — | 168,028,326 | 155,979,171 |
| Cross-currency swap JPY | — | — | 34,637,916 | 49,361,877 | 2,120,988 | 1,072,456 | 38,595,770 | 33,486,549 | 3,482,013 | 32,882,360 | 193,624,818 | 71,830,184 | 272,461,505 | 188,633,426 |
| Cross-currency swap AUD | — | — | 427,895 | — | 3,273,936 | — | 7,398,958 | — | 7,401,310 | — | 156,499,464 | — | 175,001,563 | — |
| Cross-currency swap NOK | — | — | — | — | 2,341,197 | — | 4,682,394 | — | 4,682,394 | — | 75,918,742 | — | 87,624,727 | — |
| Net cash flows | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

## Note 41– Additional notes (continued)

## Note 41.8 – Financial derivative contracts and hedge accounting (continued)

### (c) Cash flow hedges (continued)

(c.2) Cash flows of underlying assets and cash flows of the liability part of the derivative instrument are detailed as follows: (continued)

| | Up to 1 month | | 1 to 3 months | | 3 to 12 months | | 1 to 3 years | | 3 to 5 years | | Over 5 years | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2019 ThCh$** | **2018 ThCh$** | **2019 ThCh$** | **2018 ThCh$** | **2019 ThCh$** | **2018 ThCh$** | **2019 ThCh$** | **2018 ThCh$** | **2019 ThCh$** | **2018 ThCh$** | **2019 ThCh$** | **2018 ThCh$** | **2019 ThCh$** | **2018 ThCh$** |
| **Hedged Item** | | | | | | | | | | | | | | |
| Cash inflows | | | | | | | | | | | | | | |
| Cash flow in CHF | 155,818 | — | 33,647,563 | 144,457,712 | 21,061,875 | 237,340,254 | 234,065,041 | 173,263,181 | 280,074,092 | 195,590,452 | 795,068,425 | 542,523,326 | 1,364,072,814 | 1,293,174,925 |
| **Fair value hedge instrument** | | | | | | | | | | | | | | |
| Cash outflows | | | | | | | | | | | | | | |
| Cross-currency swap HKD | (155,818) | — | — | — | (8,798,405) | (59,667,422) | (17,906,099) | (16,834,754) | (69,035,086) | (68,361,799) | (268,033,831) | (233,286,316) | (363,929,239) | (378,150,291) |
| Cross-currency swap PEN | — | — | (46,996) | — | (47,512) | — | (188,499) | — | (188,758) | — | (31,222,728) | — | (31,694,493) | — |
| Cross-currency swap JPY | — | — | (33,569,143) | (50,246,384) | (4,096,056) | (2,739,740) | (40,343,557) | (37,431,956) | (6,423,769) | (35,212,516) | (199,779,440) | (78,611,707) | (284,211,965) | (204,242,303) |
| Cross-currency swap USD | — | — | — | — | (1,274,478) | (47,796,966) | (161,941,310) | (107,892,764) | (1,280,544) | (1,243,467) | (37,241,654) | (36,887,877) | (201,737,986) | (193,821,074) |
| Cross-currency swap CHF | — | — | — | (94,211,328) | (3,857,928) | (125,325,090) | (7,653,118) | (7,482,494) | (197,107,319) | (87,164,428) | — | (108,487,738) | (208,618,365) | (422,671,078) |
| Cross-currency swap EUR | — | — | — | — | (1,856,942) | (1,811,036) | (3,714,852) | (3,621,213) | (3,717,835) | (3,608,242) | (85,686,028) | (85,249,688) | (94,975,657) | (94,290,179) |
| Cross-currency swap AUD | — | — | (31,424) | — | (521,491) | — | (1,102,809) | — | (1,104,320) | — | (108,622,198) | — | (111,382,242) | — |
| Cross-currency swap NOK | — | — | — | — | (609,063) | — | (1,214,797) | — | (1,216,461) | — | (64,482,546) | — | (67,522,867) | — |
| Net cash flows | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

**Note 41– Additional notes (continued)**

**Note 41.8 – Financial derivative contracts and hedge accounting (continued)**

**(c) Cash flow hedges (continued)**

UF assets hedged are revalued monthly as the UF changes, which is the equivalent of reinvesting the assets monthly until the hedge matures.

(c.3) The unrealized results in 2019 from derivative contracts that form the hedging instruments in this cash flow hedging strategy have been recorded with a charge to equity of ThCh$37,545,828 (charge to equity of ThCh$30,943,405 in December 2018). The net effect of taxes is a net charge to equity of ThCh$27,408,455 in 2019 (net charge to equity of ThCh$22,588,685 in 2018).

The accumulated balance for this concept as of December 31, 2019, is a charge to equity of ThCh$81,039,697 (charge of ThCh$43,493,869 in 2018).

(c.4) The effect of the cash-flow hedge derivatives, which offsets the effect of the instruments hedged, is a credit to income of ThCh$84,684,757 in 2019 (charge to income of ThCh$85,659,209 in 2018).

(c.5) As of December 31, 2019 and 2018, there is no ineffectiveness in the cash-flow hedges as both the element hedged and the object of the hedge mirror each other, which implies that all changes in value attributable to components of rate and indexation are completely offset.

(c.6) As of December 31, 2019 and 2018, the Bank has no net investment hedges in foreign businesses.

**Note 41– Additional notes (continued)**

**Note 41.9 – Loans and advances to banks**

(a) As of December 31, 2019 and 2018 loans and advances to banks are as follows:

| | 2019<br>ThCh$ | 2018<br>ThCh$ |
|---|---|---|
| **Banks in Chile** | | |
| Interbank liquidity loans | 150,007,292 | 100,022,917 |
| Provisions on loans to banks in Chile | (54,003) | (82,519) |
| Subtotal | 149,953,289 | 99,940,398 |
| **Foreign Banks** | | |
| Interbank commercial loans | 289,336,534 | 239,797,051 |
| Foreign trade finance between other countries | 8,933,872 | 41,871,931 |
| Foreign trade finance for Chilean exports | 61,859,913 | 12,872,731 |
| Allowance for loan losses of foreign banks | (704,203) | (1,006,190) |
| Subtotal | 359,426,116 | 293,535,523 |
| **Chilean Central Bank** | | |
| Deposits with the Chilean Central Bank | 630,052,500 | 1,100,305,556 |
| Other credits with the Chilean Central Bank | — | 524,771 |
| Subtotal | 630,052,500 | 1,100,830,327 |
| Total | 1,139,431,905 | 1,494,306,248 |

(b) Movements in provisions for loans and advances to banks during 2019 and 2018 are detailed as follows:

| | Banks in | | |
|---|---|---|---|
| **Description** | **Chile**<br>**ThCh$** | **Abroad**<br>**ThCh$** | **Total**<br>**ThCh$** |
| Balance as of January 1, 2018 | 43,206 | 540,364 | 583,570 |
| Provisions established | 39,313 | 465,826 | 505,139 |
| Provisions released | — | — | — |
| Balance as of December 31, 2018 | 82,519 | 1,006,190 | 1,088,709 |
| Provisions established | — | — | — |
| Provisions released | (28,516) | (301,987) | (330,503) |
| Balance as of December 31, 2019 | 54,003 | 704,203 | 758,206 |

## Note 41– Additional notes (continued)

## Note 41.10 - Customer loans and receivables

### (a1) Customer loans and receivables

As of December 31, 2019 and 2018, the loan portfolio is detailed as follows:

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets before provisions | | | | Provisions | | | |
| | Normal Portfolio ThCh$ | Substandard Portfolio ThCh$ | Default Portfolio ThCh$ | Total ThCh$ | Individual Provisions ThCh$ | Group Provisions ThCh$ | Total ThCh$ | Net Loans ThCh$ |
| **Commercial loans** | | | | | | | | |
| Commercial loans | 11,740,261,097 | 45,346,140 | 351,425,072 | 12,137,032,309 | (118,440,405) | (125,082,167) | (243,522,572) | 11,893,509,737 |
| Foreign trade loans | 1,407,781,827 | 4,111,053 | 19,312,021 | 1,431,204,901 | (35,994,762) | (3,320,799) | (39,315,561) | 1,391,889,340 |
| Checking account debtors | 258,195,717 | 4,020,299 | 3,478,596 | 265,694,612 | (3,682,811) | (4,180,905) | (7,863,716) | 257,830,896 |
| Factoring transactions | 683,600,759 | 2,950,003 | 1,533,020 | 688,083,782 | (10,641,746) | (1,170,905) | (11,812,651) | 676,271,131 |
| Student loans | 54,203,774 | — | 1,992,967 | 56,196,741 | — | (4,056,034) | (4,056,034) | 52,140,707 |
| Commercial lease transactions (1) | 1,580,442,757 | 14,943,896 | 23,763,734 | 1,619,150,387 | (5,769,519) | (7,824,823) | (13,594,342) | 1,605,556,045 |
| Other loans and receivables | 76,286,803 | 346,546 | 10,109,539 | 86,742,888 | (2,412,896) | (5,195,132) | (7,608,028) | 79,134,860 |
| Subtotal | 15,800,772,734 | 71,717,937 | 411,614,949 | 16,284,105,620 | (176,942,139) | (150,830,765) | (327,772,904) | 15,956,332,716 |
| **Residential mortgage loans** | | | | | | | | |
| Loans with mortgage bonds | 13,719,678 | — | 1,034,097 | 14,753,775 | — | (12,319) | (12,319) | 14,741,456 |
| Endorsable mortgage loans | 31,469,465 | — | 882,326 | 32,351,791 | — | (14,552) | (14,552) | 32,337,239 |
| Other residential mortgage loans | 8,975,753,261 | — | 169,481,915 | 9,145,235,176 | — | (27,795,156) | (27,795,156) | 9,117,440,020 |
| Loans from the ANAP | 4,023 | — | — | 4,023 | — | — | — | 4,023 |
| Housing leases | — | — | — | — | — | — | — | — |
| Other loans and receivables | 10,649,811 | — | 65,721 | 10,715,532 | — | (225,352) | (225,352) | 10,490,180 |
| Subtotal | 9,031,596,238 | — | 171,464,059 | 9,203,060,297 | — | (28,047,379) | (28,047,379) | 9,175,012,918 |
| **Consumer loans** | | | | | | | | |
| Installment consumer loans | 2,778,720,924 | — | 260,838,690 | 3,039,559,614 | — | (262,832,445) | (262,832,445) | 2,776,727,169 |
| Checking account debtors | 293,863,692 | — | 2,477,536 | 296,341,228 | — | (14,740,422) | (14,740,422) | 281,600,806 |
| Credit card debtors | 1,169,820,737 | — | 25,793,722 | 1,195,614,459 | — | (51,581,109) | (51,581,109) | 1,144,033,350 |
| Consumer leases (1) | 68,513 | — | — | 68,513 | — | (686) | (686) | 67,827 |
| Other loans and receivables | 13,579 | — | 702,711 | 716,290 | — | (443,071) | (443,071) | 273,219 |
| Subtotal | 4,242,487,445 | — | 289,812,659 | 4,532,300,104 | — | (329,597,733) | (329,597,733) | 4,202,702,371 |
| Total | 29,074,856,417 | 71,717,937 | 872,891,667 | 30,019,466,021 | (176,942,139) | (508,475,877) | (685,418,016) | 29,334,048,005 |

(1) The Bank finances its customers' purchases, including real estate and other personal property, through finance lease agreements. As of December 31, 2019, ThCh$779,381,823 are real estate finance leases, and ThCh$839,837,077 are personal property finance leases.

## Note 41– Additional notes (continued)

### Note 41.10 - Customer loans and receivables (continued)

### (a1) Customer loans and receivables (continued)

| | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets before provisions | | | | Provisions | | | |
| | Normal Portfolio ThCh$ | Substandard Portfolio ThCh$ | Default Portfolio ThCh$ | Total ThCh$ | Individual Provisions ThCh$ | Group Provisions ThCh$ | Total ThCh$ | Net Loans ThCh$ |
| **Commercial loans** | | | | | | | | |
| Commercial loans | 11,135,651,786 | 56,275,393 | 298,916,194 | 11,490,843,373 | (104,381,832) | (100,310,190) | (204,692,022) | 11,286,151,351 |
| Foreign trade loans | 1,290,719,327 | 7,619,358 | 14,011,594 | 1,312,350,279 | (36,984,218) | (3,449,370) | (40,433,588) | 1,271,916,691 |
| Checking account debtors | 215,227,635 | 3,500,371 | 3,443,044 | 222,171,050 | (3,722,928) | (9,067,216) | (12,790,144) | 209,380,906 |
| Factoring transactions | 694,368,401 | 3,846,858 | 2,517,264 | 700,732,523 | (11,289,282) | (1,901,384) | (13,190,666) | 687,541,857 |
| Student loans | 50,229,264 | — | 1,666,685 | 51,895,949 | — | (1,502,243) | (1,502,243) | 50,393,706 |
| Commercial lease transactions (1) | 1,524,226,023 | 23,270,035 | 24,092,418 | 1,571,588,476 | (5,283,050) | (3,946,654) | (9,229,704) | 1,562,358,772 |
| Other loans and receivables | 72,163,585 | 381,562 | 8,367,195 | 80,912,342 | (1,542,560) | (6,578,677) | (8,121,237) | 72,791,105 |
| Subtotal | 14,982,586,021 | 94,893,577 | 353,014,394 | 15,430,493,992 | (163,203,870) | (126,755,734) | (289,959,604) | 15,140,534,388 |
| **Residential mortgage loans** | | | | | | | | |
| Loans with mortgage bonds | 19,820,569 | — | 1,551,899 | 21,372,468 | — | (5,321) | (5,321) | 21,367,147 |
| Endorsable mortgage loans | 40,789,676 | — | 1,474,473 | 42,264,149 | — | (29,337) | (29,337) | 42,234,812 |
| Other residential mortgage loans | 7,816,433,712 | — | 157,415,542 | 7,973,849,254 | — | (26,244,798) | (26,244,798) | 7,947,604,456 |
| Loans from the ANAP | 5,797 | — | — | 5,797 | — | — | — | 5,797 |
| Housing leases | — | — | — | — | — | — | — | — |
| Other loans and receivables | 9,948,615 | — | 268,332 | 10,216,947 | — | (166,131) | (166,131) | 10,050,816 |
| Subtotal | 7,886,998,369 | — | 160,710,246 | 8,047,708,615 | — | (26,445,587) | (26,445,587) | 8,021,263,028 |
| **Consumer loans** | | | | | | | | |
| Installment consumer loans | 2,711,284,982 | — | 246,207,236 | 2,957,492,218 | — | (231,753,177) | (231,753,177) | 2,725,739,041 |
| Checking account debtors | 310,345,034 | — | 2,400,717 | 312,745,751 | — | (13,870,334) | (13,870,334) | 298,875,417 |
| Credit card debtors | 1,145,105,633 | — | 19,958,303 | 1,165,063,936 | — | (44,578,812) | (44,578,812) | 1,120,485,124 |
| Consumer leases (1) | 8,875 | — | — | 8,875 | — | (13) | (13) | 8,862 |
| Other loans and receivables | 8,133 | — | 804,055 | 812,188 | — | (491,621) | (491,621) | 320,567 |
| Subtotal | 4,166,752,657 | — | 269,370,311 | 4,436,122,968 | — | (290,693,957) | (290,693,957) | 4,145,429,011 |
| Total | 27,036,337,047 | 94,893,577 | 783,094,951 | 27,914,325,575 | (163,203,870) | (443,895,278) | (607,099,148) | 27,307,226,427 |

(1) The Bank finances its customers' purchases, including real estate and other personal property, through finance lease agreements. As of December 31, 2018, ThCh$758,772,042 are real estate finance leases, and ThCh$812,825,309 are personal property finance leases.

## Note 41– Additional notes (continued)

### Note 41.10 - Customer loans and receivables (continued)

#### (a.2) Impaired portfolio

As of December 31, 2019 and 2018, the normal and impaired portfolios are detailed as follows:

| | Assets before provisions | | | | | | Provisions | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Normal portfolio | | Impaired portfolio | | Total | | Individual provisions | | Group provisions | | Total | | Net Loans | |
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| Commercial loans | 15,859,493,194 | 15,075,495,274 | 424,612,426 | 354,998,718 | 16,284,105,620 | 15,430,493,992 | (176,942,139) | (163,203,870) | (150,830,765) | (126,755,734) | (327,772,904) | (289,959,604) | 15,956,332,716 | 15,140,534,388 |
| Residential mortgage loans | 9,031,596,238 | 7,886,998,369 | 171,464,059 | 160,710,246 | 9,203,060,297 | 8,047,708,615 | — | — | (28,047,379) | (26,445,587) | (28,047,379) | (26,445,587) | 9,175,012,918 | 8,021,263,028 |
| Consumer loans | 4,242,487,445 | 4,166,752,657 | 289,812,659 | 269,370,311 | 4,532,300,104 | 4,436,122,968 | — | — | (329,597,733) | (290,693,957) | (329,597,733) | (290,693,957) | 4,202,702,371 | 4,145,429,011 |
| Total | 29,133,576,877 | 27,129,246,300 | 885,889,144 | 785,079,275 | 30,019,466,021 | 27,914,325,575 | (176,942,139) | (163,203,870) | (508,475,877) | (443,895,278) | (685,418,016) | (607,099,148) | 29,334,048,005 | 27,307,226,427 |

**Note 41– Additional notes (continued)**

**Note 41.10 - Customer loans and receivables (continued)**

**(b) Provisions for loan losses**

Movements in provisions for loan losses during 2019 and 2018 are detailed as follows:

| | Commercial | | Mortgage | Consumer | Total |
|---|---|---|---|---|---|
| | Individual ThCh$ | Group ThCh$ | Group ThCh$ | Group ThCh$ | ThCh$ |
| Balance as of January 1, 2018 | 176,178,771 | 107,297,125 | 31,764,220 | 242,942,971 | 558,183,087 |
| Charge-offs | (5,751,383) | (46,667,703) | (6,993,698) | (233,510,932) | (292,923,716) |
| Loans sold or assigned | (2,143,958) | — | — | — | (2,143,958) |
| Provisions established | — | 66,126,312 | 1,675,065 | 281,261,918 | 349,063,295 |
| Provisions released | (5,079,560) | — | — | — | (5,079,560) |
| Balance as of December 31, 2018 | 163,203,870 | 126,755,734 | 26,445,587 | 290,693,957 | 607,099,148 |
| | | | | | |
| Balance as of January 1, 2019 | 163,203,870 | 126,755,734 | 26,445,587 | 290,693,957 | 607,099,148 |
| Charge-offs | (8,699,752) | (46,999,181) | (7,790,402) | (249,711,643) | (313,200,978) |
| Loans sold or assigned | (2,549,463) | — | — | — | (2,549,463) |
| Provisions established | 24,987,484 | 71,074,212 | 9,392,194 | 288,615,419 | 394,069,309 |
| Provisions released | — | — | — | — | — |
| Balance as of December 31, 2019 | 176,942,139 | 150,830,765 | 28,047,379 | 329,597,733 | 685,418,016 |

Apart from these provisions for loan losses, country-risk provisions are also made to cover foreign transactions as well as additional provisions agreed upon by the Board, which are shown in liabilities in Provisions (Note 41.22).

**Complementary disclosures**

1. As of December 31, 2019 and 2018, the Bank and its subsidiaries engaged in portfolio purchases and sales. The effect on income of these transactions as a whole does not exceed 5% of net income before taxes, as described in Note 41.10 (d) and (f).

2. As of December 31, 2019 and 2018, Banco de Chile and its subsidiaries have eliminated their entire portfolio of loans sold, as all or substantially all the risks and benefits associated with these financial assets have been transferred (see Note 41.10 (f)).

**Note 41– Additional notes (continued)**

**Note 41.10 - Customer loans and receivables (continued)**

**(c) Finance lease contracts**

The cash flows receivable by the Bank under finance lease contracts have the following maturities:

| | Total receivable | | Deferred interest | | Net receivable (*) | |
|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| Up to 1 year | 544,067,178 | 519,186,130 | (58,870,863) | (60,215,859) | 485,196,315 | 458,970,271 |
| 1 to 2 years | 392,832,459 | 383,164,218 | (42,301,843) | (44,066,306) | 350,530,616 | 339,097,912 |
| 2 to 3 years | 258,330,991 | 255,997,295 | (27,328,872) | (28,739,950) | 231,002,119 | 227,257,345 |
| 3 to 4 years | 163,847,148 | 162,309,921 | (18,361,504) | (19,471,076) | 145,485,644 | 142,838,845 |
| 4 to 5 years | 108,191,722 | 108,452,543 | (13,242,407) | (13,992,302) | 94,949,315 | 94,460,241 |
| Over 5 years | 335,694,067 | 336,705,523 | (30,313,114) | (33,665,906) | 305,380,953 | 303,039,617 |
| Total | 1,802,963,565 | 1,765,815,630 | (190,418,603) | (200,151,399) | 1,612,544,962 | 1,565,664,231 |

(*) Net receivable does not include past-due contracts of ThCh$6,673,938 as of December 31, 2019 (ThCh$5,933,120 in 2018).

The Bank has finance lease transactions mainly related to real estate, industrial machinery, vehicles and transport equipment. These leases have an average life of 2 to 15 years.

**(d) Loans by economic sector**

As of December 31, 2019 and 2018, the portfolio before provisions by the customer's economic sector is detailed as follows:

| | Loans | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| | Chile | | Abroad | | | | | |
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | % | 2018 ThCh$ | % |
| **Commercial loans** | | | | | | | | |
| Financial services | 2,584,212,071 | 2,119,640,921 | 3,059,851 | 2,783,846 | 2,587,271,922 | 8.62 | 2,122,424,767 | 7.60 |
| Services | 2,264,965,941 | 2,107,146,040 | 435,782 | 348,015 | 2,265,401,723 | 7.55 | 2,107,494,055 | 7.55 |
| Construction | 2,141,499,956 | 1,751,218,599 | — | — | 2,141,499,956 | 7.13 | 1,751,218,599 | 6.27 |
| Commerce | 2,052,853,374 | 2,284,128,412 | 11,189,237 | 38,430,271 | 2,064,042,611 | 6.88 | 2,322,558,683 | 8.32 |
| Manufacturing | 1,624,099,235 | 1,544,089,629 | — | 34,612,529 | 1,624,099,235 | 5.41 | 1,578,702,158 | 5.66 |
| Agriculture and livestock | 1,622,205,902 | 1,581,701,143 | — | — | 1,622,205,902 | 5.40 | 1,581,701,143 | 5.67 |
| Transport and telecommunications | 1,233,432,409 | 1,480,285,129 | — | 17,368,553 | 1,233,432,409 | 4.11 | 1,497,653,682 | 5.37 |
| Mining | 604,410,464 | 453,331,419 | — | — | 604,410,464 | 2.01 | 453,331,419 | 1.62 |
| Electricity, gas and water | 325,139,067 | 461,348,352 | — | — | 325,139,067 | 1.08 | 461,348,352 | 1.65 |
| Fishing | 140,646,964 | 156,443,812 | — | — | 140,646,964 | 0.47 | 156,443,812 | 0.56 |
| Others | 1,675,955,367 | 1,397,617,322 | — | — | 1,675,955,367 | 5.58 | 1,397,617,322 | 5.01 |
| Subtotal | 16,269,420,750 | 15,336,950,778 | 14,684,870 | 93,543,214 | 16,284,105,620 | 54.24 | 15,430,493,992 | 55.28 |
| **Residential mortgage loans** | 9,203,060,297 | 8,047,708,615 | — | — | 9,203,060,297 | 30.66 | 8,047,708,615 | 28.83 |
| **Consumer loans** | 4,532,300,104 | 4,436,122,968 | — | — | 4,532,300,104 | 15.10 | 4,436,122,968 | 15.89 |
| Total | 30,004,781,151 | 27,820,782,361 | 14,684,870 | 93,543,214 | 30,019,466,021 | 100.00 | 27,914,325,575 | 100.00 |

**Note 41– Additional notes (continued)**

**Note 41.10 – Customer loans and receivables (continued)**

**e) Purchase of loan portfolio**

No loan portfolios were acquired during the year ended December 31, 2019.

During 2018, the Bank acquired a loan portfolio with a nominal value of ThCh$36,918,918.

**(f) Sale or assignment of loans**

During 2019 and 2018, the following loans from the loan portfolio were sold or assigned:

| | 2019 | | | |
|---|---|---|---|---|
| | Loan value ThCh$ | Provisions ThCh$ | Sale value ThCh$ | Gain (loss) ThCh$ |
| Sale of valid loans | 12,419,514 | (2,549,463) | 12,419,514 | 2,549,463 |
| Sale of written-off loans | — | — | — | — |
| Total | 12,419,514 | (2,549,463) | 12,419,514 | 2,549,463 |

| | 2018 | | | |
|---|---|---|---|---|
| | Loan value ThCh$ | Provisions ThCh$ | Sale value ThCh$ | Gain (loss) ThCh$ |
| Sale of valid loans | 22,276,837 | (2,143,958) | 21,875,781 | 1,742,902 |
| Sale of written-off loans | — | — | — | — |
| Total | 22,276,837 | (2,143,958) | 21,875,781 | 1,742,902 |

(*) See Note 41.27

**(g) Securitization of own assets**

No own asset securitization transactions were carried out during 2019 and 2018.

QUIÑENCO S.A.

## Note 41– Additional notes (continued)

### Note 41.11 – Investment instruments

Investment instruments designated as held for sale and held to maturity as of December 31, 2019 and 2018, are detailed as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Held for sale ThCh$ | Held to maturity ThCh$ | Total ThCh$ | Held for sale ThCh$ | Held to maturity ThCh$ | Total ThCh$ |
| **Instruments of the State and the Chilean Central Bank** | | | | | | |
| Chilean Central Bank bonds | 76,358,131 | — | 76,358,131 | 135,145,251 | — | 135,145,251 |
| Chilean Central Bank promissory notes | 16,466,244 | — | 16,466,244 | — | — | — |
| Other instruments of the State and the Chilean Central Bank | 16,238,262 | — | 16,238,262 | 29,076,878 | — | 29,076,878 |
| **Instruments issued by Chilean Institutions** | | | | | | |
| Deposit promissory notes from banks in Chile | — | — | — | — | — | — |
| Mortgage bonds from banks in Chile | 122,291,315 | — | 122,291,315 | 92,491,328 | — | 92,491,328 |
| Bonds from banks in Chile | 15,926,399 | — | 15,926,399 | 5,350,763 | — | 5,350,763 |
| Deposits with banks in Chile | 1,020,841,340 | — | 1,020,841,340 | 559,107,705 | — | 559,107,705 |
| Bonds from other Chilean companies | 1,394,510 | — | 1,394,510 | 6,599,050 | — | 6,599,050 |
| Promissory notes from other companies in Chile | — | — | — | — | — | — |
| Other instruments issued in Chile | 68,476,954 | — | 68,476,954 | 107,126,537 | — | 107,126,537 |
| **Instruments issued by Foreign Institutions** | | | | | | |
| Foreign sovereign or central bank instruments | — | — | — | — | — | — |
| Other instruments | 19,853,123 | — | 19,853,123 | 108,544,270 | — | 108,544,270 |
| Total | 1,357,846,278 | — | 1,357,846,278 | 1,043,441,782 | — | 1,043,441,782 |

**Note 41– Additional notes (continued)**

**Note 41.11 – Investment instruments (continued)**

Instruments issued by the State and the Chilean Central Bank include instruments sold under repurchase agreements to customers and financial institutions of ThCh$6,964,533 in December 2018. Repurchase agreements had an average maturity of 3 days in December 2018. There are none as of December 31, 2019.

Instruments issued by foreign institutions include mainly corporate bonds issued abroad.

The portfolio of instruments held for sale as of December 31, 2019, includes a net accumulated unrealized gain of ThCh$3,826,963 (unrealized loss of ThCh$9,936,468 in 2018), booked as a valuation adjustment in equity.

During 2019 and 2018, there was no evidence that instruments held for sale were impaired.

Gross realized gains and losses on the sale of instruments held for sale are shown in Net gain (loss) from financial transactions, as of December 31, 2019 and 2018 (Note 41.27), with annual movements detailed as follows:

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Unrealized gain during the year | 18,479,232 | (11,387,017) |
| Realized loss (reclassified to income) | (4,715,801) | (399,724) |
| Subtotal | 13,763,431 | (11,786,741) |
| Income tax on other comprehensive income | (3,734,214) | 3,194,338 |
| Net effect on equity | 10,029,217 | (8,592,403) |

**Note 41– Additional notes (continued)**

**Note 41.12 – Investments in other companies**

(a) Investments in other companies are ThCh$50,757,583 as of December 31, 2019, (ThCh$44,560,291 in 2018) detailed as follows:

| | | | | | | Investment | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Percentage interest | | Equity of the company | | Investment value | | Investment income | |
| | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Company** | **Shareholder** | **%** | **%** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** | **ThCh$** |
| **Associates** | | | | | | | | | |
| Transbank S.A. | Banco de Chile | 26.16 | 26.16 | 82,666,612 | 69,357,799 | 21,973,164 | 18,467,685 | 3,505,479 | 3,261,761 |
| Soc. Operadora de Tarjetas de Crédito Nexus S.A. (*) | Banco de Chile | 29.63 | 25.81 | 17,674,549 | 16,804,537 | 5,237,465 | 4,557,208 | 4,958 | 735,431 |
| Administrador Financiero del Transantiago S.A. | Banco de Chile | 20.00 | 20.00 | 19,173,856 | 17,978,432 | 3,985,378 | 3,679,868 | 389,691 | 581,890 |
| Redbanc S.A. | Banco de Chile | 38.13 | 38.13 | 9,220,569 | 8,355,952 | 3,549,198 | 3,218,915 | 330,284 | 324,573 |
| Centro de Compensación Automatizado S.A. | Banco de Chile | 33.33 | 33.33 | 6,464,198 | 5,591,765 | 2,183,897 | 1,894,278 | 293,801 | 305,432 |
| Sociedad Imerc OTC S.A. | Banco de Chile | 12.33 | 12.33 | 12,469,826 | 11,951,754 | 1,537,782 | 1,473,893 | 58,842 | 55,900 |
| Sociedad Interbancaria de Depósitos de Valores S.A. | Banco de Chile | 26.81 | 26.81 | 4,811,373 | 4,160,743 | 1,359,043 | 1,128,868 | 230,796 | 204,204 |
| Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. | Banco de Chile | 15.00 | 15.00 | 6,289,600 | 6,105,845 | 957,944 | 944,644 | 29,009 | 57,533 |
| Subtotal Associates | | | | 158,770,583 | 140,306,827 | 40,783,871 | 35,365,359 | 4,842,860 | 5,526,724 |
| **Joint ventures** | | | | | | | | | |
| Servipag Ltda. | Banco de Chile | 50.00 | 50.00 | 12,291,689 | 11,398,142 | 6,271,346 | 5,699,071 | 572,275 | 700,513 |
| Artikos Chile S.A. | Banco de Chile | 50.00 | 50.00 | 2,399,073 | 2,025,217 | 1,386,772 | 1,187,654 | 624,117 | 583,487 |
| Subtotal Joint ventures | | | | 14,690,762 | 13,423,359 | 7,658,118 | 6,886,725 | 1,196,392 | 1,284,000 |
| Subtotal | | | | 173,461,345 | 153,730,186 | 48,441,989 | 42,252,084 | 6,039,252 | 6,810,724 |
| **Investments at cost (1)** | | | | | | | | | |
| Bolsa de Comercio de Santiago S.A. | Banchile Corredores de Bolsa | | | | | 1,645,820 | 1,645,820 | 353,520 | 375,810 |
| Banco Latinoamericano de Comercio Exterior S.A. (Bladex) | Banco de Chile | | | | | 308,858 | 308,858 | 47,556 | 57,705 |
| Bolsa Electrónica de Chile S.A. | Banchile Corredores de Bolsa | | | | | 257,033 | 257,033 | 9,253 | 9,997 |
| Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift) (**) | Banco de Chile | | | | | 95,896 | 88,509 | — | — |
| CCLV Contraparte Central S.A. | Banchile Corredores de Bolsa | | | | | 7,987 | 7,987 | 900 | 830 |
| Subtotal | | | | | | 2,315,594 | 2,308,207 | 411,229 | 444,342 |
| Total | | | | | | 50,757,583 | 44,560,291 | 6,450,481 | 7,255,066 |

(1) Net income from investments at cost is revenue recognized on a received basis (dividends).

(*) During 2019, Banco de Chile increased its percentage interest by acquiring 159,152 shares.

(**) Banco de Chile acquired 8 shares during the share reallocation. Therefore, it now holds 58 shares.

**Note 41– Additional notes (continued)**

**Note 41.12 – Investments in other companies (continued)**

(b) Associates

| | **2019** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Centro de Compensación Automatizado S.A. ThCh$** | **Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. ThCh$** | **Soc. Operadora de Tarjetas de Crédito Nexus S.A. ThCh$** | **Soc. Interbancaria de Depósitos de Valores S.A. ThCh$** | **Redbanc S.A. ThCh$** | **Transbank S.A. ThCh$** | **Administrador Financiero del Transantiago S.A. ThCh$** | **Sociedad Imerc OTC S.A. ThCh$** | **Total ThCh$** |
| Current assets | 5,086,783 | 6,018,927 | 9,585,896 | 113,070 | 7,046,652 | 1,118,388,238 | 54,120,140 | 2,503,914 | 1,202,863,620 |
| Non-current assets | 3,463,446 | 1,353,307 | 21,561,405 | 4,961,331 | 16,366,024 | 99,060,102 | 592,339 | 12,647,795 | 160,005,749 |
| **Total assets** | **8,550,229** | **7,372,234** | **31,147,301** | **5,074,401** | **23,412,676** | **1,217,448,340** | **54,712,479** | **15,151,709** | **1,362,869,369** |
| Current liabilities | 1,947,121 | 769,308 | 7,951,312 | 263,028 | 7,688,039 | 1,130,799,878 | 34,234,533 | 2,659,062 | 1,186,312,281 |
| Non-current liabilities | 138,910 | 313,326 | 5,521,440 | — | 6,504,068 | 3,981,850 | 1,304,090 | 22,821 | 17,786,505 |
| **Total liabilities** | 2,086,031 | 1,082,634 | 13,472,752 | 263,028 | 14,192,107 | 1,134,781,728 | 35,538,623 | 2,681,883 | 1,204,098,786 |
| Equity | 6,464,198 | 6,289,600 | 17,674,549 | 4,811,373 | 9,220,569 | 82,666,612 | 19,173,856 | 12,469,826 | 158,770,583 |
| Non-controlling interests | — | — | — | — | — | — | — | — | — |
| **Total liabilities and equity** | **8,550,229** | **7,372,234** | **31,147,301** | **5,074,401** | **23,412,676** | **1,217,448,340** | **54,712,479** | **15,151,709** | **1,362,869,369** |
| Operating revenue | 3,384,174 | 3,386,080 | 49,944,083 | 14,887 | 38,023,561 | 222,911,333 | 3,706,555 | 45,643 | 321,416,316 |
| Operating expenses | (2,229,364) | (3,348,144) | (49,698,725) | (56,910) | (36,692,932) | (133,127,408) | (2,223,909) | (615,930) | (227,993,322) |
| Other income (expenses) | (12,707) | 159,878 | (303,943) | 902,963 | (194,984) | (72,142,648) | 980,034 | 1,067,715 | (69,543,692) |
| **Net income (loss) before taxes** | 1,142,103 | 197,814 | (58,585) | 860,940 | 1,135,645 | 17,641,277 | 2,462,680 | 497,428 | 23,879,302 |
| Income tax benefit (expense) | (260,611) | (4,423) | 75,317 | — | (269,531) | (4,239,287) | (514,223) | (20,276) | (5,233,034) |
| **Net income for the year** | **881,492** | **193,391** | **16,732** | **860,940** | **866,114** | **13,401,990** | **1,948,457** | **477,152** | **18,646,268** |

| | **2018** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Centro de Compensación Automatizado S.A. ThCh$** | **Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. ThCh$** | **Soc. Operadora de Tarjetas de Crédito Nexus S.A. ThCh$** | **Soc. Interbancaria de Depósitos de Valores S.A. ThCh$** | **Redbanc S.A. ThCh$** | **Transbank S.A. ThCh$** | **Administrador Financiero del Transantiago S.A. ThCh$** | **Sociedad Imerc OTC S.A. ThCh$** | **Total ThCh$** |
| Current assets | 3,088,495 | 5,871,428 | 12,917,910 | 152,987 | 6,083,844 | 818,586,805 | 55,405,676 | 18,842,103 | 920,949,248 |
| Non-current assets | 3,984,333 | 856,800 | 22,221,202 | 4,238,920 | 14,741,422 | 85,970,936 | 412,109 | 6,430,456 | 138,856,178 |
| **Total assets** | **7,072,828** | **6,728,228** | **35,139,112** | **4,391,907** | **20,825,266** | **904,557,741** | **55,817,785** | **25,272,559** | **1,059,805,426** |
| Current liabilities | 1,321,489 | 622,383 | 14,178,655 | 231,164 | 9,907,124 | 833,787,912 | 36,675,524 | 10,110,706 | 906,834,957 |
| Non-current liabilities | 159,574 | — | 4,155,920 | — | 2,562,190 | 1,412,030 | 1,163,829 | 3,201,506 | 12,655,049 |
| **Total liabilities** | 1,481,063 | 622,383 | 18,334,575 | 231,164 | 12,469,314 | 835,199,942 | 37,839,353 | 13,312,212 | 919,490,006 |
| Equity | 5,591,765 | 6,105,845 | 16,804,537 | 4,160,743 | 8,355,952 | 69,357,799 | 17,978,432 | 11,951,754 | 140,306,827 |
| Non-controlling interests | — | — | — | — | — | — | — | 8,593 | 8,593 |
| **Total liabilities and equity** | **7,072,828** | **6,728,228** | **35,139,112** | **4,391,907** | **20,825,266** | **904,557,741** | **55,817,785** | **25,272,559** | **1,059,805,426** |
| Operating revenue | 3,214,259 | 3,301,734 | 50,319,587 | 857 | 35,314,300 | 191,568,664 | 3,434,516 | 6,254,371 | 293,408,288 |
| Operating expenses | (2,005,155) | (3,015,720) | (46,426,103) | (34,861) | (33,894,957) | (177,440,174) | (2,614,997) | (5,566,954) | (270,998,921) |
| Other income (expenses) | (24,503) | 177,121 | (173,434) | 795,787 | (260,689) | 2,380,220 | 2,982,611 | 59,004 | 5,936,117 |
| **Net income before taxes** | 1,184,601 | 463,135 | 3,720,050 | 761,783 | 1,158,654 | 16,508,710 | 3,802,130 | 746,421 | 28,345,484 |
| Income tax expense | (268,213) | (79,579) | (870,205) | — | (307,516) | (4,038,493) | (893,770) | (292,312) | (6,750,088) |
| Net income for the year | **916,388** | **383,556** | **2,849,845** | **761,783** | **851,138** | **12,470,217** | **2,908,360** | **454,109** | **21,595,396** |

**Note 41– Additional notes (continued)**

**Note 41.12 - Investments in other companies (continued)**

(c) Joint ventures

The Bank has a 50% interest in Artikos S.A. and Servipag Ltda., two jointly controlled companies. The Bank's interests in both companies are recognized using the equity method in the consolidated financial statements.

Summarized financial information for these jointly-controlled companies is detailed as follows:

| | Artikos S.A. | | Servipag Ltda. | |
|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| Current assets | 1,701,331 | 1,397,362 | 74,747,799 | 59,141,759 |
| Non-current assets | 1,943,877 | 1,502,647 | 18,004,621 | 15,371,608 |
| **Total assets** | **3,645,208** | **2,900,009** | **92,752,420** | **74,513,367** |
| Current liabilities | 1,082,755 | 874,792 | 74,744,596 | 57,847,494 |
| Non-current liabilities | 163,380 | — | 5,716,135 | 5,267,731 |
| **Total liabilities** | 1,246,135 | 874,792 | 80,460,731 | 63,115,225 |
| Equity | 2,399,073 | 2,025,217 | 12,291,689 | 11,398,142 |
| **Total liabilities and equity** | **3,645,208** | **2,900,009** | **92,752,420** | **74,513,367** |
| Operating revenue | 3,643,345 | 3,544,364 | 43,259,492 | 42,679,487 |
| Operating expenses | (2,452,242) | (2,518,743) | (41,708,183) | (40,318,323) |
| Other income (expenses) | 11,148 | 11,808 | (315,156) | (339,276) |
| **Net income before taxes** | **1,202,251** | **1,037,429** | **1,236,153** | **2,021,888** |
| Income tax benefit (expense) | 45,983 | 129,545 | (342,606) | (620,862) |
| **Net income for the year** | **1,248,234** | **1,166,974** | **893,547** | **1,401,026** |

(d) Movements in investments in other companies accounted for using the equity method in 2019 and 2018 are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Opening book value | 42,252,084 | 35,771,208 |
| Acquisition of investments | 671,411 | — |
| Share of income (loss) from investments with significant influence and joint control | 6,039,252 | 6,810,724 |
| Dividends receivable | — | — |
| Minimum dividends | — | 136,260 |
| Dividends received | (552,567) | (411,021) |
| Others | 31,809 | (55,087) |
| Closing book value | 48,441,989 | 42,252,084 |

(e) There was no impairment of these investments during the years ended December 31, 2019 and 2018.

**Note 41– Additional notes (continued)**

**Note 41.13 – Intangible assets**

a) As of December 31, 2019 and 2018, these are detailed as follows:

| | Average useful life | | Average remaining amortization | | Gross balance | | Accumulated amortization | | Net balance | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 years | 2018 years | 2019 years | 2018 years | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| **Intangible assets** | | | | | | | | | | |
| Software or computer programs | 6 | 6 | 5 | 5 | 163,479,025 | 144,936,204 | (105,171,853) | (92,874,857) | 58,307,172 | 52,061,347 |
| Total | | | | | 163,479,025 | 144,936,204 | (105,171,853) | (92,874,857) | 58,307,172 | 52,061,347 |

**Note 41– Additional notes (continued)**

**Note 41.13 – Intangible assets (continued)**

b) Movements in intangible assets during the years ended December 31, 2019 and 2018 periods are detailed as follows:

| | Software or computer programs | |
|---|---|---|
| | **2019** | **2018** |
| | **ThCh$** | **ThCh$** |
| **Gross balance** | | |
| Balance as of January 1 | 144,936,204 | 122,447,616 |
| Acquisitions | 20,928,307 | 23,512,306 |
| Disposals / write-offs | (1,759,008) | (1,023,718) |
| Reclassification | (276,659) | — |
| Impairment (*) | (349,819) | — |
| Balance as of December 31 | 163,479,025 | 144,936,204 |
| **Accumulated amortization** | | |
| Balance as of January 1 | (92,874,857) | (83,402,805) |
| Amortization for the year (*) | (12,875,068) | (10,495,772) |
| Disposals / write-offs | 315,977 | 1,023,720 |
| Reclassification | 262,095 | — |
| Balance as of December 31 | (105,171,853) | (92,874,857) |
| Net balance as of December 31 | 58,307,172 | 52,061,347 |

(*) See Note 41.32 on depreciation, amortization and impairment.

c) As of December 31, 2019 and 2018, the Bank has the following commitments to technological developments:

| **Description** | **Commitment** | |
|---|---|---|
| | **2019** | **2018** |
| | **ThCh$** | **ThCh$** |
| Software and licenses | 7,150,913 | 11,805,686 |

## Note 41– Additional notes (continued)

### Note 41.14 - Property, plant and equipment, right-of-use leased assets and lease liabilities

(a) As of December 31, 2019 and 2018, property, plant and equipment is detailed as follows:

| | Average useful life | | Average remaining depreciation | | Gross balance | | Accumulated depreciation | | Net balance | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 years | 2018 years | 2019 years | 2018 years | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| **ThCh$** | | | | | | | | | | |
| Land and buildings | 26 | 26 | 21 | 21 | 301,620,003 | 320,586,062 | (136,395,323) | (150,099,017) | 165,224,680 | 170,487,045 |
| Equipment | 5 | 5 | 4 | 3 | 207,603,446 | 183,218,075 | (162,561,704) | (148,455,204) | 45,041,742 | 34,762,871 |
| Others | 7 | 7 | 4 | 4 | 55,520,053 | 53,501,374 | (45,523,884) | (42,878,376) | 9,996,169 | 10,622,998 |
| Total | | | | | 564,743,502 | 557,305,511 | (344,480,911) | (341,432,597) | 220,262,591 | 215,872,914 |

(b) Movements in property, plant and equipment for the years ended December 31, 2019 and 2018, are detailed as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | Land and buildings ThCh$ | Equipment ThCh$ | Others ThCh$ | Total ThCh$ |
| **Gross balance** | | | | |
| Balance as of January 1, 2019 | 320,586,062 | 183,218,075 | 53,501,374 | 557,305,511 |
| Reclassification | (25,653,332) | (37,248) | — | (25,690,580) |
| Additions | 12,554,440 | 28,117,511 | 2,839,195 | 43,511,146 |
| Write-offs/disposals | (5,436,825) | (3,113,474) | (762,639) | (9,312,938) |
| Impairment (*) (***) | (430,342) | (581,418) | (57,877) | (1,069,637) |
| Balance as of December 31, 2019 | 301,620,003 | 207,603,446 | 55,520,053 | 564,743,502 |
| **Accumulated depreciation** | | | | |
| Balance as of January 1, 2019 | (150,099,017) | (148,455,204) | (42,878,376) | (341,432,597) |
| Reclassification | 21,277,594 | 37,248 | — | 21,314,842 |
| Depreciation for the year (*) (**) | (8,613,942) | (16,820,483) | (3,400,937) | (28,835,362) |
| Write offs and sales during the year | 1,040,042 | 2,691,789 | 740,375 | 4,472,206 |
| Transfers | — | (15,054) | 15,054 | — |
| Balance as of December 31, 2019 | (136,395,323) | (162,561,704) | (45,523,884) | (344,480,911) |
| Net balance as of December 31, 2019 | 165,224,680 | 45,041,742 | 9,996,169 | 220,262,591 |

| | 2018 | | | |
|---|---|---|---|---|
| | Land and buildings ThCh$ | Equipment ThCh$ | Others ThCh$ | Total ThCh$ |
| **Gross balance** | | | | |
| Balance as of January 1, 2018 | 311,428,409 | 184,368,588 | 52,552,468 | 548,349,465 |
| Reclassification | — | — | — | — |
| Additions | 12,589,403 | 12,701,520 | 2,773,987 | 28,064,910 |
| Write-offs/disposals | (3,144,707) | (13,846,098) | (1,784,261) | (18,775,066) |
| Impairment (*) | (287,043) | (5,935) | (40,820) | (333,798) |
| Balance as of December 31, 2018 | 320,586,062 | 183,218,075 | 53,501,374 | 557,305,511 |
| **Accumulated depreciation** | | | | |
| Balance as of January 1, 2018 | (142,768,407) | (148,006,493) | (41,315,146) | (332,090,046) |
| Depreciation for the year (*) (**) | (9,192,165) | (14,291,625) | (3,333,790) | (26,817,580) |
| Write offs and sales during the year | 1,861,555 | 13,842,914 | 1,770,560 | 17,475,029 |
| Balance as of December 31, 2018 | (150,099,017) | (148,455,204) | (42,878,376) | (341,432,597) |
| Net balance as of December 31, 2018 | 170,487,045 | 34,762,871 | 10,622,998 | 215,872,914 |

(*) See Note 41.32 on depreciation, amortization and impairment
(**) Excludes depreciation for the year on investment properties that are included in Other assets of ThCh$358,552 in 2019 (ThCh$367,582 in 2018).
(***) Excludes provisions for write-offs of property, plant and equipment of ThCh$948,794.

## Note 41– Additional notes (continued)

### Note 41.14 - Property, plant and equipment, right-of-use leased assets and lease liabilities (continued)

(c) As of December 31, 2019, right-of-use leased assets are detailed as follows:

| Category | Gross balance ThCh$ | Accumulated depreciation ThCh$ | Net balance ThCh$ |
|---|---|---|---|
| Buildings | 130,853,588 | (18,721,517) | 112,132,071 |
| Spaces occupied by ATMs | 41,959,204 | (9,091,611) | 32,867,593 |
| Leasehold improvements | 27,253,317 | (21,588,309) | 5,665,008 |
| Total | 200,066,109 | (49,401,437) | 150,664,672 |

(d) Movement in right-of-use leased assets during the year ended December 31, 2019, are detailed as follows:

| | Buildings ThCh$ | Spaces occupied by ATMs ThCh$ | Leasehold improvements ThCh$ | Total ThCh$ |
|---|---|---|---|---|
| **Gross balance** | | | | |
| Balance as of January 1, 2019 | 116,577,011 | 27,919,627 | — | 144,496,638 |
| Reclassification | — | — | 26,333,763 | 26,333,763 |
| Additions | 14,276,577 | 14,039,577 | 1,723,728 | 30,039,882 |
| Disposals (*) | — | — | (804,174) | (804,174) |
| Balance as of December 31, 2019 | 130,853,588 | 41,959,204 | 27,253,317 | 200,066,109 |
| **Accumulated depreciation** | | | | |
| Balance as of January 1, 2019 | — | — | — | — |
| Reclassification | — | — | (21,546,161) | (21,546,161) |
| Depreciation for the year (*) | (18,721,517) | (9,091,611) | (659,285) | (28,472,413) |
| Disposals (*) | — | — | 617,137 | 617,137 |
| Balance as of December 31, 2019 | (18,721,517) | (9,091,611) | (21,588,309) | (49,401,437) |
| Net balance as of December 31, 2019 | 112,132,071 | 32,867,593 | 5,665,008 | 150,664,672 |

(*) See Note 41.32 on depreciation, amortization and impairment.

**Note 41– Additional notes (continued)**

**Note 41.14 - Property, plant and equipment, right-of-use leased assets and lease liabilities (continued)**

(e) As of December 31, 2019, the future maturities of lease liabilities are detailed as follows:

| Leased asset | Up to 1 month ThCh$ | 1 to 3 months ThCh$ | 3 to 12 months ThCh$ | 1 to 3 years ThCh$ | 3 to 5 years ThCh$ | Over 5 years ThCh$ | Total ThCh$ |
|---|---|---|---|---|---|---|---|
| Buildings | 1,726,156 | 3,519,147 | 15,285,623 | 37,062,655 | 24,899,279 | 38,525,736 | 121,018,596 |
| ATMs | 809,100 | 1,618,200 | 7,131,291 | 18,125,102 | 5,402,505 | 678,622 | 33,764,820 |
| Total | 2,535,256 | 5,137,347 | 22,416,914 | 55,187,757 | 30,301,784 | 39,204,358 | 154,783,416 |

The Bank and its subsidiaries have lease contracts with specific renewal options and it is reasonably certain that these options will be exercised. Therefore, the lease period used to value the asset and liability is an estimate of future renewals.

Movements during the year in lease liabilities and cash flows are detailed as follows:

| Lease liabilities | Cash flow for the year ThCh$ |
|---|---|
| Balances as of January 1, 2019 | 144,496,638 |
| Liabilities for new lease contracts | 24,431,081 |
| Interest expense | 5,970,324 |
| Capital and interest payments | (29,374,412) |
| Others | 3,885,073 |
| Balances as of December 31, 2019 | 149,408,704 |

(f) Future cash flow related to short-term leases as of December 31, 2019 are ThCh$ 8,611,302.

**Note 41– Additional notes (continued)**

**Note 41.15 – Current and deferred taxes**

**(a) Current taxes**

The Bank and its subsidiaries have made a provision for corporate income tax for 2019 and 2018 in accordance with current tax laws. This provision is shown as the net amount of recoverable or payable taxes in the statement of financial position as of December 31, 2019 and 2018, detailed as follows:

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Corporate income tax | 222,265,849 | 150,876,273 |
| Less: | | |
| Monthly provisional tax payments | (143,199,650) | (127,015,720) |
| Training expense credits | (1,900,000) | (2,223,864) |
| Others | (1,234,059) | (1,410,584) |
| Total | 75,932,140 | 20,226,105 |
| Income tax rate | 27.0% | 27.0% |

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Current tax assets | 357,053 | 713,054 |
| Current tax liabilities | (76,289,193) | (20,939,159) |
| Total current tax payable | (75,932,140) | (20,226,105) |

**(b) Income tax**

The tax expense for the years ended December 31, 2019 and 2018, is detailed as follows.

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| **Income tax expense:** | | |
| Current year taxes | 232,403,222 | 159,230,993 |
| Prior years taxes | (16,346,511) | 2,573,872 |
| Subtotal | 216,056,711 | 161,804,865 |
| **Charge (credit) for deferred taxes:** | | |
| Temporary differences and their reversal | (46,693,651) | (7,818,968) |
| Subtotal | (46,693,651) | (7,818,968) |
| Others | 320,260 | 2,623,398 |
| Net income tax expense | 169,683,320 | 156,609,295 |

**Note 41– Additional notes (continued)**

**Note 41.15 – Current and deferred taxes (continued)**

**(c) Reconciliation of effective tax rate**

The reconciliation between the income tax rate and the effective rate applied to the income tax expense for the years ended December 31, 2019 and 2018, is detailed as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Tax rate % | ThCh$ | Tax rate % | ThCh$ |
| Tax on financial net income | 27.00 | 205,926,811 | 27.00 | 202,840,258 |
| Additions or deductions | (1.27) | (9,649,574) | (0.37) | (2,792,172) |
| Subordinated obligation (*) | — | — | (3.26) | (24,515,468) |
| Taxation indexation | (3.93) | (29,961,863) | (3.87) | (29,102,993) |
| Others | 0.44 | 3,367,946 | 1.35 | 10,179,670 |
| Effective rate and income tax expense | 22.24 | 169,683,320 | 20.85 | 156,609,295 |

(*) The tax expense associated with the subordinated obligation held by SAOS S.A, was eliminated during 2018, by generating sufficient resources to pay the entire debt.

The effective rate for income tax for the year 2019 is 22.24% (20.85% in December 2018).

## Note 41– Additional notes (continued)

## Note 41.15 – Current and deferred taxes (continued)

### (d) Effect of deferred taxes on net income and equity

The Bank and its subsidiaries have recognized deferred taxes in their financial statements. The effects of deferred taxes on assets, liabilities and net income as of December 31, 2019, are detailed as follows:

| | Balances as of 12.31.2018 ThCh$ | Recognized in: Investment income ThCh$ | Recognized in: Equity ThCh$ | Balances as of 12.31.2019 ThCh$ |
|---|---|---|---|---|
| **Debtor differences** | | | | |
| Provisions for loan losses | 206,196,919 | 14,882,116 | — | 221,079,035 |
| Personnel provisions | 12,994,092 | 3,719,709 | — | 16,713,801 |
| Vacation provisions | 7,241,481 | 202,511 | — | 7,443,992 |
| Accrued interest and indexation on impaired portfolio | 3,232,434 | 441,616 | — | 3,674,050 |
| Termination benefit provisions | 599,032 | (60,235) | 66,747 | 605,544 |
| Credit card related expenses provision | 9,813,092 | (1,591,665) | — | 8,221,427 |
| Accrued expenses provision | 13,154,672 | (2,590,972) | — | 10,563,700 |
| Revaluation of investments held for sale | 2,695,670 | | (2,695,670) | — |
| Leasing | 42,987,755 | (1,195,585) | — | 41,792,170 |
| Income received in advance | — | 32,169,844 | — | 32,169,844 |
| Other adjustments | 12,392,005 | 3,094,307 | — | 15,486,312 |
| Total debtor differences | 311,307,152 | 49,071,646 | (2,628,923) | 357,749,875 |
| **Creditor differences** | | | | |
| Depreciation and indexation on property, plant and equipment | 14,989,672 | 534,773 | — | 15,524,445 |
| Revaluation of investments held for sale | — | — | 1,038,544 | 1,038,544 |
| Transitory assets | 4,358,873 | 2,815,409 | — | 7,174,282 |
| Accrued loans effective rate | 1,569,026 | (182,714) | — | 1,386,312 |
| Prepaid expenses | 6,699,430 | (3,365,465) | — | 3,333,965 |
| Other adjustments | 5,768,084 | 2,575,992 | 3 | 8,344,079 |
| Total creditor differences | 33,385,085 | 2,377,995 | 1,038,547 | 36,801,627 |
| Net total | 277,922,067 | 46,693,651 | (3,667,470) | 320,948,248 |

**Note 41– Additional notes (continued)**

**Note 41.15 – Current and deferred taxes (continued)**

(e) In compliance with Joint Circular 47 of the Internal Revenue Service (SII) and Circular 3,478 issued by the CMF dated August 18, 2009, the following provides a detail of the movement and effects generated by applying Article 31 number 4 of the Income Tax Law.

As required, the information relates only to the Bank lending services and not the transactions of the subsidiaries consolidated in these consolidated financial statements.

| **(e.1) Loans and advances to banks, and customer loans and receivables as of 12.31.2019** | **2019** | | | | |
|---|---|---|---|---|---|
| | | | **Assets at tax value** | | |
| | **Assets at book value (*) ThCh$** | **Assets at tax value ThCh$** | **Secured past due portfolio ThCh$** | **Unsecured past due portfolio ThCh$** | **Total past due portfolio ThCh$** |
| Loans and advances to banks | 1,139,431,905 | 1,140,190,111 | — | — | — |
| Commercial loans | 13,725,346,285 | 14,308,651,049 | 47,451,980 | 76,814,252 | 124,266,232 |
| Consumer loans | 4,202,633,858 | 5,016,666,075 | 819,568 | 29,643,334 | 30,462,902 |
| Residential mortgage loans | 9,175,012,918 | 9,200,565,362 | 10,040,492 | 155,197 | 10,195,689 |
| Total | 28,242,424,966 | 29,666,072,597 | 58,312,040 | 106,612,783 | 164,924,823 |

| **(e.1) Loans and advances to banks, and customer loans and receivables as of 12.31.2018** | **2018** | | | | |
|---|---|---|---|---|---|
| | | | **Assets at tax value** | | |
| | **Assets at book value (*) ThCh$** | **Assets at tax value ThCh$** | **Secured past due portfolio ThCh$** | **Unsecured past due portfolio ThCh$** | **Total past due portfolio ThCh$** |
| Loans and advances to banks | 1,494,306,248 | 1,495,394,956 | — | — | — |
| Commercial loans | 13,018,974,815 | 13,519,190,709 | 21,585,165 | 59,773,066 | 81,358,231 |
| Consumer loans | 4,145,420,149 | 4,850,067,644 | 730,701 | 24,424,149 | 25,154,850 |
| Residential mortgage loans | 8,021,263,028 | 8,047,077,998 | 8,817,361 | 210,433 | 9,027,794 |
| Total | 26,679,964,240 | 27,911,731,307 | 31,133,227 | 84,407,648 | 115,540,875 |

(*) According to that Circular and the SII instructions, the value of the assets in the financial statements is shown on an individual basis (just Banco de Chile) net of provisions for loan losses and excludes lease and factoring transactions.

## Note 41– Additional notes (continued)

### Note 41.15 – Current and deferred taxes (continued)

| (e.2) Provisions for the past due portfolio | 2019<br>Balance as of 01.01.2019 ThCh$ | Charge-offs against provisions ThCh$ | Provisions recognized ThCh$ | Provisions released ThCh$ | Balance as of 12.31.2019 ThCh$ |
|---|---|---|---|---|---|
| Commercial loans | 59,773,066 | (44,924,887) | 165,499,528 | (103,533,455) | 76,814,252 |
| Consumer loans | 24,424,149 | (247,312,987) | 274,262,349 | (21,730,177) | 29,643,334 |
| Residential mortgage loans | 210,433 | (4,078,372) | 30,251,388 | (26,228,252) | 155,197 |
| Total | 84,407,648 | (296,316,246) | 470,013,265 | (151,491,884) | 106,612,783 |

| (e.2) Provisions for the past due portfolio | 2018<br>Balance as of 01.01.2018 ThCh$ | Charge-offs against provisions ThCh$ | Provisions recognized ThCh$ | Provisions released ThCh$ | Balance as of 12.31.2018 ThCh$ |
|---|---|---|---|---|---|
| Commercial loans | 52,169,197 | (40,576,313) | 93,335,646 | (45,155,464) | 59,773,066 |
| Consumer loans | 24,024,396 | (230,381,104) | 259,589,333 | (28,808,476) | 24,424,149 |
| Residential mortgage loans | 211,367 | (2,659,674) | 13,066,718 | (10,407,978) | 210,433 |
| Total | 76,404,960 | (273,617,091) | 365,991,697 | (84,371,918) | 84,407,648 |

| (e.3) Direct charge-offs and recoveries | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Direct charge-offs (Article 31 number 4, paragraph 2) | 11,431,780 | 12,913,922 |
| Debt relief that releases provisions | 313,910 | 710,926 |
| Recoveries or re-negotiation of charged-off loans | 47,975,016 | 60,578,581 |

| (e.4) Application of Article 31 number 4 paragraphs 1 and 3 of Income Tax Law | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Charge-offs, paragraph 1 | — | — |
| Relief, paragraph 3 | 313,910 | 710,926 |

## Note 41– Additional notes (continued)

### Note 41.16 – Other Assets

a) Composition

As of December 31, 2019 and 2018 these are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **Leased assets (*)** | 139,388,666 | 101,846,824 |
| **Assets received in lieu of payment (**)** | | |
| Assets awarded in judicial auctions | 10,966,578 | 14,171,071 |
| Assets received in lieu of payment | 1,555,846 | 3,623,051 |
| Provisions for assets received in lieu of payment | (188,330) | (805,876) |
| Subtotal | 12,334,094 | 16,988,246 |
| **Other assets** | | |
| Derivative margin deposits | 475,851,718 | 336,547,867 |
| Other accounts and notes receivable | 44,670,448 | 29,079,995 |
| Document broking (***) | 40,910,931 | 28,478,192 |
| Prepaid expenses | 34,934,028 | 37,393,749 |
| Recoverable taxes | 33,135,825 | 44,665,141 |
| Servipag funds available | 17,923,392 | 13,991,246 |
| Fees receivable | 14,190,732 | 12,155,252 |
| Investment property | 13,189,662 | 13,938,751 |
| Recoverable VAT | 11,831,000 | 15,020,548 |
| Receivables on selling assets received in lieu of payment | 2,183,533 | 4,816,103 |
| Transactions in the course of collection | 2,020,769 | 2,069,979 |
| Lease guarantees | 1,956,726 | 1,894,943 |
| Recovered leased assets for sale | 870,882 | 1,064,166 |
| Materials and supplies | 672,349 | 745,015 |
| Others | 16,903,812 | 12,679,780 |
| Subtotal | 711,243,008 | 554,540,727 |
| Total | 862,965,768 | 673,375,797 |

(*) Relates to property, plant and equipment under finance leases.

(**) Assets received in lieu of payment relate to customers with past due debts. The assets acquired by the Bank in lieu of payment should at no time exceed 20% of the Bank's regulatory capital. These assets currently represent 0.0341% (0.0877% in 2018) of the Bank's regulatory capital.

Assets awarded in a judicial auction are not subject to the margin mentioned above. These are assets held for sale and it is expected to complete the sale within one year of the asset being received or acquired. If the asset is not sold during the course of a year, it must be written off.

The provision for assets received in lieu of payment or awarded is recognized as indicated in Chapter B-5, number 3 of the Compendium of Accounting Standards, which requires a provision for the difference between the initial value plus any additions and their net realizable value, when the former is greater.

(***) This mainly includes simultaneous transactions by the subsidiary Banchile Corredores de Bolsa S.A.

**Note 41– Additional notes (continued)**

**Note 41.16 – Other assets (continued)**

Movements in the provision for assets received in lieu of payment during 2019 and 2018 are detailed as follows:

| **Provisions for assets received in lieu of payment** | **ThCh$** |
|---|---|
| Balance as of January 1, 2018 | 818,469 |
| Provisions used | (2,781,872) |
| Provisions established | 2,769,279 |
| Provisions released | — |
| Balance as of December 31, 2018 | 805,876 |
| Provisions used | (2,158,945) |
| Provisions established | 1,541,399 |
| Provisions released | — |
| Balance as of December 31, 2019 | 188,330 |

**Note 41.17 – Demand deposits and other obligations**

As of December 31, 2019 and 2018, these are detailed as follows:

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Current accounts | 8,927,824,012 | 7,664,642,967 |
| Other demand obligations | 1,662,949,749 | 1,143,414,225 |
| Other deposits and sight accounts | 665,442,758 | 703,702,102 |
| Total | 11,256,216,519 | 9,511,759,294 |

**Note 41.18 – Deposits and term obligations**

As of December 31, 2019 and 2018, these are detailed as follows:

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Time deposits | 10,537,063,665 | 10,338,098,434 |
| Time savings accounts | 239,850,581 | 224,302,388 |
| Other term payables | 79,154,233 | 87,948,533 |
| Total | 10,856,068,479 | 10,650,349,355 |

## Note 41– Additional notes (continued)

### Note 41.19 - Obligations to banks

(a) As of December 31, 2019 and 2018, these are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **Banks in Chile** | | |
| Banco do Brasil | 3,900,163 | 7,001,458 |
| Banco Santander | 2,313,579 | — |
| Banco Security | — | 374,453 |
| Subtotal banks in Chile | 6,213,742 | 7,375,911 |
| **Banks abroad** | | |
| **Foreign trade financing** | | |
| Citibank N.A. | 285,974,361 | 212,329,423 |
| Bank of New York Mellon | 224,812,243 | 152,828,399 |
| Sumitomo Mitsui Banking | 213,534,032 | 196,571,231 |
| Bank of America | 194,703,679 | 210,280,127 |
| Wells Fargo Bank | 139,845,044 | 225,086,715 |
| The Bank of Nova Scotia | 133,538,562 | 122,080,357 |
| Zürcher Kantonalbank | 78,872,444 | 55,621,157 |
| Standard Chartered Bank | 70,128,266 | 295,948 |
| JP Morgan Chase Bank | 60,150,428 | 62,556,772 |
| Toronto Dominion Bank | 22,556,430 | 84,056,479 |
| ING Bank | 10,986,961 | — |
| Commerzbank AG | 2,200,722 | 1,083,785 |
| Mizuho Bank Ltd. | — | 63,651,109 |
| Others | 89,254 | 23,948 |
| **Borrowings and other obligations** | | |
| Wells Fargo Bank | 113,377,214 | 104,635,437 |
| Citibank N.A. | 6,198,106 | 15,941,045 |
| ING Bank NV | 87,755 | |
| Deutsche Bank AG | — | 161,425 |
| Standard Chartered Bank | — | 1,611,669 |
| Bank of America | — | 485,794 |
| Others | 7,517 | 82,620 |
| Subtotal foreign banks | 1,557,063,018 | 1,509,383,440 |
| **Chilean Central Bank** | — | — |
| Total | 1,563,276,760 | 1,516,759,351 |

**Note 41– Additional notes (continued)**

**Note 41.20 – Debt instruments issued**

As of December 31, 2019 and 2018, these are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Mortgage bonds | 10,898,450 | 16,367,491 |
| Bonds | 7,912,621,100 | 6,769,051,764 |
| Subordinated bonds | 889,894,650 | 686,194,297 |
| Total | 8,813,414,200 | 7,471,613,552 |

During the year ended December 31, 2019, Banco de Chile placed bonds amounting to ThCh$2,625,176,942, consisting of commercial papers of ThCh$944,413,482, bonds of ThCh$1,465,405,947 and subordinated bonds of ThCh$215,357,513, detailed as follows:

**Commercial papers**

| Counterparty | Currency | Amount ThCh$ | Annual interest rate % | Issue date | Maturity date |
|---|---|---|---|---|---|
| Citibank N.A. | USD | 40,937,400 | 2.91 | 01/04/2019 | 04/04/2019 |
| Wells Fargo Bank | USD | 40,263,600 | 2.85 | 01/17/2019 | 04/24/2019 |
| Citibank N.A. | USD | 33,598,000 | 2.80 | 01/22/2019 | 04/22/2019 |
| Citibank N.A. | USD | 53,250,400 | 2.67 | 04/04/2019 | 07/02/2019 |
| Citibank N.A. | USD | 27,885,900 | 2.67 | 04/09/2019 | 08/09/2019 |
| Citibank N.A. | USD | 33,257,000 | 2.66 | 04/11/2019 | 07/11/2019 |
| Wells Fargo Bank | USD | 33,257,000 | 2.68 | 04/11/2019 | 10/11/2019 |
| Citibank N.A. | USD | 33,051,000 | 2.66 | 04/12/2019 | 07/22/2019 |
| Wells Fargo Bank | USD | 3,966,120 | 2.67 | 04/12/2019 | 09/12/2019 |
| Citibank N.A. | USD | 27,184,400 | 2.67 | 04/29/2019 | 10/29/2019 |
| Wells Fargo Bank | USD | 33,838,000 | 2.60 | 04/30/2019 | 07/30/2019 |
| Citibank N.A. | USD | 34,794,500 | 2.61 | 05/17/2019 | 11/18/2019 |
| Citibank N.A. | USD | 34,841,500 | 2.59 | 05/23/2019 | 08/22/2019 |
| Bank of America | USD | 34,208,000 | 2.50 | 06/21/2019 | 08/22/2019 |
| Wells Fargo Bank | USD | 3,420,800 | 2.50 | 06/24/2019 | 07/25/2019 |
| Citibank N.A. | USD | 547,328 | 2.40 | 06/24/2019 | 10/15/2019 |
| Citibank N.A. | USD | 13,620,400 | 2.50 | 06/25/2019 | 08/05/2019 |
| Citibank N.A. | USD | 13,574,600 | 2.51 | 06/28/2019 | 08/01/2019 |
| Citibank N.A. | USD | 34,069,500 | 2.38 | 07/11/2019 | 10/09/2019 |
| Citibank N.A. | USD | 29,882,580 | 2.25 | 08/09/2019 | 11/12/2019 |
| Wells Fargo Bank | USD | 3,525,100 | 2.03 | 08/13/2019 | 05/08/2019 |
| Citibank N.A. | USD | 35,675,500 | 2.20 | 08/22/2019 | 11/21/2019 |
| Wells Fargo Bank | USD | 21,349,800 | 2.20 | 10/09/2019 | 12/09/2019 |
| Wells Fargo Bank | USD | 7,116,600 | 2.20 | 09/11/2019 | 12/16/2019 |
| Wells Fargo Bank | USD | 28,466,400 | 2.20 | 09/11/2019 | 12/10/2019 |
| Citibank N.A. | USD | 15,798,640 | 2.10 | 10/07/2019 | 01/07/2020 |
| Citibank N.A. | USD | 36,206,000 | 2.07 | 10/09/2019 | 01/09/2020 |
| Citibank N.A. | USD | 36,212,000 | 2.00 | 10/24/2019 | 01/29/2020 |
| Bank of America | USD | 36,212,000 | 2.00 | 10/24/2019 | 01/24/2020 |
| Citibank N.A. | USD | 18,199,750 | 2.00 | 10/25/2019 | 02/03/2020 |
| Citibank N.A. | USD | 31,818,710 | 1.91 | 11/04/2019 | 01/13/2020 |
| Citibank N.A. | USD | 31,239,200 | 1.97 | 11/12/2019 | 02/12/2020 |
| Citibank N.A. | USD | 4,553,502 | 2.05 | 11/22/2019 | 08/07/2020 |
| Citibank N.A. | USD | 7,988,600 | 2.05 | 11/22/2019 | 08/07/2020 |
| Citibank N.A. | USD | 18,750,018 | 2.07 | 12/04/2019 | 08/07/2020 |
| Citibank N.A. | USD | 23,268,000 | 2.05 | 12/09/2019 | 04/09/2020 |
| Wells Fargo Bank | USD | 3,878,000 | 2.04 | 12/09/2019 | 06/05/2020 |
| Wells Fargo Bank | USD | 15,395,600 | 2.04 | 12/11/2019 | 03/27/2020 |
| Citibank N.A. | USD | 1,793,234 | 2.03 | 12/30/2019 | 07/20/2020 |
| Wells Fargo Bank | USD | 7,518,800 | 2.10 | 12/30/2019 | 12/15/2020 |
| Total as of December 31, 2019 | | 944,413,482 | | | |

## Note 41– Additional notes (continued)

## Note 41.20 – Debt instruments issued (continued)

### Bonds

| Series | Currency | Amount ThCh$ | Term in years | Annual interest rate % | Issue date | Maturity date |
|---|---|---|---|---|---|---|
| BCHIEC0817 | UF | 83,469,928 | 5 | 1.55 | 01/30/2019 | 01/30/2024 |
| BCHIED1117 | UF | 41,710,853 | 5 | 1.54 | 03/14/2019 | 03/14/2024 |
| BCHIED1117 | UF | 5,587,061 | 5 | 1.45 | 03/19/2019 | 03/19/2024 |
| BCHIED1117 | UF | 36,317,476 | 5 | 1.45 | 03/20/2019 | 03/20/2024 |
| BCHIDW1017 | UF | 84,358,295 | 2 | 0.93 | 05/09/2019 | 05/09/2021 |
| BCHIDW1017 | UF | 57,091,350 | 2 | 0.57 | 06/24/2019 | 06/24/2021 |
| BCHIEH0917 | UF | 58,867,005 | 7 | 1.04 | 07/01/2019 | 07/01/2026 |
| BCHIEB1117 | UF | 86,681,500 | 4 | 0.83 | 07/01/2019 | 07/01/2023 |
| BCHIEH0917 | UF | 29,513,848 | 7 | 1.00 | 07/02/2019 | 07/02/2026 |
| BCHIEI1117 | UF | 60,696,943 | 7 | 0.66 | 07/19/2019 | 07/19/2026 |
| BCHIEI1117 | UF | 22,063,252 | 7 | 0.51 | 07/30/2019 | 07/30/2026 |
| BCHIEI1117 | UF | 8,613,283 | 7 | 0.45 | 08/01/2019 | 08/01/2026 |
| BCHICC0815 | UF | 71,702,520 | 12 | 0.54 | 08/05/2019 | 08/05/2031 |
| BCHICA1015 | UF | 71,221,131 | 11 | 0.54 | 08/05/2019 | 08/05/2030 |
| BCHICB1215 | UF | 14,496,056 | 11 | 0.44 | 08/07/2019 | 08/07/2030 |
| BCHIEI1117 | UF | 7,764,457 | 7 | 0.30 | 08/07/2019 | 08/07/2026 |
| BCHIEI1117 | UF | 20,212,371 | 7 | 0.28 | 08/08/2019 | 08/08/2026 |
| BCHICB1215 | UF | 57,926,092 | 11 | 0.45 | 08/08/2019 | 08/08/2030 |
| BCHIEI1117 | UF | 3,107,629 | 7 | 0.29 | 08/08/2019 | 08/08/2026 |
| BCHIBV1015 | UF | 71,062,821 | 10 | 0.37 | 08/20/2019 | 08/20/2029 |
| BCHIEV1117 | UF | 132,366,109 | 10 | 0.34 | 09/05/2019 | 09/05/2029 |
| BCHIEK1117 | UF | 117,492,681 | 13 | 1.38 | 12/11/2019 | 12/11/2032 |
| Subtotal UF | | 1,142,322,661 | | | | |
| JPY BOND | JPY | 63,041,000 | 20 | 1.00 | 05/14/2019 | 05/14/2039 |
| HKD BOND | HKD | 32,725,286 | 12 | 2.90 | 07/19/2019 | 07/19/2031 |
| AUD BOND | AUD | 36,519,345 | 20 | 3.50 | 08/28/2019 | 08/28/2039 |
| PEN BOND | PEN | 29,969,240 | 15 | 5.40 | 09/04/2019 | 09/04/2034 |
| AUD BOND | AUD | 24,547,120 | 15 | 3.13 | 09/09/2019 | 09/09/2034 |
| NOK BOND | NOK | 60,950,700 | 10 | 3.50 | 11/07/2019 | 11/07/2029 |
| AUD BOND | AUD | 39,067,095 | 20 | 3.55 | 11/11/2019 | 11/11/2039 |
| JPY BOND | JPY | 36,263,500 | 10 | 1.00 | 11/19/2019 | 11/19/2029 |
| Subtotal other currencies | | 323,083,286 | | | | |
| Total as of December 31, 2019 | | 1,465,405,947 | | | | |

### Subordinated bonds

| Series | Currency | Amount ThCh$ | Term in years | Annual interest rate % | Issue date | Maturity date |
|---|---|---|---|---|---|---|
| UCHI-J1111 | UF | 61,471,471 | 23 | 1.05 | 08/20/2019 | 08/20/2042 |
| UCHI-J1111 | UF | 65,972,648 | 23 | 1.04 | 08/20/2019 | 08/20/2042 |
| UCHI-J1111 | UF | 48,798,934 | 23 | 0.99 | 08/21/2019 | 08/21/2042 |
| UCHI-I1111 | UF | 39,114,460 | 21 | 0.96 | 09/24/2019 | 09/24/2040 |
| Total as of December 31, 2019 | | 215,357,513 | | | | |

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

## Note 41– Additional notes (continued)

## Note 41.20 – Debt instruments issued (continued)

During the year ended December 31, 2018, Banco de Chile placed bonds amounting to ThCh$2,157,586,801, consisting of commercial papers of ThCh$940,719,846, and bonds of ThCh$1,216,866,955, detailed as follows:

### Commercial papers

| Counterparty | Currency | Amount ThCh$ | Annual interest rate % | Issue date | Maturity date |
|---|---|---|---|---|---|
| Wells Fargo Bank | USD | 2,997,750 | 1.85 | 02/06/2018 | 05/08/2018 |
| Wells Fargo Bank | USD | 2,997,750 | 1.93 | 02/06/2018 | 06/08/2018 |
| Wells Fargo Bank | USD | 2,997,750 | 1.98 | 02/06/2018 | 07/09/2018 |
| Wells Fargo Bank | USD | 2,997,750 | 2.05 | 02/06/2018 | 08/06/2018 |
| Wells Fargo Bank | USD | 2,997,750 | 2.05 | 02/06/2018 | 08/08/2018 |
| Wells Fargo Bank | USD | 29,715,500 | 2.25 | 02/28/2018 | 06/28/2018 |
| Wells Fargo Bank | USD | 1,723,499 | 2.40 | 02/28/2018 | 08/29/2018 |
| Citibank N.A. | USD | 6,893,996 | 2.60 | 02/28/2018 | 02/25/2019 |
| Wells Fargo Bank | USD | 13,780,680 | 2.30 | 03/02/2018 | 07/02/2018 |
| Wells Fargo Bank | USD | 4,489,275 | 2.30 | 03/05/2018 | 07/06/2018 |
| Citibank N.A. | USD | 18,080,700 | 2.22 | 03/07/2018 | 06/05/2018 |
| Wells Fargo Bank | USD | 1,747,395 | 2.25 | 03/13/2018 | 06/11/2018 |
| Wells Fargo Bank | USD | 3,006,000 | 2.45 | 03/14/2018 | 09/11/2018 |
| Wells Fargo Bank | USD | 605,660 | 2.60 | 03/15/2018 | 12/14/2018 |
| Wells Fargo Bank | USD | 604,670 | 2.60 | 03/29/2018 | 09/28/2018 |
| Wells Fargo Bank | USD | 60,343,000 | 2.60 | 04/05/2018 | 09/04/2018 |
| Wells Fargo Bank | USD | 30,254,000 | 2.50 | 04/06/2018 | 08/01/2018 |
| Wells Fargo Bank | USD | 1,743,074 | 2.40 | 04/10/2018 | 08/09/2018 |
| Wells Fargo Bank | USD | 8,918,100 | 2.75 | 04/13/2018 | 04/12/2019 |
| Wells Fargo Bank | USD | 8,945,850 | 2.75 | 04/17/2018 | 04/16/2019 |
| Citibank N.A. | USD | 19,046,400 | 2.36 | 05/08/2018 | 08/08/2018 |
| Citibank N.A. | USD | 31,664,500 | 2.38 | 05/09/2018 | 08/07/2018 |
| Citibank N.A. | USD | 1,872,900 | 2.37 | 05/10/2018 | 08/08/2018 |
| Citibank N.A. | USD | 12,249,804 | 2.36 | 05/14/2018 | 08/15/2018 |
| Wells Fargo Bank | USD | 18,968,100 | 2.70 | 06/11/2018 | 04/01/2019 |
| Wells Fargo Bank | USD | 28,973,451 | 2.42 | 06/13/2018 | 07/24/2018 |
| Wells Fargo Bank | USD | 15,991,000 | 2.45 | 06/19/2018 | 09/20/2018 |
| Citibank N.A. | USD | 12,777,600 | 2.41 | 06/20/2018 | 09/20/2018 |
| Citibank N.A. | USD | 31,944,000 | 2.45 | 06/20/2018 | 10/03/2018 |
| Wells Fargo Bank | USD | 3,194,400 | 2.65 | 06/20/2018 | 02/13/2019 |
| Citibank N.A. | USD | 3,884,785 | 2.50 | 06/22/2018 | 11/23/2018 |
| Wells Fargo Bank | USD | 19,496,400 | 2.20 | 06/28/2018 | 07/27/2018 |
| Wells Fargo Bank | USD | 4,874,775 | 2.30 | 07/03/2018 | 09/11/2018 |
| Wells Fargo Bank | USD | 29,556,000 | 2.30 | 07/06/2018 | 09/10/2018 |
| Wells Fargo Bank | USD | 62,078,700 | 2.45 | 07/17/2018 | 10/17/2018 |
| Wells Fargo Bank | USD | 32,728,500 | 2.45 | 07/24/2018 | 10/22/2018 |
| Wells Fargo Bank | USD | 19,283,400 | 2.45 | 07/27/2018 | 10/29/2018 |
| Wells Fargo Bank | USD | 31,919,000 | 2.50 | 07/30/2018 | 11/29/2018 |
| Wells Fargo Bank | USD | 16,039,250 | 2.52 | 08/01/2018 | 12/06/2018 |
| Citibank N.A. | USD | 25,786,800 | 2.50 | 08/02/2018 | 12/06/2018 |
| Wells Fargo Bank | USD | 10,858,757 | 2.47 | 08/07/2018 | 12/14/2018 |
| Wells Fargo Bank | USD | 3,238,200 | 2.46 | 08/09/2018 | 12/14/2018 |
| Wells Fargo Bank | USD | 17,070,000 | 2.53 | 08/31/2018 | 12/28/2018 |
| Wells Fargo Bank | USD | 6,929,100 | 2.58 | 09/04/2018 | 02/06/2019 |
| Citibank N.A. | USD | 34,645,500 | 2.57 | 09/04/2018 | 01/04/2019 |
| Citibank N.A. | USD | 4,902,479 | 2.24 | 09/07/2018 | 10/09/2018 |
| Citibank N.A. | USD | 34,524,500 | 2.25 | 09/07/2018 | 10/09/2018 |
| Citibank N.A. | USD | 1,741,750 | 2.23 | 09/10/2018 | 10/09/2018 |
| Wells Fargo Bank | USD | 3,483,500 | 2.65 | 09/10/2018 | 03/11/2019 |
| Wells Fargo Bank | USD | 6,025,936 | 2.45 | 09/11/2018 | 12/06/2018 |
| Bofa Merrill Lynch | USD | 18,420,980 | 2.62 | 09/14/2018 | 03/01/2019 |
| Wells Fargo Bank | USD | 33,464,000 | 2.48 | 09/20/2018 | 12/20/2018 |
| Wells Fargo Bank | USD | 1,321,920 | 2.70 | 10/03/2018 | 04/05/2019 |
| Wells Fargo Bank | USD | 13,590,600 | 2.78 | 10/12/2018 | 04/25/2019 |
| Wells Fargo Bank | USD | 6,694,200 | 2.55 | 10/16/2018 | 01/16/2019 |
| Citibank N.A. | USD | 6,712,800 | 2.50 | 10/17/2018 | 01/04/2019 |
| Citibank N.A. | USD | 34,208,000 | 2.65 | 10/23/2018 | 01/22/2019 |
| Citibank N.A. | USD | 20,482,800 | 2.84 | 12/11/2018 | 03/11/2019 |
| Wells Fargo Bank | USD | 2,236,410 | 2.90 | 12/12/2018 | 04/12/2019 |
| Wells Fargo Bank | USD | 34,555,000 | 2.67 | 12/20/2018 | 02/19/2019 |
| Wells Fargo Bank | USD | 10,466,100 | 2.97 | 12/27/2018 | 05/02/2019 |
| Wells Fargo Bank | USD | 6,977,400 | 2.97 | 12/27/2018 | 04/29/2019 |
| Total as of December 31, 2018 | | 940,719,846 | | | |

## Note 41– Additional notes (continued)

### Note 41.20 – Debt instruments issued (continued)

**Bonds**

| Series | Currency | Amount ThCh$ | Term in years | Annual interest rate % | Issue date | Maturity date |
|---|---|---|---|---|---|---|
| BCHIEA0617 | UF | 106,001,420 | 6 | 1.60 | 01/03/2018 | 01/03/2024 |
| BCHIBN1015 | UF | 114,211,561 | 12 | 2.90 | 01/24/2018 | 01/24/2030 |
| BCHIEF1117 | UF | 79,611,996 | 8 | 1.80 | 02/09/2018 | 02/09/2026 |
| BCHIEP0717 | UF | 104,549,517 | 11 | 2.00 | 02/13/2018 | 02/13/2029 |
| BCHIBT1215 | UF | 57,936,563 | 14 | 3.00 | 03/13/2018 | 03/13/2032 |
| BCHIBW1215 | UF | 59,080,689 | 14 | 2.20 | 08/14/2018 | 08/14/2032 |
| BCHIDY0917 | UF | 55,619,331 | 5 | 1.24 | 08/16/2018 | 08/16/2023 |
| BCHIEN1117 | UF | 109,543,243 | 10 | 2.08 | 09/25/2018 | 09/25/2028 |
| BCHIDX0817 | UF | 109,310,820 | 5 | 1.70 | 10/22/2018 | 10/22/2023 |
| BCHIDY0917 | UF | 12,025,232 | 5 | 1.74 | 10/22/2018 | 10/22/2023 |
| BCHIDY0917 | UF | 15,298,687 | 5 | 1.75 | 10/22/2018 | 10/22/2023 |
| BCHIBY1215 | UF | 59,373,543 | 15 | 2.29 | 10/24/2018 | 10/24/2033 |
| BCHIBX0815 | UF | 58,998,202 | 15 | 2.29 | 10/24/2018 | 10/24/2033 |
| BCHIBZ0815 | UF | 59,987,169 | 15 | 2.23 | 12/07/2018 | 12/07/2033 |
| BCHIEJ0717 | UF | 82,878,076 | 9 | 1.99 | 12/12/2018 | 12/12/2027 |
| Subtotal UF | | 1,084,426,049 | | | | |
| BCHIDH0916 | CLP | 20,370,271 | 4 | 3.80 | 06/11/2018 | 06/11/2022 |
| USD BOND | USD | 32,841,500 | 10 | 4.26 | 09/28/2018 | 09/28/2028 |
| CHF BOND | CHF | 79,229,135 | 5 | 0.57 | 10/26/2018 | 10/26/2023 |
| Subtotal other currencies | | 132,440,906 | | | | |
| Total as of December 31, 2018 | | 1,216,866,955 | | | | |

No subordinated bonds were issued during the year ended December 31, 2018.

During 2019 and 2018, the Bank has not defaulted on its payments of principal and interest on its debt instruments. Neither has there been any non-compliance with covenants nor other commitments associated with its debt instruments.

**Note 41– Additional notes (continued)**

**Note 41.21 – Other financial obligations**

As of December 31, 2019 and 2018, these are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Other obligations in Chile | 135,179,709 | 95,912,024 |
| Public-sector obligations | 17,654,483 | 22,101,395 |
| Total | 152,834,192 | 118,013,419 |

**Note 41.22 - Provisions**

(a) Provisions as of December 31, 2018 and 2017, are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Provisions for minimum dividends to SM-Chile shareholders | — | 24,585,345 |
| Provisions for minimum dividends to other shareholders (*) | 146,775,021 | 98,356,882 |
| Personnel remuneration and benefits provisions | 109,074,376 | 92,579,915 |
| Provisions for contingent credit risks | 57,042,201 | 55,531,493 |
| Provisions for contingencies: | | |
| Additional provisions | 213,251,877 | 213,251,877 |
| Country risk provisions | 4,331,711 | 2,880,625 |
| Other contingent provisions | 501,280 | 467,480 |
| Total | 530,976,466 | 487,653,617 |

## Note 41– Additional notes (continued)

### Note 41.22 - Provisions (continued)

(b) Movements in provisions during 2019 and 2018 are detailed as follows:

| | Minimum dividends ThCh$ | Personnel benefits and remuneration ThCh$ | Provisions for contingent loan losses ThCh$ | Additional Provisions ThCh$ | Country risk and other contingencies ThCh$ | Total ThCh$ |
|---|---|---|---|---|---|---|
| Balance as of January 1, 2018 | 125,375,777 | 86,628,220 | 58,031,535 | 213,251,877 | 25,050,514 | 508,337,923 |
| Provisions established | 122,942,227 | 72,945,600 | — | — | 3,000 | 195,890,827 |
| Provisions used | (125,375,777) | (66,993,905) | — | — | (19,346,552) | (211,716,234) |
| Provisions released | — | — | (2,500,042) | — | (2,358,857) | (4,858,899) |
| Balance as of December 31, 2018 | 122,942,227 | 92,579,915 | 55,531,493 | 213,251,877 | 3,348,105 | 487,653,617 |
| Provisions estblished | 146,775,021 | 93,358,051 | 1,510,708 | — | 1,484,886 | 243,128,666 |
| Provisions used | (122,942,227) | (76,863,590) | — | — | — | (199,805,817) |
| Provisions released | — | — | — | — | — | — |
| Balance as of December 31, 2019 | 146,775,021 | 109,074,376 | 57,042,201 | 213,251,877 | 4,832,991 | 530,976,466 |

(c) Provisions for personnel benefits and remuneration

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Provisions for performance bonuses | 51,050,991 | 47,796,706 |
| Provisions for vacations | 27,608,905 | 26,856,162 |
| Provisions for termination benefits | 7,565,593 | 7,754,497 |
| Provision for other employee benefits | 22,848,887 | 10,172,550 |
| Total | 109,074,376 | 92,579,915 |

(d) Termination benefits

(i) Movements in termination benefit provisions

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Opening balance | 7,754,497 | 7,675,596 |
| Increase (decrease) in provision | 322,831 | 550,427 |
| Payments | (758,945) | (598,582) |
| Effect of change in actuarial factors | 247,210 | 127,056 |
| Closing balance | 7,565,593 | 7,754,497 |

(ii) Net cost of benefits

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Increase (decrease) in provision | 101,072 | 249,654 |
| Interest cost of benefit obligations | 221,759 | 300,773 |
| Effect of change in actuarial factors | 247,210 | 127,056 |
| Net cost of benefits | 570,041 | 677,483 |

**Note 41– Additional notes (continued)**

**Note 41.22 - Provisions (continued)**

(d) Termination benefits (continued)

(iii) Factors used to calculate the provision

The principal assumptions used to calculate termination benefits for Banco de Chile's plan are detailed as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| | % | % |
| Discount rate | 3.17 | 4.25 |
| Salary increase rate | 4.42 | 4.42 |
| Probability of payment | 99.99 | 99.99 |

The most recent actuarial valuation of the provision for termination benefits was in 2019.

(e) Movement in provision for performance bonuses

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Opening balance | 47,796,706 | 43,371,850 |
| Provisions established | 45,792,177 | 40,057,913 |
| Provisions used | (42,537,892) | (35,633,057) |
| Closing balance | 51,050,991 | 47,796,706 |

(f) Movement in provision for personnel vacations

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Opening balance | 26,856,162 | 25,159,467 |
| Provisions established | 7,257,007 | 7,528,618 |
| Provisions used | (6,504,264) | (5,831,923) |
| Closing balance | 27,608,905 | 26,856,162 |

(g) Provisions for share-based employee benefits:

As of December 31, 2019 and 2018, the Bank and its subsidiaries have no share compensation plan.

(h) Provisions for contingent loans

As of December 31, 2019, the Bank and its subsidiaries had provisions for contingent loans of ThCh$57,042,201 (ThCh$55,531,493 as of December 31, 2018). See Note 41.24 (d).

## Note 41– Additional notes (continued)

### Note 41.23 – Other liabilities

As of December 31, 2019 and 2018, these are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Accounts and notes payable | 231,391,073 | 176,799,108 |
| Income received in advance (*) | 125,418,409 | 5,743,394 |
| Dividends payable | 1,113,742 | 744,177 |
| **Other liabilities** | | |
| Securities being settled | 134,253,312 | 106,071,475 |
| Document broking transactions (**) | 80,189,467 | 53,491,218 |
| Co-branding | 30,186,250 | 36,081,304 |
| VAT payable | 16,353,860 | 13,719,500 |
| Transactions in the course of payment | 791,912 | 615,473 |
| Insurance payables | 1,157,148 | 991,828 |
| Others | 22,235,034 | 18,988,671 |
| Total | 643,090,207 | 413,246,148 |

(*) On June 4, 2019, Banco de Chile received ThCh$149,061,000 from the insurance companies in connection with the Strategic Alliance Framework Agreement disclosed in Note No. 41.3(c), which was recorded for accounting purposes in accordance with IFRS 15. The related income is recognized over time based on compliance with the associated performance obligation.

(**) Includes mainly the financing of simultaneous transactions carried out by the subsidiary Banchile Corredores de Bolsa S.A.

**Note 41– Additional notes (continued)**

**Note 41.24 - Contingencies and commitments**

a) Commitments and responsibilities recorded in memorandum accounts

In order to meet its customers' needs, the Bank has acquired several irrevocable commitments and contingent obligations. Although these obligations cannot be shown in the statement of financial position, they involve credit risks and are therefore part of the Bank's overall risk.

The Bank and its subsidiaries record in memorandum accounts the following balances related to such commitments and business-related liabilities:

| | 2019<br>ThCh$ | 2018<br>ThCh$ |
|---|---|---|
| **Contingent liabilities** | | |
| Guarantees and surety bonds | 280,837,815 | 341,675,653 |
| Confirmed foreign letters of credit | 94,673,340 | 56,763,719 |
| Documentary letters of credit opened | 316,916,227 | 388,396,458 |
| Performance bonds | 2,283,389,542 | 2,232,681,987 |
| Committed lines of credit | 7,870,259,852 | 7,769,325,072 |
| Other credit commitments | 155,162,919 | 46,561,415 |
| **Transactions on behalf of third parties** | | |
| Documents for collection | 144,043,305 | 160,366,277 |
| Third-party funds managed by the Bank: | | |
| Financial assets managed on behalf of third parties | 6,418,069 | 27,333,554 |
| Other assets managed on behalf of third parties | — | — |
| Financial assets acquired in Bank's name | 73,140,438 | 103,319,259 |
| Other assets acquired in Bank's name | — | — |
| **Securities custody** | | |
| Securities held in custody with the Bank | 2,677,352,700 | 2,089,078,881 |
| Securities deposited in other entities | 18,719,297,257 | 18,624,961,572 |
| Total | 32,621,491,464 | 31,840,463,847 |

**Note 41– Additional notes (continued)**

**Note 41.24 - Contingencies and commitments (continued)**

b) Lawsuits and legal proceedings

b.1) Normal court contingencies for the industry

There are legal proceedings against the Bank at the date of issuance of these consolidated financial statements with respect to their business. As of December 31, 2019, the Bank has provisions for legal contingencies of ThCh$237,800 (ThCh$204,000 as of December 31, 2018), which form part of "Provisions" in the statement of financial position.

The estimated completion dates of the respective lawsuits are as follows.

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | **2020 ThCh$** | **2021 ThCh$** | **2022 ThCh$** | **2023 ThCh$** | **Total ThCh$** |
| Legal contingencies | 120,000 | 117,800 | — | — | 237,800 |

b.2) Contingencies for significant legal proceedings.

As of December 31, 2019 and 2018, there are no significant legal proceedings that affect or could affect these consolidated financial statements.

**Note 41– Additional notes (continued)**

**Note 41.24 - Contingencies and commitments (continued)**

c) Business guarantees

c.1) Subsidiary Banchile Administradora General de Fondos S.A.

In compliance with article 12 of Law 20,712, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that role the Bank has issued performance bonds totaling UF 3,090,000, maturing January 10, 2020 (UF 2,977,300, maturing January 10, 2019 in 2018). The company took out guarantee insurance policies for real estate funds with Mapfre Seguros Generales S.A., for a guaranteed total of UF 755,800.

As of December 31, 2019 and 2018, there were no guaranteed mutual funds.

In compliance with letter f) of Circular 1,894 of September 24, 2008 issued by the CMF, the company has given a guarantee in favor of investors in portfolio management. This guarantee is a performance bond for UF 401,800 maturing on January 10, 2020.

c.2) Subsidiary Banchile Corredores de Bolsa S.A.

In order to ensure the correct and full compliance with all its obligations as a stockbroker in accordance with Article 30 onward of the Securities Market Law 18,045, Banchile Corredores de Bolsa S.A. contracted an insurance guarantee for UF 20,000 with Mapfre Seguros that expires on April 22, 2020, whereby the Santiago Stock Exchange was appointed as the creditors' representative.

| **Securities in guarantee** | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Shares in guarantee of simultaneous sales transactions on: | | |
| Santiago Exchange | 85,302,443 | 59,074,300 |
| Chilean Electronic Exchange | 6,843,013 | 17,222,912 |
| Fixed-income securities to guarantee CCLV system | | |
| Santiago Exchange | 7,984,723 | 5,976,096 |
| Shares to guarantee equity lending | | |
| Chilean Electronic Exchange | 382,090 | — |
| Total | 100,512,269 | 82,273,308 |

**Note 41– Additional notes (continued)**

**Note 41.24 - Contingencies and commitments (continued)**

c) Business guarantees (continued)

c.2) Subsidiary Banchile Corredores de Bolsa S.A. (continued)

The company has granted a pledge over one million shares of the Santiago Exchange in favor of that institution, as recorded in public deed dated September 13, 1990, signed before the Santiago public notary Mr. Raúl Perry Pefaur, and over one hundred thousand shares in the Chilean Electronic Exchange in favor of that institution, as recorded in a contract entered into by both parties on May 16, 1990, in accordance with the internal regulations of the stock exchanges in which it participates, and to guarantee that the broker operates correctly.

Banchile Corredores de Bolsa S.A. has an integral insurance policy with Southbridge Compañía de Seguros Generales S.A. expiring on January 2, 2020, that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a cover equivalent to US$ 10,000,000.

According to instructions from the Chilean Central Bank, performance bond 9571-2 for UF10,500 has been granted to comply with the contract SOMA (Open Market Operations System Service Contract) of the Chilean Central Bank. This performance bond is in UF for a fixed term and not endorsable, with expiry on July 22, 2020.

Performance bond 350329-3 for UF 251,400 was granted for the benefit of investors with portfolio management contracts. This performance bond is in UF for a fixed term and not endorsable, with expiry on January 10, 2020.

Performance bond 9887-5 for UF 500 was granted to guarantee the bid submitted in the fixed-income tender. Beneficiary: Mutual de Seguridad de la Cámara Chilena de Construcción, valid until March 30, 2020.

Performance bond 9988-3 for UF 500 was granted to guarantee the bid submitted in the variable-income tender. Beneficiary: Mutual de Seguridad de la Cámara Chilena de Construcción, valid until March 30, 2020.

A cash guarantee was granted for US$ 122,494.32 to cover obligations contracted with Pershing, for operations made through this broker.

c.3) Subsidiary Banchile Corredores de Seguros Ltda

In accordance with Article 58 letter D of D.F.L. 251 as of December 31, 2019 the entity has two insurance policies for the period April 15, 2019 to April 14, 2020 covering potential damages due to breaches of the law, regulations and complementary rules that regulate insurance brokers, and especially when non-compliance results from acts, mistakes or omissions of the brokers, its representatives, agents or dependents that participate in the broking.

The policies are detailed as follows:

| Risk insured | Amount Insured (UF) |
|---|---|
| Responsibility for errors and omissions | 60,000 |
| Civil liability | 500 |

**Note 41– Additional notes (continued)**

**Note 41.24 - Contingencies and commitments (continued)**

d) Provisions for contingent credits

Provisions established for credit risks on contingent transactions are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Provisions for unrestricted credit lines | 31,121,214 | 29,254,871 |
| Provisions for performance bonds | 22,268,474 | 22,805,693 |
| Provisions for guarantees and surety bonds | 3,155,781 | 2,891,477 |
| Provisions for letters of credit | 440,187 | 494,134 |
| Provisions for other credit commitments | 56,545 | 85,318 |
| Total | 57,042,201 | 55,531,493 |

e) In relation to Resolution 270 dated October 30, 2014, by which the Superintendency of Securities and Insurance (currently the Financial Market Commission) fined Banchile Corredores de Bolsa S.A. UF 50,000 for breaches of the second paragraph of Article 53 of Securities Market Law, the company filed an appeal with the Court requesting that this fine be waived. On December 10, 2019, a ruling was issued reducing the fine to UF 7,500. This sentence has been the subject of various appeals filed by both parties, which are pending before the Santiago Court of Appeals.

The company has not made any provision, as its legal advisors believe that there are solid arguments that support the appeal filed by Banchile Corredores de Bolsa S.A.

**Note 41– Additional notes (continued)**

**Note 41.25 – Interest and indexation income and expense**

Interest and indexation income and expenses for the years ended December 31, 2019 and 2018 are detailed as follows:

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Interest ThCh$ | Indexation ThCh$ | Prepayment Fees ThCh$ | Total ThCh$ | Interest ThCh$ | Indexation ThCh$ | Prepayment Fees ThCh$ | Total ThCh$ |
| Commercial loans | 676,599,093 | 159,143,724 | 12,412,788 | 848,155,605 | 636,146,907 | 151,987,928 | 4,142,638 | 792,277,473 |
| Consumer loans | 626,669,963 | 1,628,299 | 9,906,313 | 638,204,575 | 602,627,753 | 1,840,612 | 8,826,979 | 613,295,344 |
| Residential mortgage loans | 296,833,528 | 229,816,040 | 6,060,738 | 532,710,306 | 283,065,746 | 214,619,335 | 5,009,961 | 502,695,042 |
| Investment instruments | 37,441,299 | 7,442,195 | — | 44,883,494 | 40,194,644 | 12,269,952 | — | 52,464,596 |
| Investments under resale agreements | 2,480,191 | — | — | 2,480,191 | 2,767,245 | — | — | 2,767,245 |
| Loans and advances to banks | 27,456,808 | — | — | 27,456,808 | 24,138,102 | — | — | 24,138,102 |
| Other interest and indexation income | 15,378,451 | 2,376,643 | — | 17,755,094 | 9,335,125 | 2,575,155 | — | 11,910,280 |
| Total | 1,682,859,333 | 400,406,901 | 28,379,839 | 2,111,646,073 | 1,598,275,522 | 383,292,982 | 17,979,578 | 1,999,548,082 |

Interest and indexation income recognized as received on the impaired portfolio during 2019 amounted to ThCh$4,414,976 (ThCh$5,112,770 in 2018).

(b) Suspended interest and indexation income as of December 31, 2019 and 2018 are detailed as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Interest ThCh$ | Indexation ThCh$ | Total ThCh$ | Interest ThCh$ | Indexation ThCh$ | Total ThCh$ |
| Commercial loans | 8,755,375 | 1,141,192 | 9,896,567 | 6,590,707 | 966,910 | 7,557,617 |
| Residential mortgage loans | 2,172,128 | 1,494,147 | 3,666,275 | 2,740,819 | 1,623,976 | 4,364,795 |
| Consumer loans | 36,174 | — | 36,174 | 41,826 | — | 41,826 |
| Total | 10,963,677 | 2,635,339 | 13,599,016 | 9,373,352 | 2,590,886 | 11,964,238 |

**Note 41– Additional notes (continued)**

**Note 41.25 – Interest and indexation income and expense (continued)**

(c) Interest and indexation expense for the years ended December 31, 2019 and 2018, excluding hedge results, is detailed as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Interest ThCh$ | Indexation ThCh$ | Total ThCh$ | Interest ThCh$ | Indexation ThCh$ | Total ThCh$ |
| Savings accounts and time deposits | 241,838,212 | 44,739,132 | 286,577,344 | 227,872,401 | 48,230,460 | 276,102,861 |
| Debt instruments issued | 212,355,233 | 173,659,672 | 386,014,905 | 198,242,749 | 154,106,747 | 352,349,496 |
| Other financial obligations | 875,745 | 41,736 | 917,481 | 1,362,860 | 118,847 | 1,481,707 |
| Repurchase agreements | 7,048,191 | 33 | 7,048,224 | 8,901,758 | — | 8,901,758 |
| Obligations with banks | 43,569,994 | — | 43,569,994 | 29,273,968 | 863 | 29,274,831 |
| Demand deposits | 539,001 | 13,869,096 | 14,408,097 | 324,075 | 9,056,084 | 9,380,159 |
| Lease liabilities | 2,574,305 | — | 2,574,305 | — | — | — |
| Other interest or indexation expense | 40,990 | 442,238 | 483,228 | 62,568 | 631,121 | 693,689 |
| Total | 508,841,671 | 232,751,907 | 741,593,578 | 466,040,379 | 212,144,122 | 678,184,501 |

(d) As of December 31, 2019 and 2018, the Bank uses cross-currency and interest-rate swaps to hedge its position in the fair value of corporate bonds and commercial loans, and cross-currency swaps for hedging the risk of changes in obligation flows with banks abroad and bonds issued in foreign currency.

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Operating revenue ThCh$ | Expenses ThCh$ | Total ThCh$ | Operating revenue ThCh$ | Expenses ThCh$ | Total ThCh$ |
| Accounting hedge fair value gain | 719,631 | — | 719,631 | 1,380,237 | — | 1,380,237 |
| Accounting hedge fair value loss | (9,391,208) | — | (9,391,208) | (3,605,312) | — | (3,605,312) |
| Accounting cash-flow hedge gain | 385,983,404 | 433,438,230 | 819,421,634 | 284,424,072 | 304,246,028 | 588,670,100 |
| Accounting cash-flow hedge loss | (440,561,178) | (407,549,544) | (848,110,722) | (341,149,482) | (280,551,707) | (621,701,189) |
| Result adjustment hedged element | 3,375,641 | — | 3,375,641 | 389,809 | — | 389,809 |
| Total | (59,873,710) | 25,888,686 | (33,985,024) | (58,560,676) | 23,694,321 | (34,866,355) |

(e) The summary of interest and indexation for the years ended December 31, 2019 and 2018 is as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Interest and indexation income | 2,111,646,073 | 1,999,548,082 |
| Interest and indexation expense | (741,593,578) | (678,184,501) |
| Total net interest and indexation | 1,370,052,495 | 1,321,363,581 |

**Note 41– Additional notes (continued)**

**Note 41.26 - Fee income and expense**

The fee income and expense shown in the consolidated income statements is detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **Fee income** | | |
| Credit and debit card services | 185,877,093 | 167,201,255 |
| Investments in mutual funds or others | 101,046,071 | 91,173,555 |
| Distribution channel and customer access income | 65,242,753 | 20,974,080 |
| Collections and payments | 56,388,065 | 52,717,426 |
| Account administration | 47,815,776 | 46,730,449 |
| Insurance sales commission | 37,034,922 | 32,886,412 |
| Guarantees and letters of credit | 26,100,363 | 25,020,278 |
| Securities trading and brokerage | 21,879,046 | 24,632,164 |
| Brand income | 16,494,064 | 14,840,437 |
| Credit lines and overdrafts | 4,716,064 | 4,837,253 |
| Financial consultancy income | 4,392,991 | 5,045,788 |
| Other fee income | 22,184,645 | 19,056,980 |
| Total fee income | 589,171,853 | 505,116,077 |
| | | |
| **Fee expenses** | | |
| Card transactions | (97,822,307) | (113,402,648) |
| Interbank transactions | (20,133,092) | (16,554,364) |
| Collections and payments | (6,283,551) | (6,545,965) |
| Securities transactions | (5,943,928) | (7,544,885) |
| Sales force | (403,638) | (258,356) |
| Other fees and commissions | (1,284,258) | (853,446) |
| Total fee expenses | (131,870,774) | (145,159,664) |

**Note 41– Additional notes (continued)**

**Note 41.27 – Net financial operating income**

The net gain (loss) on financial transactions is detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Trading financial instruments | 76,401,841 | 50,642,727 |
| Trading derivatives | 32,814,344 | 85,959,767 |
| Sale of investments held for sale | 4,788,815 | 1,118,095 |
| Sale of loan portfolio (Note 41.10 (f)) | 2,549,463 | 1,742,902 |
| Net gain (loss) from other transactions | (145,036) | 390,813 |
| Total | 116,409,427 | 139,854,304 |

**Note 41.28 – Net exchange gain (loss)**

Net exchange gains (losses) are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Gains (losses) from hedge accounting | 113,373,845 | 118,690,298 |
| Exchange differences, net | 6,284,483 | 9,608,655 |
| Foreign currency indexation | (88,771,698) | (125,596,884) |
| Total | 30,886,630 | 2,702,069 |

## Note 41– Additional notes (continued)

### Note 41.29 – Provisions for loan losses

Movements in 2019 and 2018 in provisions are detailed as follows:

| | Loans and advances to banks | | Customer loans and receivables: Commercial loans | | Customer loans and receivables: Residential mortgage loans | | Customer loans and receivables: Consumer loans | | Subtotal | | Contingent loans | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | ThCh $ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ | ThCh$ |
| Provisions established: | | | | | | | | | | | | | | |
| - Individual provisions | — | (505,139) | (24,987,484) | — | — | — | — | — | (24,987,484) | (505,139) | — | (2,369,326) | (24,987,484) | (2,874,465) |
| - Group provisions | — | — | (71,074,212) | (66,126,312) | (9,392,194) | (1,675,065) | (288,615,419) | (281,261,918) | (369,081,825) | (349,063,295) | (2,281,461) | — | (371,363,286) | (349,063,295) |
| Total provisions established | — | (505,139) | (96,061,696) | (66,126,312) | (9,392,194) | (1,675,065) | (288,615,419) | (281,261,918) | (394,069,309) | (349,568,434) | (2,281,461) | (2,369,326) | (396,350,770) | (351,937,760) |
| Provisions released: | | | | | | | | | | | | | | |
| - Individual provisions | 330,503 | — | — | 5,079,560 | — | — | — | — | — | 5,079,560 | 770,753 | — | 1,101,256 | 5,079,560 |
| - Group provisions | — | — | — | — | — | — | — | — | — | — | — | 4,869,368 | — | 4,869,368 |
| Total provisions released | 330,503 | — | — | 5,079,560 | — | — | — | — | — | 5,079,560 | 770,753 | 4,869,368 | 1,101,256 | 9,948,928 |
| Net provisions | 330,503 | (505,139) | (96,061,696) | (61,046,752) | (9,392,194) | (1,675,065) | (288,615,419) | (281,261,918) | (394,069,309) | (343,983,735) | (1,510,708) | 2,500,042 | (395,249,514) | (341,988,832) |
| Additional provisions | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Recovery of charged-off assets | — | — | 12,253,392 | 13,578,751 | 5,113,720 | 4,571,582 | 30,607,902 | 42,428,250 | 47,975,014 | 60,578,583 | — | — | 47,975,014 | 60,578,583 |
| Net provisions for loan losses | 330,503 | (505,139) | (83,808,304) | (47,468,001) | (4,278,474) | 2,896,517 | (258,007,517) | (238,833,668) | (346,094,295) | (283,405,152) | (1,510,708) | 2,500,042 | (347,274,500) | (281,410,249) |

In management's opinion, the provisions for loan losses constituted cover all possible losses that might arise from the non-recovery of assets, according to the information examined by the Bank.

The amounts in the consolidated statement of cash flows are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Provisions established for loans, receivables and advances to banks | (394,069,309) | (349,568,434) |
| Provisions released for loans, receivables and advances to banks. | 330,503 | 5,079,560 |
| Total provisions for loans, receivables and advances to banks. | (393,738,806) | (344,488,874) |

**Notes to the Consolidated Financial Statements**
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

## Note 41– Additional notes (continued)

### Note 41.30 - Payroll and personnel expenses

Payroll and personnel expenses for the years 2019 and 2018 are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| Payroll | 254,885,946 | 244,918,566 |
| Bonuses and incentives | 71,028,421 | 64,621,525 |
| Variable remuneration | 37,280,882 | 36,901,392 |
| Termination benefits | 35,100,301 | 19,940,924 |
| Legal bonuses | 27,888,713 | 26,275,250 |
| Meals and health benefits | 27,617,898 | 26,698,137 |
| Training expenses | 3,626,427 | 3,908,854 |
| Other personnel expenses | 18,170,749 | 19,628,773 |
| Total | 475,599,337 | 442,893,421 |

### Note 41.31 - Administrative expenses

Administrative expenses for the years 2019 and 2018 are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **General administrative expenses** | | |
| Data processing and communications | 92,263,505 | 79,300,155 |
| Maintenance and repair of property, plant and equipment | 50,296,876 | 36,715,661 |
| External professional and consultancy fees | 21,097,986 | 16,689,620 |
| Security and transportation of valuables | 11,532,940 | 11,828,144 |
| Office supplies | 9,366,429 | 8,535,316 |
| Insurance premiums | 5,851,472 | 5,285,571 |
| Short-term and low-value lease contracts (*) | 5,800,331 | — |
| Lighting, heating and other services | 5,696,547 | 5,676,357 |
| External financial reporting services | 5,460,913 | 4,787,492 |
| Postal and courier delivery services | 5,130,767 | 6,045,193 |
| Legal and notary costs | 3,995,866 | 4,398,161 |
| Personnel travel and entertainment expenses | 3,656,802 | 3,763,434 |
| External document custody services | 3,314,623 | 3,087,882 |
| Other expenses for lease liabilities (*) | 2,797,029 | — |
| Donations | 2,238,271 | 1,982,239 |
| Leasehold offices, equipment and ATM's (*) | — | 34,773,595 |
| Other general administrative expenses | 5,228,304 | 8,590,882 |
| Subtotal | 233,728,661 | 231,459,702 |
| **Subcontracted services** | | |
| Credit evaluation | 19,158,761 | 21,951,777 |
| Data processing | 10,129,486 | 8,561,585 |
| External technological development expenses | 9,458,747 | 9,984,080 |
| Technology certification and testing | 7,460,001 | 6,822,970 |
| Others | 3,470,449 | 3,576,873 |
| Subtotal | 49,677,444 | 50,897,285 |
| **Directors' expenses** | | |
| Directors' remuneration | 2,508,719 | 2,510,937 |
| Other board expenses | 194,310 | 297,774 |
| Subtotal | 2,703,029 | 2,808,711 |
| **Marketing expenses** | | |
| Publicity and advertising | 27,808,159 | 31,374,654 |
| Subtotal | 27,808,159 | 31,374,654 |
| **Sundry taxes and property taxes** | | |
| Contribution to the Banking Regulator | 10,285,048 | 9,548,307 |
| Property taxes | 2,855,508 | 2,822,632 |
| Municipal taxes | 1,208,837 | 1,242,998 |
| Other taxes | 1,436,663 | 1,322,832 |
| Subtotal | 15,786,056 | 14,936,769 |
| Total | 329,703,349 | 331,477,121 |

(*) See Note 41.14 c) IFRS 16 "Leases".

**Note 41– Additional notes (continued)**

**Note 41.32 – Depreciation, amortization and impairment**

(a) Depreciation and amortization during the 2019 and 2018 periods are detailed as follows:

| | 2019<br>ThCh$ | 2018<br>ThCh$ |
|---|---|---|
| **Depreciation and Amortization** | | |
| Depreciation of property, plant and equipment (Note 41.14 (b)) | 29,193,914 | 27,185,162 |
| Depreciation of right-of-use leased assets (Note 41.14 (d))(*) | 28,472,413 | — |
| Amortization of intangible assets (Note 41.13 (b)) | 12,875,068 | 10,495,772 |
| Total | 70,541,395 | 37,680,934 |

(*) See Note 41.2 "Accounting Changes".

(b) The charge for impairment for the years ended December 31, 2019 and 2018 is detailed as follows:

| | 2019<br>ThCh$ | 2018<br>ThCh$ |
|---|---|---|
| **Impairment** | | |
| Impairment of property, plant and equipment (Note 41.14 (b)) | 2,018,431 | 333,798 |
| Impairment of intangible assets (Note 41.13 (b)) | 349,819 | — |
| Impairment of right-of-use leased assets (Note 41.14 (d))) | 187,037 | — |
| Total | 2,555,287 | 333,798 |

**Note 41– Additional notes (continued)**

**Note 41.33 – Other operating income**

Other operating income of the Bank and its subsidiaries during 2019 and 2018 is detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **Income from assets received in lieu of payment** | | |
| Gain on sales of assets received in lieu of payment | 10,792,963 | 8,778,709 |
| Other income | 40,061 | 56,203 |
| Subtotal | 10,833,024 | 8,834,912 |
| **Release of provisions for contingencies** | | |
| Country risk provisions | — | 436,410 |
| Other contingent provisions | — | 7,526,049 |
| Subtotal | — | 7,962,459 |
| **Other income** | | |
| Expense release and recoveries | 9,001,151 | 4,218,341 |
| Leasing income | 8,386,765 | 9,013,411 |
| Other card income | 4,036,796 | 2,504,270 |
| Correspondent bank rebates | 2,816,461 | 2,591,383 |
| Monthly tax prepayments indexation | 1,730,708 | 1,223,871 |
| Income on sale of leased assets | 1,165,739 | 2,585,575 |
| Insurance claims | 348,815 | 6,345,939 |
| Custody and trust services | 267,355 | 285,845 |
| Gain on sale of property, plant and equipment | 90,317 | 3,634,327 |
| Others | 1,871,066 | 1,660,988 |
| Subtotal | 29,715,173 | 34,063,950 |
| Total | 40,548,197 | 50,861,321 |

**Note 41– Additional notes (continued)**

**Note 41.34 – Other operating expenses**

Other operating expenses of the Bank and its subsidiaries during 2019 and 2018 are detailed as follows:

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **Provisions and expenses for assets received in lieu of payment** | | |
| Write-offs of assets received in lieu of payment | 8,778,447 | 6,637,593 |
| Provisions for assets received in lieu of payment | 1,786,257 | 3,360,575 |
| Maintenance of assets received in lieu of payment | 1,224,844 | 1,749,020 |
| Subtotal | 11,789,548 | 11,747,188 |
| **Provisions for contingencies** | | |
| Country risk provisions | 1,451,087 | — |
| Other provisions | 33,800 | 3,000 |
| Subtotal | 1,484,887 | 3,000 |
| **Other expenses** | | |
| Write-offs for operating risks | 5,560,550 | 11,377,857 |
| Operating lease expenses | 5,111,559 | 4,504,035 |
| Card administration | 2,490,145 | 2,640,195 |
| Correspondent bank costs | 1,568,966 | 881,630 |
| Write-offs of recovered leased assets | 1,071,618 | 2,286,837 |
| Mortgage-protection insurance | 282,146 | 293,968 |
| Contributions to other entities | 252,673 | 253,362 |
| Civil lawsuits | 119,811 | 120,964 |
| Loss on sale of property, plant and equipment | — | 2,442 |
| Others | 2,873,181 | 1,864,549 |
| Subtotal | 19,330,649 | 24,225,839 |
| Total | 32,605,084 | 35,976,027 |

**Note 41– Additional notes (continued)**

**Note 41.35 - Transactions with Related Parties**

The Bank and its subsidiaries consider as related parties any individuals or legal entities who are related by ownership or management to the Bank, directly or through third parties, in accordance with the provisions of the Compendium of Accounting Standards and Chapter 12-4 of the Updated Compilation of Standards of the CMF.

Therefore, the Bank has defined related parties as individuals or legal entities having an interest either directly or through third parties in the ownership of the Bank that exceeds 5% of shares as well as persons without an ownership interest that have authority and responsibility in the planning, management and control of the Bank's activities or those of its subsidiaries. Companies are also considered related when their related parties have an interest in the Bank that exceeds 5%, or where they hold the position of Director, CEO or equivalent.

(a) Loans with related parties

Loans, receivables and contingent loans with related parties are as follows.

| | Productive and service companies (*) | | Investment and trading companies (**) | | Individuals (***) | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| **Loans and receivables** | | | | | | | | |
| Commercial loans | 174,370,358 | 221,350,580 | 130,237,431 | 132,366,407 | 13,563,210 | 13,182,965 | 318,170,999 | 366,899,952 |
| Residential mortgage loans | — | — | — | — | 58,476,914 | 44,756,218 | 58,476,914 | 44,756,218 |
| Consumer loans | — | — | — | — | 9,862,192 | 10,074,319 | 9,862,192 | 10,074,319 |
| Gross loans | 174,370,358 | 221,350,580 | 130,237,431 | 132,366,407 | 81,902,316 | 68,013,502 | 386,510,105 | 421,730,489 |
| Provisions for loan losses | (781,992) | (962,400) | (243,117) | (242,356) | (888,682) | (379,426) | (1,913,791) | (1,584,182) |
| Net loans | 173,588,366 | 220,388,180 | 129,994,314 | 132,124,051 | 81,013,634 | 67,634,076 | 384,596,314 | 420,146,307 |
| **Contingent loans** | | | | | | | | |
| Guarantees and surety bonds | 5,530,829 | 5,102,122 | 9,470,451 | 14,963,267 | — | — | 15,001,280 | 20,065,389 |
| Letters of credit | 2,365,445 | 5,309,776 | 327,803 | 2,776,464 | — | — | 2,693,248 | 8,086,240 |
| Foreign letters of credit | — | — | — | — | — | — | — | — |
| Performance bonds | 32,649,600 | 45,841,789 | 43,477,562 | 30,121,805 | 56,620 | — | 76,183,782 | 75,963,594 |
| Committed lines of credit | 52,916,349 | 58,041,219 | 14,364,444 | 14,673,543 | 21,519,396 | 19,160,444 | 88,800,189 | 91,875,206 |
| Other contingent loans | — | — | — | — | — | — | — | — |
| Gross contingent loans | 93,462,223 | 114,294,906 | 67,640,260 | 62,535,079 | 21,576,016 | 19,160,444 | 182,678,499 | 195,990,429 |
| Provisions for contingent loans | (214,420) | (258,379) | (52,467) | (99,264) | (36,514) | (30,065) | (303,401) | (387,708) |
| Net contingent loans | 93,247,803 | 114,036,527 | 67,587,793 | 62,435,815 | 21,539,502 | 19,130,379 | 182,375,098 | 195,602,721 |
| **Amounts covered by collateral** | | | | | | | | |
| Mortgages | 30,806,542 | 28,208,368 | 57,455,649 | 52,108,427 | 69,164,791 | 69,292,363 | 157,426,982 | 149,609,158 |
| Warrants | — | — | — | — | — | — | — | — |
| Pledges | — | — | — | — | — | — | — | — |
| Others (****) | 37,793,817 | 47,134,598 | 12,921,458 | 13,218,822 | 5,250,226 | 3,693,935 | 55,965,501 | 64,047,355 |
| Total collateral | 68,600,359 | 75,342,966 | 70,377,107 | 65,327,249 | 74,415,017 | 72,986,298 | 213,392,483 | 213,656,513 |

(*) For these purposes, productive companies are those that meet the following conditions:
i) they are involved in production activities and generate a separate revenue flow,
ii) less than 50% of their assets are trading or investment instruments.
Service companies are entities whose main purpose is providing services to third parties

(**) Investment and trading companies include those legal entities which do not meet the conditions for productive or service companies and are profit-oriented.

(***) Individuals include key members of management, being those who directly or indirectly have authority and responsibility for planning, managing and controlling the organization's business, including directors. This category also includes members of their family who have influence or who are influenced by the individuals in their interactions with the organization.

(****) These guarantees relate mainly to shares and other financial guarantees.

**Note 41– Additional notes (continued)**

**Note 41.35 – Related party transactions (continued)**

(b) Other assets and liabilities with related parties

| | 2019 ThCh$ | 2018 ThCh$ |
|---|---|---|
| **Assets** | | |
| Cash and bank balances | 99,801,773 | 23,086,431 |
| Transactions in the course of collection | 63,968,961 | 35,469,312 |
| Trading instruments | 879,574 | 204,851 |
| Financial derivative contracts | 495,378,350 | 415,682,562 |
| Investment instruments | 12,141,496 | 14,689,744 |
| Other assets | 76,548,466 | 80,569,382 |
| Total | 748,718,620 | 569,702,282 |
| | | |
| **Liabilities** | | |
| Demand deposits | 227,377,179 | 169,606,903 |
| Transactions in the course of payment | 16,201,591 | 58,987,298 |
| Repurchase agreements | 54,029,660 | 84,464,563 |
| Savings accounts and other time deposits | 396,028,432 | 219,321,519 |
| Financial derivative contracts | 432,668,546 | 337,299,435 |
| Obligations with banks | 292,172,467 | 228,270,468 |
| Lease liabilities | 5,137,560 | — |
| Other liabilities | 151,335,140 | 115,145,271 |
| Total | 1,574,950,575 | 1,213,095,457 |

(c) Income and expenses from related party transactions (*)

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Income ThCh$** | **Expenses ThCh$** | **Income ThCh$** | **Expenses ThCh$** |
| **Description** | | | | |
| Interest and indexation income and expense | 19,039,000 | 2,619,453 | 21,735,770 | 7,195,555 |
| Fees and services income and expense | 72,930,521 | 65,383,069 | 70,286,318 | 74,204,790 |
| Net financial operating income | | | | |
| Derivative contracts (**) | 124,967,138 | 73,251,872 | 85,499,983 | 42,364,933 |
| Other financial transactions | 86,938 | 118,691 | — | — |
| Release or new credit-risk provisions | — | 106,026 | — | 34,217 |
| Operational support costs | — | 120,559,035 | — | 105,733,873 |
| Other income and expenses | 541,710 | 25,629 | 445,922 | 45,456 |

(*) This does not constitute an operational statement of comprehensive income of related party transactions since assets with these parties are not necessarily equal to liabilities and each item reflects the total revenue and expense and is not related to matched transactions.

(**) The income and expense arising from derivative transactions is presented net for each related counterparty. Additionally, this line includes transactions with local banks that have been novated to Comder Contraparte Central S.A. (related entity) for clearing purposes, which generated a net gain of ThCh$123,460,784 as of December 31, 2019 (net loss of ThCh$71,296,521 as of December 31, 2018)

**Note 41– Additional notes (continued)**

**Note 41.35 – Related party transactions (continued)**

(d) Contracts with related parties

During the year ended December 31, 2019, the Bank has negotiated, renewed or amended the contractual terms of the following contracts with related parties that are not normal business transactions with customers in general, for amounts greater than UF 1,000.

| Company name | Service description |
|---|---|
| Servipag Ltda. | Collection and payment services and systems development |
| Canal 13 S.A. | Advertising services |
| Redbanc S.A. | ATM configuration services |
| DCV Registros S.A. | Shareholder registry management. |
| Association of Banks and Financial Institutions (ABIF) | Membership fees |
| Chilean Federation of Industry (SOFOFA) | Cooperation Agreement for the Inclusive Businesses Network |
| Chilean Pacific Foundation | APEC SMEs and Entrepreneurs Summit Sponsorship |
| Transbank S.A. | Card operating contract |
| Transbank S.A. | Insurance premium collections |
| Nexus S.A. | Credit card processing services |
| Ionix SpA | Software development services |
| Combanc S.A. | Large payment services |
| Centro de Compensación Automatizado S.A. | Wire transfer services and mandates |
| Sistemas Oracle de Chile S.A. | Licensing, support and hardware configuration services |
| Empresa Nacional de Energía Enex S.A. | Lease contracts |
| Citigroup Inc. | Cooperation and global connectivity contract |
| Nuevos Desarrollos S.A. | Lease contract |
| Administradora Plaza Vespucio S.A. | Lease contract |
| Plaza Vespucio SPA | Lease contract |
| Plaza Antofagasta S.A. | Lease contract |

(e) Payments to directors and senior management are detailed as follows:

| | **2019 ThCh$** | **2018 ThCh$** |
|---|---|---|
| Payroll | 4,147,591 | 3,925,981 |
| Short-term benefits | 3,255,051 | 3,476,259 |
| Termination costs | 1,263,978 | 1,037,198 |
| Board remuneration and fees (*) | 2,508,719 | 2,510,937 |
| Total | 11,175,339 | 10,950,375 |

(*) Includes fees paid to the members of the Advisory Committee of Banchile Corredores de Seguros Ltda. totaling ThCh$13,419 (ThCh$11,990 in 2018).

**Note 41– Additional notes (continued)**

**Note 41.35 – Related party transactions (continued)**

(e) Payments to directors and senior management are detailed as follows: (continued)

Fees paid to Board advisors were ThCh$90,217 (ThCh$206,123 in 2018) and travel, per diem and other expenses amount to ThCh$104,093 (ThCh$91,651 in 2018).

Senior executives

| | No. of executives | |
|---|---|---|
| | **2019** | **2018** |
| **Position** | | |
| Bank Chief Executive Officer | 1 | 1 |
| Subsidiary Chief Executive Officers | 6 | 6 |
| Bank Divisional Managers | 13 | 13 |
| Bank and Subsidiary Directors | 21 | 20 |
| Total | 41 | 40 |

**Note 41.36 - Fair value of financial assets and liabilities**

The Bank and its subsidiaries have defined a framework of valuations and controls related to the process of measurement of fair value.

This includes the function of product control, which is independent of the principal management and reports to the Divisional Manager for Financial Management and Control. Through the Financial Risk Control and Reporting Department, the Financial Control and Treasury Department is responsible for independently verifying the results of trading and investment transactions and all measurements of fair value.

The Bank and its subsidiaries take into account at least the following aspects in order to achieve suitable measurements and controls.

(i) Standard industry valuation.

The standard industry model is used to value financial instruments: quota value, share price, discounted cash flows and valuation of options using the Black-Scholes-Merton valuation model, as appropriate. The entry parameters for the valuation are rates, prices and volatility for various maturities and market factors that are traded on the domestic and international markets, and are provided by principal market sources.

(ii) Prices quoted on active markets.

The fair value of instruments quoted on active markets is determined using the daily quotations through electronic information systems (Santiago Stock Exchange, Bloomberg, LVA, Risk America, etc.). This represents the value at which these instruments are regularly traded in the financial markets.

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

(iii) Valuation techniques.

Should no specific quotations be available for the instrument to be valued, techniques will be used to determine its fair value.

As valuation models generally require the entry of market parameters, it is sought to maximize the information based on observable or derivative quotations of prices for similar instruments on active markets. Should there be no information directly from markets or information from external providers of information, similar instrument prices and historic information are used to validate the valuation parameters.

(iv) Valuation adjustments.

Three adjustments apply to the market value calculated from market parameters during the valuation process. These are a liquidity adjustment, a Bid/Offer adjustment and a derivative credit risk adjustment (CVA and DVA). The liquidity adjustment is calculated using the position of each factor together with the relative size of Banco de Chile with respect to the market and the liquidity observed in recent market operations. The Bid/Offer adjustment represents the impact on the valuation of an instrument depending on whether the position is long (bought) or short (sold). Direct market quotes or indicative prices or derivatives of similar assets are used to calculate this adjustment, depending on the instrument, considering the respective Bid, Mid and Offer. Finally, the CVA and DVA adjustment for derivatives is defined as recognizing the issuer's credit risk, either of the counterparty (CVA) or Banco de Chile (DVA).

Liquidity adjustments only affect trading instruments including derivatives, while Bid/Offer adjustments affect trading and held-for-sale instruments. CVA/DVA adjustments only affect derivatives.

(v) Valuation controls.

In order to ensure that the market parameters Banco de Chile uses in the valuation of financial instruments represent the present state of the market and the best estimate of fair value, a valuation of independent prices and rates is carried out daily. The purpose is to control that the market parameters foreseen by the respective business area before being entered into the official valuation system, are within acceptable ranges of differences when comparing them with the same combination of parameters prepared independently by the Financial Risk Control and Reporting Department. Differences in value are thus obtained by currency, product and portfolio. Should there be important differences, these are scaled according to their relevance, individual to each market factor and added at the portfolio level, according to the scaling tables within previously-defined ranges. These ranges are approved by the Finance, International and Financial Risk Committee.

At the same time and complementarily, the Financial Risk Control and Reporting Department prepares daily reports of gains and losses and exposure to market risks, which permit an adequate control and consistency with the parameters used in the valuation.

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

(vi) **Management analysis and information.**

In special cases where there are no market quotations for the instrument to be valued and there are no transaction prices for similar instruments or indicative parameters, a specific control and thorough analysis is used to produce the best estimate of the reasonable value of the transaction. Within the framework for the valuation described in the reasonable value policy and procedure approved by the Board of Banco de Chile, the approval required to execute transactions is established where there is no market information or it is impossible to infer prices or rates from them.

**(a) Hierarchy of instruments valued at fair value**

Banco de Chile and its subsidiaries classify their financial instruments at the following levels, in accordance with the above points.

**Level 1:** Those financial instruments whose fair value is calculated from quoted prices (unadjusted) from liquid and extensive markets. There are observable quoted market prices for these instruments (internal rate of return, unit value, and price), so no assumptions are needed for their valuation.

This level includes currency forwards, fixed income instruments issued by the Chilean Central Bank and the Chilean Treasury that are included in benchmarks, investments in mutual funds and shares.

For instruments of the Chilean Central Bank and the Chilean Treasury, Level 1 includes all ticker codes belonging to a benchmark, i.e. that correspond to one of the following categories published by the Santiago Stock Exchange: Pesos-02, Pesos-03, Pesos-04, Pesos-05, Pesos-07, Pesos-10, UF-02, UF-04, UF-05, UF-07, UF-10, UF-20, UF-30. A benchmark is a group of ticker codes that are similar in terms of maturity and are traded similarly, i.e. the price obtained (internal rate of return in this case) is the same for all instruments comprising a benchmark. These characteristics define a greater market depth, with daily quotations that allow classifying these instruments as Level 1.

In the case of government debt, the market internal rate of return is used to discount all cash flows to present value. In the case of mutual funds and shares, the current price per unit or share is used which, multiplied by the number of instruments, results in the fair value.

The above valuation technique is equivalent to that used by the Santiago Stock Exchange and is the standard methodology used in the market.

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

**(vi) Management analysis and information (continued)**

**(a) Hierarchy of instruments valued at fair value (continued)**

**Level 2:** These are financial instruments whose fair value is calculated on the basis of prices other than those quoted in Level 1 that are observable for the asset or liability, either directly (as internal prices or rates of return) or indirectly (derived from internal prices or rates of return for similar instruments). These categories include:

a) Prices quoted for similar assets or liabilities in active markets.
b) Prices quoted for similar assets or liabilities in markets that are not active.
c) Entry data different from the quoted prices observable for the asset or liability.
d) Entry data corroborated by the market.

This level mainly includes derivative instruments, debt issued by banks, debt issued by Chilean and foreign companies in Chile or abroad, mortgage-funding notes, financial trading instruments and some issuances by the Chilean Central Bank and the Treasury that are not included in benchmarks.

The valuation of derivatives will depend on whether these are affected by volatility as an important market factor in the standard valuation methodologies. The Black-Scholes-Merton model is used for options, while the discounted cash flow method is used for other derivatives, forwards and swaps.

The remaining instruments at this level and level 1 debt issuances are valued using the discounted cash flow method at an internal rate of return that can be derived or estimated from internal rates of return for similar instruments, as described above.

Should there be no observable price for a specific term, this is inferred from the interpolation between maturities that do have observable information in active markets. The models incorporate various market variables including the credit rating of the counterparties, exchange rates and interest-rate curves.

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

**(vi) Management analysis and information (continued)**

**(a) Hierarchy of instruments valued at fair value (continued)**

Valuation techniques and inputs for Level 2 instruments:

| Financial instrument | Valuation method | Description: Inputs and sources of information |
|---|---|---|
| Local bank and corporate bonds | Discounted cash flow method | Prices (internal rates of return) are obtained from suppliers of external prices that are normally used in the Chilean market.<br><br>The model is based on a base curve (Central Bank bonds) and an issuer spread.<br><br>The model considers daily prices and similarities of risk/maturity ratios between instruments. |
| Offshore bank and corporate bonds | Discounted cash flow method | Prices are obtained from suppliers of external prices that are normally used in the Chilean market.<br><br>The model is based on daily prices |
| Local Central Bank and Treasury bonds | Discounted cash flow method | Prices (internal rates of return) are obtained from suppliers of external prices that are normally used in the Chilean market.<br><br>The model is based on daily prices |
| Mortgage-funding notes | Discounted cash flow method | Prices (internal rates of return) are obtained from suppliers of external prices that are normally used in the Chilean market.<br><br>The model is based on a base curve (central bank bonds) and an issuer spread.<br><br>The model considers daily prices and similarities of risk/maturity ratios between instruments. |
| Time deposits | Discounted cash flow method | Prices (internal rates of return) are obtained from suppliers of external prices that are normally used in the Chilean market.<br><br>The model considers daily prices and similarities of risk/maturity ratios between instruments. |
| Cross-currency swaps, interest-rate swaps,<br>FX forwards,<br>Inflation forwards | Discounted cash flow method | Forward points, inflation forwards and local rate swaps are obtained from brokers, which are normally used in the Chilean market.<br><br>Offshore rates and spreads are obtained from external suppliers of prices normally used in the Chilean market.<br><br>Zero coupon rates are calculated using the Bootstrapping method on the swap rates. |
| FX options | Black-Scholes model | Prices for the calculation of the volatility surface are obtained from brokers that are normally used in the Chilean market. |

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

**(vi) Management analysis and information (continued)**

**(a) Hierarchy of instruments valued at fair value (continued)**

**Level 3:** These are financial instruments whose fair value is determined using unobservable inputs for the asset, liability or similar instruments. An adjustment of input that is significant for complete measurement can lead to a fair value measurement classified in Level 3 of the fair value hierarchy, if the adjustment uses significant unobservable input.

The instruments classified in Level 3 are mainly debt issuances of Chilean and foreign companies, made in Chile or abroad.

Valuation techniques and inputs for Level 3 instruments:

<table>
<tr><th>Financial instrument</th><th>Valuation method</th><th>Description: Inputs and sources of information</th></tr>
<tr><td>Local bank and corporate bonds</td><td rowspan="2">Discounted cash flow method</td><td>Entry data for these instruments is not observable in a market, so internal rates of return are modeled using a base rate (Central Bank bonds) and the issuer's credit spread. This input (base rate and issuer spread) are provided daily by external price suppliers that are widely used in the Chilean market.</td></tr>
<tr><td>Offshore bank and corporate bonds</td><td>Entry data for these instruments is not observable in a market, so internal rates of return are modeled using a base rate (US-Libor) and the issuer's credit spread. This input (base rate and issuer spread) are provided daily by external price suppliers that are widely used in the Chilean market.</td></tr>
</table>

## Note 41– Additional notes (continued)

## Note 41.36 – Fair value of financial assets and liabilities (continued)

### (vi) Management analysis and information (continued)

### (b) Levels table

The following table shows the classification by level of financial instruments booked at fair value:

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| **Financial Assets** | | | | | | | | |
| Trading instruments | | | | | | | | |
| State and Chilean Central Bank | 93,031,013 | 178,693,093 | 1,030,657,404 | 1,344,779,501 | — | — | 1,123,688,417 | 1,523,472,594 |
| Other instruments issued in Chile | 3,273,499 | 1,662,372 | 316,971,212 | 107,078,226 | 55,094,206 | 20,865,907 | 375,338,917 | 129,606,505 |
| Instruments issued abroad | — | 4,446,111 | — | — | — | — | — | 4,446,111 |
| Investments in mutual funds | 373,328,854 | 87,840,522 | — | — | — | — | 373,328,854 | 87,840,522 |
| Subtotal | 469,633,366 | 272,642,098 | 1,347,628,616 | 1,451,857,727 | 55,094,206 | 20,865,907 | 1,872,356,188 | 1,745,365,732 |
| Trading derivative contracts | | | | | | | | |
| Forwards | — | — | 956,632,466 | 735,443,779 | — | — | 956,632,466 | 735,443,779 |
| Swaps | — | — | 1,761,952,193 | 738,129,149 | — | — | 1,761,952,193 | 738,129,149 |
| Call options | — | — | 4,960,906 | 4,839,026 | — | — | 4,960,906 | 4,839,026 |
| Put options | — | — | 1,076,446 | 119,588 | — | — | 1,076,446 | 119,588 |
| Futures | — | — | — | — | — | — | — | — |
| Subtotal | — | — | 2,724,622,011 | 1,478,531,542 | — | — | 2,724,622,011 | 1,478,531,542 |
| Hedge accounting derivative contracts | | | | | | | | |
| Fair value hedge (swap) | — | — | 32,091 | 1,115,837 | — | — | 32,091 | 1,115,837 |
| Cash flow hedge (swap) | — | — | 61,562,213 | 34,297,766 | — | — | 61,562,213 | 34,297,766 |
| Subtotal | — | — | 61,594,304 | 35,413,603 | — | — | 61,594,304 | 35,413,603 |
| Investment instruments held for sale (1) | | | | | | | | |
| State and Chilean Central Bank | 66,953,849 | 99,131,961 | 42,108,788 | 65,090,168 | — | — | 109,062,637 | 164,222,129 |
| Other instruments issued in Chile | — | — | 1,221,861,104 | 747,653,920 | 7,069,414 | 23,021,463 | 1,228,930,518 | 770,675,383 |
| Instruments issued abroad | — | — | 19,853,123 | 108,544,270 | — | — | 19,853,123 | 108,544,270 |
| Subtotal | 66,953,849 | 99,131,961 | 1,283,823,015 | 921,288,358 | 7,069,414 | 23,021,463 | 1,357,846,278 | 1,043,441,782 |
| Total | 536,587,215 | 371,774,059 | 5,417,667,946 | 3,887,091,230 | 62,163,620 | 43,887,370 | 6,016,418,781 | 4,302,752,659 |
| **Financial Liabilities** | | | | | | | | |
| Trading derivative contracts | | | | | | | | |
| Forwards | — | — | 673,630,061 | 631,046,991 | — | — | 673,630,061 | 631,046,991 |
| Swaps | — | — | 2,097,024,111 | 854,872,322 | — | — | 2,097,024,111 | 854,872,322 |
| Call options | — | — | 1,529,202 | 2,921,109 | — | — | 1,529,202 | 2,921,109 |
| Put options | — | — | 2,209,366 | 1,533,772 | — | — | 2,209,366 | 1,533,772 |
| Futures | — | — | — | — | — | — | — | — |
| Subtotal | — | — | 2,774,392,740 | 1,490,374,194 | — | — | 2,774,392,740 | 1,490,374,194 |
| Hedge accounting derivative contracts | | | | | | | | |
| Fair value hedge (swap) | — | — | 9,285,388 | 6,164,736 | — | — | 9,285,388 | 6,164,736 |
| Cash flow hedge (swap) | — | — | 34,443,166 | 31,817,726 | — | — | 34,443,166 | 31,817,726 |
| Subtotal | — | — | 43,728,554 | 37,982,462 | — | — | 43,728,554 | 37,982,462 |
| Total | — | — | 2,818,121,294 | 1,528,356,656 | — | — | 2,818,121,294 | 1,528,356,656 |

As of December 31, 2019, 98% of the instruments grouped in Level 3 are investment grade. Also, all these financial instruments are from local issuers.

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

**(c) Level 3 reconciliation**

The following table shows the reconciliation between the opening and closing balances of instruments classified in Level 3, whose fair value is shown in the financial statements.

| | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance as of Jan-01-19 ThCh$ | Gain (loss) recognized in net income (1) ThCh$ | Gain (loss) recognized in equity (2) ThCh$ | Purchases ThCh$ | Sales ThCh$ | Transfers from Levels 1 and 2 ThCh$ | Transfers to Levels 1 and 2 ThCh$ | Balance as of Dec-31-19 ThCh$ |
| **Financial Assets** | | | | | | | | |
| Trading instruments | | | | | | | | |
| Other instruments issued in Chile | 20,865,907 | (37,927) | — | 48,017,204 | (26,504,003) | 13,368,183 | (615,158) | 55,094,206 |
| Subtotal | 20,865,907 | (37,927) | — | 48,017,204 | (26,504,003) | 13,368,183 | (615,158) | 55,094,206 |
| Investment instruments held for sale: | | | | | | | | |
| Other instruments issued in Chile | 23,021,463 | 968,549 | (516,974) | — | (18,177,176) | 1,773,552 | — | 7,069,414 |
| Subtotal | 23,021,463 | 968,549 | (516,974) | — | (18,177,176) | 1,773,552 | — | 7,069,414 |
| Total | 43,887,370 | 930,622 | (516,974) | 48,017,204 | (44,681,179) | 15,141,735 | (615,158) | 62,163,620 |

| | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance as of Jan-01-18 ThCh$ | Gain (loss) recognized in net income (1) ThCh$ | Gain (loss) recognized in equity (2) ThCh$ | Purchases ThCh$ | Sales ThCh$ | Transfers from Levels 1 and 2 ThCh$ | Transfers to Levels 1 and 2 ThCh$ | Balance as of Dec-31-18 ThCh$ |
| **Financial Assets** | | | | | | | | |
| Trading instruments | | | | | | | | |
| Other instruments issued in Chile | 8,011,765 | 175,960 | — | 48,739,826 | (36,061,644) | — | — | 20,865,907 |
| Subtotal | 8,011,765 | 175,960 | — | 48,739,826 | (36,061,644) | — | — | 20,865,907 |
| Investment instruments held for sale: | | | | | | | | |
| Other instruments issued in Chile | 46,264,673 | 2,540,017 | (292,257) | — | (20,520,029) | — | (4,970,941) | 23,021,463 |
| Subtotal | 46,264,673 | 2,540,017 | (292,257) | — | (20,520,029) | — | (4,970,941) | 23,021,463 |
| Total | 54,276,438 | 2,715,977 | (292,257) | 48,739,826 | (56,581,673) | — | (4,970,941) | 43,887,370 |

(1) Recorded in the income statement under "Net gain (loss) from financial transactions".
(2) Recorded in equity under "Revaluation accounts".

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

**d) Sensitivity of instruments classified in Level 3 to changes in key model assumptions.**

The following table shows the sensitivity as of December 31 of instruments classified in Level 3 to changes in the key valuation assumptions.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Financial Assets** | **Level 3 ThCh$** | **Sensitivity to changes in key model assumptions ThCh$** | **Level 3 ThCh$** | **Sensitivity to changes in key model assumptions ThCh$** |
| Trading instruments | | | | |
| Other instruments issued in Chile | 55,094,206 | (466,009) | 20,865,907 | (25,908) |
| Subtotal | 55,094,206 | (466,009) | 20,865,907 | (25,908) |
| Investment instruments held for sale | | | | |
| Other instruments issued in Chile | 7,069,414 | (85,990) | 23,021,463 | (194,785) |
| Subtotal | 7,069,414 | (85,990) | 23,021,463 | (194,785) |
| Total | 62,163,620 | (551,999) | 43,887,370 | (220,693) |

In order to measure the sensitivity of the financial investments to changes in relevant market factors, the Bank has made alternative calculations of fair value, changing those key parameters for the valuation which are not directly observable. In the case of financial assets presented in the table above, which correspond to bank and corporate bonds, considering that these instruments do not have current observable prices, the prices based on broker quotes or runs were used as inputs prices. Prices are generally calculated as a base rate plus a spread. For domestic bonds, this was determined by applying a 10% impact on the price, while for offshore bonds this was determined by applying a 10% impact on the spread because the base rate is hedged with interest-rate swap instruments using hedge accounting. The impact of 10% is considered as a reasonable movement considering the market performance of these instruments and comparing it against the bid/offer adjustment that is provided for these instruments.

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

**(e) Other assets and liabilities**

The following table summarizes the fair values of the main financial assets and liabilities that are not recorded at fair value in the statement of financial position. The values shown in this note do not attempt to estimate the value of the Bank's income-generating assets, nor forecast their future behavior. The estimated fair value is detailed as follows:

| | Book value | | Estimated fair value | |
|---|---|---|---|---|
| | **2019 ThCh$** | **2018 ThCh$** | **2019 ThCh$** | **2018 ThCh$** |
| **Assets** | | | | |
| Cash and bank balances | 2,392,165,380 | 880,080,172 | 2,392,165,380 | 880,080,172 |
| Transactions in the course of collection | 584,671,840 | 580,334,542 | 584,671,840 | 580,334,542 |
| Investments under resale agreements and securities borrowing | 142,329,024 | 97,289,292 | 142,329,024 | 97,289,292 |
| Subtotal | 3,119,166,244 | 1,557,704,006 | 3,119,166,244 | 1,557,704,006 |
| Loans and advances to banks | | | | |
| Banks in Chile | 149,953,289 | 99,940,398 | 149,953,289 | 99,940,398 |
| Chilean Central Bank | 630,052,500 | 1,100,830,327 | 630,052,500 | 1,100,830,327 |
| Banks abroad | 359,426,116 | 293,535,523 | 358,541,990 | 286,063,242 |
| Subtotal | 1,139,431,905 | 1,494,306,248 | 1,138,547,779 | 1,486,833,967 |
| Customer loans and receivables | | | | |
| Commercial loans | 15,956,332,716 | 15,140,534,388 | 15,988,329,626 | 14,949,851,908 |
| Residential mortgage loans | 9,175,012,918 | 8,021,263,028 | 9,888,505,613 | 8,451,099,088 |
| Consumer loans | 4,202,702,371 | 4,145,429,011 | 4,215,509,236 | 4,116,260,988 |
| Subtotal | 29,334,048,005 | 27,307,226,427 | 30,092,344,475 | 27,517,211,984 |
| Total | 33,592,646,154 | 30,359,236,681 | 34,350,058,498 | 30,561,749,957 |
| **Liabilities** | | | | |
| Demand deposits and other obligations | 11,256,216,519 | 9,511,759,294 | 11,256,216,519 | 9,511,759,294 |
| Transactions in the course of payment | 352,120,994 | 335,575,444 | 352,120,994 | 335,575,444 |
| Repurchase agreements and securities lending | 308,733,408 | 303,820,010 | 308,733,408 | 303,820,010 |
| Savings accounts and other time deposits | 10,856,068,479 | 10,650,349,355 | 10,856,068,479 | 10,650,349,355 |
| Obligations with banks | 1,563,276,760 | 1,516,759,351 | 1,555,129,385 | 1,506,940,381 |
| Other financial obligations | 152,834,192 | 118,013,419 | 160,361,043 | 119,023,924 |
| Subtotal | 24,489,250,352 | 22,436,276,873 | 24,488,629,828 | 22,427,468,408 |
| Debt instruments issued | | | | |
| Mortgage bonds for residential purposes | 10,229,401 | 15,039,594 | 11,081,237 | 15,982,459 |
| Mortgage bonds for general purposes | 669,049 | 1,327,897 | 724,738 | 1,411,217 |
| Bonds | 7,912,621,100 | 6,772,989,891 | 8,340,272,225 | 6,897,317,061 |
| Subordinated bonds | 889,894,650 | 686,194,297 | 1,004,621,224 | 732,610,692 |
| Subtotal | 8,813,414,200 | 7,475,551,679 | 9,356,699,424 | 7,647,321,429 |
| Total | 33,302,664,552 | 29,911,828,552 | 33,845,329,252 | 30,074,789,837 |

## Note 41– Additional notes (continued)

## Note 41.36 – Fair value of financial assets and liabilities (continued)

### e) Other assets and liabilities (continued)

Other financial assets and liabilities not measured to fair value but for which a fair value is estimated even when they are not managed based on that value, include assets and liabilities such as placements, deposits and other term placements, debt instruments issued and other financial assets and obligations with different maturities and characteristics. The fair values of these assets and liabilities are calculated by applying the discounted cash flow model and using various data sources such as yield curves, credit risk spreads, etc. In addition, as some of these assets and liabilities are traded on the market, regular analyses and revisions are required to determine the suitability of the inputs and the resulting fair values.

### f) Levels of other assets and liabilities

The following table shows the estimated fair values of financial assets and liabilities not valued at fair value, as of December 31, 2019 and 2018.

| | Level 1 Estimated fair value | | Level 2 Estimated fair value | | Level 3 Estimated fair value | | Total Estimated fair value | |
|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| **Assets** | | | | | | | | |
| Cash and bank balances | 2,392,165,380 | 880,080,172 | — | — | — | — | 2,392,165,380 | 880,080,172 |
| Transactions in the course of collection | 584,671,840 | 580,334,542 | — | — | — | — | 584,671,840 | 580,334,542 |
| Investments under resale agreements and securities borrowing | 142,329,024 | 97,289,292 | — | — | — | — | 142,329,024 | 97,289,292 |
| Subtotal | 3,119,166,244 | 1,557,704,006 | — | — | — | — | 3,119,166,244 | 1,557,704,006 |
| Loans and advances to banks | | | | | | | | |
| Banks in Chile | 149,953,289 | 99,940,398 | — | — | — | — | 149,953,289 | 99,940,398 |
| Chilean Central Bank | 630,052,500 | 1,100,830,327 | — | — | — | — | 630,052,500 | 1,100,830,327 |
| Banks abroad | — | — | — | — | 358,541,990 | 286,063,242 | 358,541,990 | 286,063,242 |
| Subtotal | 780,005,789 | 1,200,770,725 | — | — | 358,541,990 | 286,063,242 | 1,138,547,779 | 1,486,833,967 |
| Customer loans and receivables | | | | | | | | |
| Commercial loans | — | — | — | — | 15,988,329,626 | 14,949,851,908 | 15,988,329,626 | 14,949,851,908 |
| Residential mortgage loans | — | — | — | — | 9,888,505,613 | 8,451,099,088 | 9,888,505,613 | 8,451,099,088 |
| Consumer loans | — | — | — | — | 4,215,509,236 | 4,116,260,988 | 4,215,509,236 | 4,116,260,988 |
| Subtotal | — | — | — | — | 30,092,344,475 | 27,517,211,984 | 30,092,344,475 | 27,517,211,984 |
| Total | 3,899,172,033 | 2,758,474,731 | — | — | 30,450,886,465 | 27,803,275,226 | 34,350,058,498 | 30,561,749,957 |
| **Liabilities** | | | | | | | | |
| Demand deposits and other obligations | 11,256,216,519 | 9,511,759,294 | — | — | — | — | 11,256,216,519 | 9,511,759,294 |
| Transactions in the course of payment | 352,120,994 | 335,575,444 | — | — | — | — | 352,120,994 | 335,575,444 |
| Repurchase agreements and securities lending | 308,733,408 | 303,820,010 | — | — | — | — | 308,733,408 | 303,820,010 |
| Savings accounts and other time deposits | — | — | — | — | 10,794,574,524 | 10,630,686,899 | 10,794,574,524 | 10,630,686,899 |
| Obligations with banks | — | — | — | — | 1,555,129,385 | 1,506,940,381 | 1,555,129,385 | 1,506,940,381 |
| Other financial obligations | — | — | — | — | 160,361,043 | 119,023,924 | 160,361,043 | 119,023,924 |
| Subtotal | 11,917,070,921 | 10,151,154,748 | — | — | 12,510,064,952 | 12,256,651,204 | 24,427,135,873 | 22,407,805,952 |
| Debt instruments issued | | | | | | | | |
| Mortgage bonds for residential purposes | — | — | 11,081,237 | 15,982,459 | — | — | 11,081,237 | 15,982,459 |
| Mortgage bonds for general purposes | — | — | 724,738 | 1,411,217 | — | — | 724,738 | 1,411,217 |
| Bonds | — | — | 8,340,272,225 | 6,897,317,061 | — | — | 8,340,272,225 | 6,897,317,061 |
| Subordinated bonds | — | — | — | — | 1,004,621,224 | 732,610,692 | 1,004,621,224 | 732,610,692 |
| Subtotal | — | — | 8,352,078,200 | 6,914,710,737 | 1,004,621,224 | 732,610,692 | 9,356,699,424 | 7,647,321,429 |
| Total | 11,917,070,921 | 10,151,154,748 | 8,352,078,200 | 6,914,710,737 | 13,514,686,176 | 12,989,261,896 | 33,783,835,297 | 30,055,127,381 |

**Note 41– Additional notes (continued)**

**Note 41.36 – Fair value of financial assets and liabilities (continued)**

**f) Levels of other assets and liabilities (continued)**

The Bank calculates the fair value of these assets and liabilities as follows:

- Short-term assets and liabilities: The book values of short-term assets and liabilities that mature in under 3 months are assumed to be approximately equal to their fair values. This assumption is applied to the following assets and liabilities:

  **Assets**
  - Cash and deposits in banks.
  - Transactions in the course of collection.
  - Resale agreements and securities borrowing.
  - Loans to Chilean banks.

  **Liabilities**
  - Demand deposits and other obligations.
  - Transactions in the course of payment.
  - Repurchase agreements and securities lending.

- Customer loans and receivables and loans to foreign banks: Fair value is calculated using a discounted cash flow model and discount rates generated internally, based on internal transfer rates derived from the internal transfer pricing policy. After calculating the present value, the provisions for loan losses are deducted, in order to incorporate the credit risk associated with each contract or loan. Due to the use of parameters generated internally, these instruments are classified at Level 3.

- Letters of credit and bonds: In order to calculate the present value of contractual cash flows, we apply a discounted cash flow model using interest rates that are available in the market, either for instruments with similar characteristics or that suit the valuation requirements, in terms of currency, maturity and liquidity. Interest rates are obtained from market price suppliers widely used by the market. As a result of the valuation technique and quality of inputs (observables) used for the valuation, these financial liabilities are classified at Level 2.

- Savings accounts, time deposits, bank obligations, subordinated bonds and other financial obligations: A discounted cash flow model is used to obtain the present value of committed cash flows, using a range of maturities and average discount rates derived from instruments with similar characteristics and internal transfer pricing policy. Due to the use of internal parameters and/or critical judgments for valuation purposes, these financial liabilities are classified at Level 3.

## Note 41– Additional notes (continued)

## Note 41.36 – Fair value of financial assets and liabilities (continued)

### g) Offsetting financial assets and liabilities

The Bank negotiates financial derivatives with foreign counterparties using ISDA Master Agreement documentation (International Swaps and Derivatives Association, Inc.), under legal jurisdiction of the city of New York, USA, or the City of London, United Kingdom. The legal framework in these jurisdictions, along with the documentation mentioned, grants Banco de Chile the right to anticipate the maturity of transactions and simultaneously offset the net value of those transactions in case of default by the respective counterparty. The Bank has also agreed with counterparties an additional appendix (CSA credit support annex) which includes other credit mitigating elements such as providing margins over a certain threshold of net value of transactions, early termination (optional or mandatory) of transactions on certain future dates, coupon adjustment of transactions in exchange for payment of the debtor counterparty over a certain threshold amount, etc.

Contracts that can be offset are detailed as follows.

| | Fair value in statement of financial position | | Negative fair value contracts with right to offset | | Positive fair value contracts with right to offset | | Financial guarantees | | Net fair value | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ | 2019 ThCh$ | 2018 ThCh$ |
| Financial derivative contract assets | 2,786,216,315 | 1,513,945,145 | (952,762,037) | (582,210,495) | (1,161,207,988) | (424,920,104) | (43,337,247) | (30,035,715) | 628,909,043 | 476,778,831 |
| Financial derivative contract liabilities | 2,818,121,294 | 1,528,356,656 | (952,762,037) | (582,210,495) | (1,161,207,988) | (424,920,104) | (418,987,629) | (233,450,306) | 285,163,640 | 287,775,751 |

**Note 41– Additional notes (continued)**

**Note 41.37 - Asset and liability maturities**

The principal financial assets and liabilities grouped according to their remaining term, including accrued interest as of December 31, 2019 and 2018 are detailed as follows. Instruments for trading or held for sale are included at their fair value.

| | 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **Up to 1 month ThCh$** | **1 to 3 months ThCh$** | **3 to 12 months ThCh$** | **Subtotal under 1 year ThCh$** | **1 to 3 years ThCh$** | **3 to 5 years ThCh$** | **Over 5 years ThCh$** | **Subtotal over 1 year ThCh$** | **Total ThCh$** |
| Cash and bank balances | 2,392,165,380 | — | — | 2,392,165,380 | — | — | — | — | 2,392,165,380 |
| Transactions in the course of collection | 584,671,840 | — | — | 584,671,840 | — | — | — | — | 584,671,840 |
| Trading instruments | 1,872,356,188 | — | — | 1,872,356,188 | — | — | — | — | 1,872,356,188 |
| Investments under resale agreements and securities borrowing | 102,056,831 | 29,392,923 | 10,879,270 | 142,329,024 | — | — | — | — | 142,329,024 |
| Financial derivative contracts | 158,874,402 | 314,445,654 | 621,036,237 | 1,094,356,293 | 543,468,701 | 411,469,941 | 736,921,380 | 1,691,860,022 | 2,786,216,315 |
| Loans and advances to banks (*) | 876,117,904 | 97,584,877 | 166,487,330 | 1,140,190,111 | — | — | — | — | 1,140,190,111 |
| Customer loans and receivables (*) | 4,161,258,855 | 2,340,319,865 | 5,685,646,075 | 12,187,224,795 | 5,624,030,679 | 3,198,638,806 | 9,009,571,741 | 17,832,241,226 | 30,019,466,021 |
| Investment instruments held for sale | 23,785,540 | 225,771,910 | 779,872,277 | 1,029,429,727 | 106,930,360 | 30,080,146 | 191,406,045 | 328,416,551 | 1,357,846,278 |
| Investment instruments held to maturity | — | — | — | — | — | — | — | — | — |
| Total financial assets | 10,171,286,940 | 3,007,515,229 | 7,263,921,189 | 20,442,723,358 | 6,274,429,740 | 3,640,188,893 | 9,937,899,166 | 19,852,517,799 | 40,295,241,157 |

| | 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | **Up to 1 month ThCh$** | **1 to 3 months ThCh$** | **3 to 12 months ThCh$** | **Subtotal under 1 year ThCh$** | **1 to 3 years ThCh$** | **3 to 5 years ThCh$** | **Over 5 years ThCh$** | **Subtotal over 1 year ThCh$** | **Total ThCh$** |
| Cash and bank balances | 880,080,172 | — | — | 880,080,172 | — | — | — | — | 880,080,172 |
| Transactions in the course of collection | 580,334,542 | — | — | 580,334,542 | — | — | — | — | 580,334,542 |
| Trading instruments | 1,745,365,732 | — | — | 1,745,365,732 | — | — | — | — | 1,745,365,732 |
| Investments under resale agreements and securities borrowing | 73,496,792 | 16,917,573 | 6,874,927 | 97,289,292 | — | — | — | — | 97,289,292 |
| Financial derivative contracts | 157,415,460 | 241,305,011 | 378,092,641 | 776,813,112 | 274,200,072 | 214,862,877 | 248,069,084 | 737,132,033 | 1,513,945,145 |
| Loans and advances to banks (*) | 1,262,426,898 | 77,268,324 | 132,259,195 | 1,471,954,417 | 23,440,540 | — | — | 23,440,540 | 1,495,394,957 |
| Customer loans and receivables (*) | 3,941,759,860 | 2,143,022,638 | 4,973,621,526 | 11,058,404,024 | 5,726,668,311 | 3,133,605,907 | 7,995,647,333 | 16,855,921,551 | 27,914,325,575 |
| Investment instruments held for sale | 38,692,557 | 137,420,406 | 383,199,703 | 559,312,666 | 74,940,212 | 136,341,537 | 272,847,367 | 484,129,116 | 1,043,441,782 |
| Investment instruments held to maturity | — | — | — | — | — | — | — | — | — |
| Total financial assets | 8,679,572,013 | 2,615,933,952 | 5,874,047,992 | 17,169,553,957 | 6,099,249,135 | 3,484,810,321 | 8,516,563,784 | 18,100,623,240 | 35,270,177,197 |

(*) These are shown without deducting the respective provisions which amount to ThCh$685,418,016 in 2019 (ThCh$607,099,148 in 2018) for customer loans and receivables; and ThCh$758,206 in 2019 (ThCh$1,088,709 in 2018) for loans and advances to banks.

## Note 41 – Additional notes (continued)

### Note 41.37 – Asset and liability maturities (continued)

| | 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | **Up to 1 month ThCh$** | **1 to 3 months ThCh$** | **3 to 12 months ThCh$** | **Subtotal under 1 year ThCh$** | **1 to 3 years ThCh$** | **3 to 5 years ThCh$** | **Over 5 years ThCh$** | **Subtotal over 1 year ThCh$** | **Total ThCh$** |
| Demand deposits and other obligations | 11,256,216,519 | — | — | 11,256,216,519 | — | — | — | — | 11,256,216,519 |
| Transactions in the course of payment | 352,120,994 | — | — | 352,120,994 | — | — | — | — | 352,120,994 |
| Repurchase agreements and securities lending | 298,710,033 | 8,583,315 | 1,440,060 | 308,733,408 | — | — | — | — | 308,733,408 |
| Savings accounts and time deposits (**) | 6,130,032,166 | 1,979,110,233 | 2,224,778,264 | 10,333,920,663 | 281,383,542 | 492,205 | 421,488 | 282,297,235 | 10,616,217,898 |
| Financial derivative contracts | 155,990,303 | 237,743,299 | 616,472,371 | 1,010,205,973 | 608,516,323 | 469,860,839 | 729,538,159 | 1,807,915,321 | 2,818,121,294 |
| Obligations with banks | 69,710,142 | 349,478,164 | 1,049,780,983 | 1,468,969,289 | 94,307,471 | — | — | 94,307,471 | 1,563,276,760 |
| Debt instruments issued | | | | | | | | | |
| Mortgage bonds | 1,101,728 | 1,211,929 | 2,622,490 | 4,936,147 | 3,867,548 | 1,579,494 | 515,261 | 5,962,303 | 10,898,450 |
| Bonds | 423,966,604 | 211,647,765 | 413,484,510 | 1,049,098,879 | 1,460,317,786 | 1,746,744,953 | 3,656,459,482 | 6,863,522,221 | 7,912,621,100 |
| Subordinated bonds | 3,040,411 | 2,460,277 | 115,932,901 | 121,433,589 | 38,525,136 | 18,250,830 | 711,685,095 | 768,461,061 | 889,894,650 |
| Other financial obligations | 140,449,869 | 1,436,496 | 6,490,082 | 148,376,447 | 6,382,790 | 1,470,974 | — | 7,853,764 | 156,230,211 |
| Lease liabilities | 2,353,301 | 4,775,534 | 20,840,933 | 27,969,768 | 51,571,267 | 28,462,689 | 38,008,961 | 118,042,917 | 146,012,685 |
| Total financial liabilities | 18,833,692,070 | 2,796,447,012 | 4,451,842,594 | 26,081,981,676 | 2,544,871,863 | 2,266,861,984 | 5,136,628,446 | 9,948,362,293 | 36,030,343,969 |

| | 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities** | **Up to 1 month ThCh$** | **1 to 3 months ThCh$** | **3 to 12 months ThCh$** | **Subtotal under 1 year ThCh$** | **1 to 3 years ThCh$** | **3 to 5 years ThCh$** | **Over 5 years ThCh$** | **Subtotal over 1 year ThCh$** | **Total ThCh$** |
| Demand deposits and other obligations | 9,511,759,294 | — | — | 9,511,759,294 | — | — | — | — | 9,511,759,294 |
| Transactions in the course of payment | 335,575,444 | — | — | 335,575,444 | — | — | — | — | 335,575,444 |
| Repurchase agreements and securities lending | 237,997,786 | 1,448,256 | 64,373,968 | 303,820,010 | — | — | — | — | 303,820,010 |
| Savings accounts and time deposits (**) | 5,017,127,678 | 1,946,688,210 | 3,100,464,079 | 10,064,279,967 | 365,176,776 | 619,199 | 131,794 | 365,927,769 | 10,430,207,736 |
| Financial derivative contracts | 146,886,299 | 237,039,259 | 335,496,948 | 719,422,506 | 264,438,474 | 273,789,575 | 270,706,101 | 808,934,150 | 1,528,356,656 |
| Obligations with banks | 115,219,886 | 269,412,233 | 1,052,829,801 | 1,437,461,920 | 79,297,431 | — | — | 79,297,431 | 1,516,759,351 |
| Debt instruments issued | | | | | | | | | |
| Mortgage bonds | 1,451,706 | 1,618,324 | 3,581,099 | 6,651,129 | 5,910,881 | 2,577,099 | 1,228,382 | 9,716,362 | 16,367,491 |
| Bonds | 325,767,522 | 275,687,732 | 583,875,665 | 1,185,330,919 | 844,691,618 | 1,505,659,672 | 3,237,307,682 | 5,587,658,972 | 6,772,989,891 |
| Subordinated bonds | 4,220,814 | 2,254,460 | 44,900,576 | 51,375,850 | 41,121,997 | 27,905,913 | 565,790,537 | 634,818,447 | 686,194,297 |
| Other financial obligations | 97,393,105 | 3,504,856 | 10,125,558 | 111,023,519 | 5,554,823 | 1,307,124 | 127,953 | 6,989,900 | 118,013,419 |
| Total financial liabilities | 15,793,399,534 | 2,737,653,330 | 5,195,647,694 | 23,726,700,558 | 1,606,192,000 | 1,811,858,582 | 4,075,292,449 | 7,493,343,031 | 31,220,043,589 |

(**) Excludes term saving accounts, which amount to ThCh$239,850,581 (ThCh$224,302,388 as of December 31, 2018)

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management**

**(1) Introduction**

The Bank's risk management is based on specialization, knowledge of the business and the experience of its teams, with professionals specifically dedicated to managing each risk. The Bank's policy is to maintain an integrated, future-focused perspective on risk management, taking into account the current and forecasted economic environment and the risk/return ratio of all products of the Bank and its subsidiaries.

Risk management policies are established to identify and analyze the risks faced by the Bank, set suitable risk limits and controls, and monitor the risks and compliance with the limits. Risk management policies and systems are regularly reviewed. The Bank ensures a disciplined and constructive control environment, through its management regulations and procedures.

**(a) Risk management structure**

Credit, market and operational risk management takes place at all levels of the organization, structured to recognize the importance and multiple types of risk.

(i) Board of Directors

Banco de Chile's Board of Directors is responsible for approving policies and establishing the structure to manage the various risks faced by the organization. Banco de Chile's Board of Directors is continually informed of risk developments through its Finance, International and Financial Risk, Credit Risk, Portfolio Risk and Superior Operational Risk Committees, which review the status of credit, market and operational risk.

(ii) Finance, International and Financial Risk Committee

Its purpose is to design policies and procedures related to price and liquidity risk; design a structure of limits and warnings for financial exposures, and ensure that they are correctly and promptly measured, monitored and reported; monitor financial exposures and risks; analyze the impact on transaction values and/or results due to potential adverse movements in the values of market variables or liquidity restrictions; review stress test assumptions and establish action plans when appropriate; ensure that independent units value financial positions, and analyze the results of these financial positions; monitor the international financial exposure within liabilities; review the main credit exposure within Treasury products (derivatives and bonds); ensure that price and liquidity risk management guidelines in subsidiaries are consistent with those of the Bank and review the evolution of their main financial risks.

The Finance, International and Financial Risk Committee meets every month and comprises the Chairman of the Board, two directors or Board advisors, the Chief Executive Officer, and the managers of the Corporate Division, the Wholesale Credit Risk Division, the Treasury Division and the Financial Risk Department. The committee may also invite certain people to take part in one or more meetings on a continual or occasional basis.

**Note 41– Additional notes (continued)**

**Note 41.38 –Risk management (continued)**

**(1) Introduction (continued)**

**(a) Risk management structure (continued)**

(iii) Credit committees

The credit approval process is controlled by various credit committees composed of trained professionals with sufficient authority to make decisions.

Each committee defines the terms and conditions under which the Bank accepts counterparty risks and the Retail and Wholesale Credit Risk Divisions participate independently of the commercial departments. Their membership is based on commercial segment requirements and approval limits. They meet at various frequencies.

The Directors' Credit Committee is the highest authority within the Bank's risk management structure. It meets every week and is comprised of the Chairman of the Board and all standing and alternate directors, the board advisors, the CEO and the Wholesale Credit Risk Division Manager. It analyzes and approves all credit transactions equal to or greater than UF 750,000 for customers and economic groups. It is also responsible for analyzing and resolving all credit transactions that must be approved by this Committee, in accordance with the Bank's internal regulations, except for any special authority delegated by the Board to Management.

(iv) Portfolio Risk Committee

Its main function is to understand the composition, concentration and risk of the loan portfolio within the different banking divisions and segments. It reviews the main debtors and the portfolio risk indicators and proposes differentiated management strategies. It approves and proposes credit risk policies to the Board. It is responsible for reviewing, approving and recommending to the Board of Directors for their final approval, the portfolio evaluation methods and provision models. It is also responsible for reviewing and analyzing the sufficiency of provisions for the banking divisions and segments and reviewing the guidelines and progress with the development of internal credit risk models, along with monitoring concentration by sectors and segments according to the limits policy for sectors. In general, any matter involving credit risk submitted to senior management.

The Portfolio Risk Committee meets monthly and is composed of the Chairman of the Board, a director or alternate, the Chief Executive Officer, the Wholesale Credit Risk Division Manager, the Retail Credit Risk Division Manager, the Commercial Division Manager and the Risk Management Control and Reporting Division Manager.

**Note 41– Additional notes (continued)**

**Note 41.38 –Risk management (continued)**

**(1) Introduction (continued)**

**(a) Risk management structure (continued)**

(v) Operational Risk Committee

It is authorized to make any changes to the processes, procedures, controls and information systems that support the Bank's transactions, in order to mitigate operational risks, and assure that departments can appropriately manage and control these risks.

The Operational Risk Committee is composed of the Overall Risk Control Division Manager (Chairman), the Operational Risk Manager (Vice-Chairman), the Deputy Operational Risk Management Manager (Secretary), the Financial Management and Control Division Manager; Cybersecurity Division Manager, the Technological Risk Manager, the Operations Department Manager, the Technology and Infrastructure Manager, the Customers Department Manager, the Large Companies Department Manager, the Corporate Audit Department Manager, the Customer Service Manager and the Chief Legal Counsel. The Committee meets monthly and may be called extraordinarily.

(vi) Senior Operational Risk Committee

It is a disciplinary committee and ensures that the policies, measures and strategies that apply to operational risk, information security, business continuity and service outsourcing are aligned with the goals and strategies of the Bank. It also informs the Board regarding the comprehensive operational risk management model and the Bank's operational risk exposure, as well as its main risks, events and action plans.

The Senior Operational Risk Committee is comprised of the Chairman of the Board (Chairman), the Operational Risk Manager (Secretary), the Vice Chairman of the Board and two directors or alternates, appointed by the Bank's Board of Directors; the Chief Executive Officer, the Chief Legal Counsel, the Overall Risk Control Division Manager, the Operations and Technology Division Manager, the Commercial Division Manager, the Cybersecurity Division Manager and the Technological Risk Manager. The Committee meets monthly and may be called extraordinarily.

(vii) Corporate governance risk structure

The Board actively participates in the Bank's corporate governance, establishing policies and guidelines for accepted risk levels, while management is responsible for controlling and complying with board mandates as well as establishing related rules and procedures. Likewise, the Board sets guidelines for developing and validating models, approves provision models and confirms the adequacy of provisions.

On a management level, the Retail Credit Risk, Wholesale Credit Risk and Global Risk Control divisions make up the corporate governance structure for risk. These divisions rely on specialized teams and a robust regulatory framework of processes and procedures to optimally and effectively manage the matters under their care. The first two are responsible for credit risk in the loan approval, monitoring and recovery stages for the retail and whole segments, respectively. The Retail Credit Risk Division also develops the different methodologies for regulatory and management aspects. The Wholesale Credit Risk Division has a Market Risk Area that is charged with measuring, limiting, controlling and reporting on market risk, as well as defining valuation standards.

**Note 41– Additional notes (continued)**

**Note 41.38 –Risk management (continued)**

**(1) Introduction (continued)**

**(a) Risk management structure (continued)**

(vii) Corporate governance risk structure (continued)

The Global Risk Control Division, through the Operational Risk and Technology Risk areas, which includes business continuity, is responsible for controlling these risks. The division also has an Internal Risk Model Validation area.

In addition, the Bank has a Cybersecurity Division, which focuses on protecting and overseeing the organization's most sensitive assets and providing the customers and employees with a sense of security and confidence. Its main objective is to ensure that the Bank is secure, cyber-resilient and prepared to face any type of threat that jeopardizes the reputation and information of the organization.

These divisions have teams with extensive experience and knowledge in every matter related to credit risks, and ensures their comprehensive and consolidated management by the Bank and its subsidiaries.

**(b) Internal Audit**

Risk management processes throughout the Bank are continually audited by the Internal Audit Department, which analyzes the adequacy of the procedures and their compliance. Internal Audit discusses the results of all evaluations with management and reports its findings and recommendations to the Board through the Audit Committee.

**(c) Measurement Methodology**

Provisions and portfolio expenses are basic measurements used to determine the credit quality of the Bank's portfolio, in terms of credit risk.

Banco de Chile assesses its loan portfolio on an ongoing basis and promptly recognizes the risk level associated with the portfolio. This comprehensive assessment of risk relies on board-approved policies, standards, procedures and models prepared for this purpose based on Financial Market Commission (CMF) instructions.

The final outcome of this assessment (both individual and group) is used to determine how much the Bank should provision in order to cover losses in the event of customer default.

An individual debtor assessment is used mainly for legal entities that the Bank needs to understand in detail or on a case-by-case basis because of their size, complexity or indebtedness level. In order to establish timely and sufficient provisions, each individually assessed debtor is classified into one of 16 categories defined by the CMF. The bank reviews the portfolio's risk ratings on an ongoing basis, including each customer's financial situation, payment behavior and environment.

**Note 41– Additional notes (continued)**

**Note 41.38 –Risk management (continued)**

**(1) Introduction (continued)**

**(c) Measurement Methodology (continued)**

The group assessment criteria are mainly applied to individuals and smaller companies. These assessments are carried out each month using statistical models that enable the Bank to estimate the provisions needed to cover portfolio risk. The consistency of these models is analyzed by independently validating the unit that develops the models and, subsequently, performing backtesting to contrast real losses with model-estimated losses.

In order to verify the quality and soundness of its risk assessment process, every year the Bank tests the adequacy of its provisions for its entire loan portfolio, thereby confirming that provisions are sufficient to cover losses that may arise from loans granted. The results of this analysis are presented to the Board, which then issues a formal opinion on the adequacy of the Bank's provisions for each year.

Banco de Chile records additional provisions to protect against unforeseeable economic fluctuations that may affect the macroeconomic environment or circumstances of a specific economic sector. Once a year, the amount of additional provisions to be established or released is proposed first to the Portfolio Risk Committee and then to the Board for approval.

The monitoring and control of risks are mainly carried out based on limits set by the Board. These limits reflect the Bank’s business and market strategy, and also the level of risk it is prepared to accept, with additional emphasis on selected industries.

A report detailing the evolution of the Bank’s price and liquidity risk, based on both internal and regulator-imposed metrics, is sent to the Bank’s Chief Executive Officer on a daily basis, and to the Finance, International and Market Risk Committee on a monthly basis.

**(2) Credit risk**

Credit risk assesses the probability that the counterparty in a loan transaction does not meet its contractual obligation because of payment incapacity or financial insolvency, and that leads to a potential loan loss.

Credit risk management continually focuses on an adequate risk/return ratio and considers the loan approval, monitoring and recovery processes. The process aims to maintain a suitable risk balance in order to ensure the Bank's solvency over time.

**Note 41– Additional notes (continued)**

**Note 41.38 –Risk management (continued)**

**(2) Credit risk (continued)**

Its credit policies and processes acknowledge the particularities of each market and segment, thus affording specialized treatment to each one based on the following management principles:

Performing a rigorous evaluation during the loan approval process, applying defined credit policies, rules and procedures and making sure that sufficient and accurate information is available. This involves analyzing the customer's cash flow generation and solvency to comply with payment commitments and, when necessary, requiring suitable guarantees to mitigate the risk assumed with the customer.
Carrying out a continuous, robust portfolio monitoring process using systems that warn the Bank of potential signs of deterioration in the conditions in the original assessment and possible business opportunities with customers demonstrating superior quality and payment behavior.
Developing advanced modeling and data management tools that lend efficiency to decision making throughout the various stages of the loan process.
Having a flexible, efficient collections structure that can be used to take the appropriate steps depending on the different types of payment problems customers may present.
Efficiently managing teams, tools and information availability to ensure optimal credit risk management.

The credit risk divisions continuously manage risk knowledge so as to contribute to the business and anticipate threats that may affect solvency and portfolio quality. Their mission is to establish the credit risk management framework for the Bank's segments, within the scope of regulations and the Bank's risk appetite. To develop a portfolio vision for managing, resolving and controlling the approval process of business associated with the Bank's portfolios, in an efficient and proactive manner.

**Note 41– Additional notes (continued)**

**Note 41.38 –Risk management (continued)**

**(2) Credit risk (continued)**

**(a) Retail segment**

Approval in these segments is mainly evaluated using scoring tools, supported by an appropriate credit attribution model, which is required to approve each transaction. These assessments consider elements such as indebtedness levels, payment capacity and maximum acceptable exposure for the customer.

In these segments, the Bank has segregated duties among the following areas:

- Modeling Area: responsible for building statistical models, defining variables and respective weights. These models are validated by the Model Validation Area and then presented to the Modeling Technical Committee before being approved by the Portfolio Risk Committee or the Board of Directors, as appropriate.

- Management Integration Area: in charge of incorporating the statistical models in credit assessment processes, ensuring proper linkage to credit decisions.

- Origination Area: responsible for performing assessments of transactions and customers. It also has specialized areas (by segment and by region) to expand its knowledge of customers and socio-economic information. Furthermore, it has a framework of policies and standards that allow it to ensure portfolio quality in line with desired risk, defining guidelines for customer approval that are distributed to commercial and risk areas through programs and ongoing education.

- Model and Portfolio Monitoring Area: in charge of assessing and measuring model performance and portfolio behavior. The latter is conducted by monitoring the main indicators of the aggregate portfolio and using batch analysis reported in management reports, thus generating important information for decision making at diverse levels. This area also works to ensure that the Bank's risk strategy is properly executed by meeting risk/return quality objectives.

- Collections Area: this unit performs collections for all bank segments and centralizes recovery management in retail segments through Socofin, a bank subsidiary, defining criteria for refinancing and payment agreements with customers and incorporating robust collection management tools.

**Note 41– Additional notes (continued)**

**Note 41.38 –Risk management (continued)**

**(2) Credit risk (continued)**

**(b) Wholesale segment**

Origination management in these segments is based on an individual assessment of the customer and, if the customer is part of a group of companies, also considers the rest of the group's relationship with the Bank. This individual (and group, if appropriate) assessment considers financial capacity with an emphasis on capital solvency, cash flow generation capacity, exposure levels, industry variables, an evaluation of the partners and management and aspects particular to the transaction such as the financing structure, terms, products and any guarantees.

This process is backed by a rating model that makes for a more homogeneous evaluation of the customer and its group. For these customer assessments, the Bank also has specialized areas in some segments that require more expert knowledge such as real estate, construction, agriculture, financial, international, among others.

Ongoing portfolio monitoring is performed in a centralized manner using periodically updated information on the customer and its industry. The area also monitors compliance with special conditions established during origination, such as financial covenants, guarantee coverage and restrictions for loan approval. Through monitoring, it also generates alerts to ensure that the individual portfolio is properly classified.

Additionally, loan origination areas monitor loans from application to recovery in order to ensure that portfolio risks are accounted for properly and promptly.

By identifying customers with signs of deterioration or default on any condition, the customer's commercial area and the Wholesale Credit Risk Division work together to devise action plans to normalize the situation. When recovery problems arise on loans, the Special Asset Management Area, which reports to the Wholesale Credit Risk Division, is responsible for managing collections, establishing action plans and negotiating based on each customer's particular circumstances.

## Note 41– Additional notes (continued)

## Note 41.38 –Risk management (continued)

### (2) Credit risk (continued)

### (c) Portfolio concentration

The maximum exposure to credit risk by customer or counterparty, without considering collateral and other credit improvements, as of December 31, 2019 and 2018 does not exceed 10% of the Bank's regulatory capital.

The following tables show the exposure to credit risk by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2019:

| | Chile MCh$ | USA MCh$ | Brazil MCh$ | Others MCh$ | Total MCh$ |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| **Cash and bank deposits** | 1,144,109 | 1,145,703 | — | 102,354 | 2,392,166 |
| **Trading instruments** | | | | | |
| State and Chilean Central Bank | 1,123,689 | — | — | — | 1,123,689 |
| Other instruments issued in Chile | 375,337 | — | — | — | 375,337 |
| Instruments issued abroad | — | — | — | — | — |
| Investments in mutual funds | 373,329 | — | — | — | 373,329 |
| Subtotal | 1,872,355 | — | — | — | 1,872,355 |
| **Repurchase agreements and securities lending** | 142,329 | — | — | — | 142,329 |
| **Trading derivative contracts** | | | | | |
| Forwards | 872,481 | 53,923 | — | 30,228 | 956,632 |
| Swaps | 1,142,174 | 167,818 | — | 451,960 | 1,761,952 |
| Call options | 4,961 | — | — | — | 4,961 |
| Put options | 807 | 11 | — | 258 | 1,076 |
| Futures | — | — | — | — | — |
| Subtotal | 2,020,423 | 221,752 | — | 482,446 | 2,724,621 |
| **Hedge accounting derivative contracts** | | | | | |
| Forwards | — | — | — | — | — |
| Swaps | 5,864 | 25,780 | — | 29,950 | 61,594 |
| Call options | — | — | — | — | — |
| Put options | — | — | — | — | — |
| Futures | — | — | — | — | — |
| Subtotal | 5,864 | 25,780 | — | 29,950 | 61,594 |
| **Loans and advances to banks** | | | | | |
| Chilean Central Bank | 630,053 | — | — | — | 630,053 |
| Banks in Chile | 150,007 | — | — | — | 150,007 |
| Banks abroad | — | — | 244,969 | 115,162 | 360,131 |
| Subtotal | 780,060 | — | 244,969 | 115,162 | 1,140,191 |
| **Customer loans and receivables** | | | | | |
| Commercial loans | 16,269,424 | — | — | 14,685 | 16,284,109 |
| Residential mortgage loans | 9,203,061 | — | — | — | 9,203,061 |
| Consumer loans | 4,532,300 | — | — | — | 4,532,300 |
| Subtotal | 30,004,785 | — | — | 14,685 | 30,019,470 |
| **Investment instruments held for sale** | | | | | |
| State and Chilean Central Bank | 109,062 | — | — | — | 109,062 |
| Other instruments issued in Chile | 1,228,931 | — | — | — | 1,228,931 |
| Instruments issued abroad | — | — | — | 19,853 | 19,853 |
| Subtotal | 1,337,993 | — | — | 19,853 | 1,357,846 |
| **Investment instruments held to maturity** | — | — | — | — | — |

## Note 41– Additional notes (continued)

## Note 41.38 – Risk management (continued)

### (2) Credit risk (continued)

### (c) Portfolio concentration (continued)

| | Financial services MCh$ | Chilean Central Bank MCh$ | Govern-ment MCh$ | Individuals MCh$ | Commerce MCh$ | Manufacturing MCh$ | Mining MCh$ | Electricity, gas and water MCh$ | Agriculture and livestock MCh$ | Fishing MCh$ | Transport and telecom MCh$ | Construction MCh$ | Services MCh$ | Others MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | | | | | | | | | |
| **Cash and bank deposits** | 2,213,737 | 178,429 | — | — | — | — | — | — | — | — | — | — | — | — | 2,392,166 |
| **Trading instruments** | | | | | | | | | | | | | | | |
| State and Chilean Central Bank | — | 1,024,525 | 99,164 | — | — | — | — | — | — | — | — | — | — | — | 1,123,689 |
| Other instruments issued in Chile | 375,337 | — | — | — | — | — | — | — | — | — | — | — | — | — | 375,337 |
| Instruments issued abroad | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Investments in mutual funds | 373,329 | — | — | — | — | — | — | — | — | — | — | — | — | — | 373,329 |
| Subtotal | 748,666 | 1,024,525 | 99,164 | — | — | — | — | — | — | — | — | — | — | — | 1,872,355 |
| **Repurchase agreements and securities lending** | 66,285 | — | 18,460 | 278 | 40,642 | — | 2,067 | 1,533 | 902 | 35 | 8,665 | 21 | — | 3,441 | 142,329 |
| **Trading derivative contracts** | | | | | | | | | | | | | | | |
| Forwards | 480,269 | — | — | 1,532 | 16,225 | 79 | 2,856 | 22,903 | 14,103 | 642 | 1,930 | 277 | 497 | 415,319 | 956,632 |
| Swaps | 1,693,048 | — | — | 4 | 9,813 | 7,718 | 19 | 14,184 | 10,232 | 4,275 | 12,526 | 210 | — | 9,923 | 1,761,952 |
| Call options | 1,196 | — | — | — | 1,569 | 280 | — | — | 1,433 | 171 | — | 84 | 190 | 38 | 4,961 |
| Put options | 554 | — | — | — | 522 | — | — | — | — | — | — | — | — | — | 1,076 |
| Futures | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | 2,175,067 | — | — | 1,536 | 28,129 | 8,077 | 2,875 | 37,087 | 25,768 | 5,088 | 14,456 | 571 | 687 | 425,280 | 2,724,621 |
| **Hedge accounting derivative contracts** | | | | | | | | | | | | | | | |
| Forwards | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Swaps | 61,594 | — | — | — | — | — | — | — | — | — | — | — | — | — | 61,594 |
| Call options | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Put options | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Futures | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | 61,594 | — | — | — | — | — | — | — | — | — | — | — | — | — | 61,594 |
| **Loans and advances to banks** | | | | | | | | | | | | | | | |
| Chilean Central Bank | — | 630,053 | — | — | — | — | — | — | — | — | — | — | — | — | 630,053 |
| Banks in Chile | 150,007 | — | — | — | — | — | — | — | — | — | — | — | — | — | 150,007 |
| Banks abroad | 360,131 | — | — | — | — | — | — | — | — | — | — | — | — | — | 360,131 |
| Subtotal | 510,138 | 630,053 | — | — | — | — | — | — | — | — | — | — | — | — | 1,140,191 |
| **Customer loans and receivables** | | | | | | | | | | | | | | | |
| Commercial loans | 2,587,272 | — | — | — | 2,064,042 | 1,624,099 | 604,411 | 325,139 | 1,622,206 | 140,647 | 1,233,433 | 2,141,500 | 2,265,402 | 1,675,958 | 16,284,109 |
| Residential mortgage loans | — | — | — | 9,203,061 | — | — | — | — | — | — | — | — | — | — | 9,203,061 |
| Consumer loans | — | — | — | 4,532,300 | — | — | — | — | — | — | — | — | — | — | 4,532,300 |
| Subtotal | 2,587,272 | — | — | 13,735,361 | 2,064,042 | 1,624,099 | 604,411 | 325,139 | 1,622,206 | 140,647 | 1,233,433 | 2,141,500 | 2,265,402 | 1,675,958 | 30,019,470 |
| **Investment instruments held for sale** | | | | | | | | | | | | | | | |
| State and Chilean Central Bank | — | 92,824 | 16,238 | — | — | — | — | — | — | — | — | — | — | — | 109,062 |
| Other instruments issued in Chile | 994,658 | — | — | — | — | — | — | 9,667 | — | — | — | 178,444 | — | 46,162 | 1,228,931 |
| Instruments issued abroad | 19,853 | — | — | — | — | — | — | — | — | — | — | — | — | — | 19,853 |
| Subtotal | 1,014,511 | 92,824 | 16,238 | — | — | — | — | 9,667 | — | — | — | 178,444 | — | 46,162 | 1,357,846 |
| **Investment instruments held to maturity** | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(2) Credit risk (continued)**

**(c) Portfolio concentration (continued)**

The following tables show the exposure to credit risk by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2018:

| | Chile MCh$ | USA MCh$ | Brazil MCh$ | Others MCh$ | Total MCh$ |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| **Cash and bank deposits** | 773,368 | 69,343 | — | 37,370 | 880,081 |
| **Trading instruments** | | | | | |
| State and Chilean Central Bank | 1,523,472 | — | — | — | 1,523,472 |
| Other instruments issued in Chile | 129,607 | — | — | — | 129,607 |
| Instruments issued abroad | — | 4,446 | — | — | 4,446 |
| Investments in mutual funds | 87,841 | — | — | — | 87,841 |
| Subtotal | 1,740,920 | 4,446 | — | — | 1,745,366 |
| **Repurchase agreements and securities lending** | 97,289 | — | — | — | 97,289 |
| **Trading derivative contracts** | | | | | |
| Forwards | 670,595 | 23,082 | — | 41,767 | 735,444 |
| Swaps | 453,191 | 98,414 | — | 186,525 | 738,130 |
| Call options | 4,309 | — | — | 530 | 4,839 |
| Put options | 56 | — | — | 64 | 120 |
| Futures | — | — | — | — | — |
| Subtotal | 1,128,151 | 121,496 | — | 228,886 | 1,478,533 |
| **Hedge accounting derivative contracts** | | | | | |
| Forwards | — | — | — | — | — |
| Swaps | 4,547 | 14,348 | — | 16,519 | 35,414 |
| Call options | — | — | — | — | — |
| Put options | — | — | — | — | — |
| Futures | — | — | — | — | — |
| Subtotal | 4,547 | 14,348 | — | 16,519 | 35,414 |
| **Loans and advances to banks** | | | | | |
| Chilean Central Bank | 1,100,831 | — | — | — | 1,100,831 |
| Banks in Chile | 100,023 | — | — | — | 100,023 |
| Banks abroad | — | — | 209,693 | 84,849 | 294,542 |
| Subtotal | 1,200,854 | — | 209,693 | 84,849 | 1,495,396 |
| **Customer loans and receivables** | | | | | |
| Commercial loans | 15,336,948 | — | 354 | 93,190 | 15,430,492 |
| Residential mortgage loans | 8,047,708 | — | — | — | 8,047,708 |
| Consumer loans | 4,436,122 | — | — | — | 4,436,122 |
| Subtotal | 27,820,778 | — | 354 | 93,190 | 27,914,322 |
| **Investment instruments held for sale** | | | | | |
| State and Chilean Central Bank | 164,222 | — | — | — | 164,222 |
| Other instruments issued in Chile | 770,674 | — | — | — | 770,674 |
| Instruments issued abroad | — | 108,544 | — | — | 108,544 |
| Subtotal | 934,896 | 108,544 | — | — | 1,043,440 |
| **Investment instruments held to maturity** | — | — | — | — | — |

## Note 41– Additional notes (continued)

## Note 41.38 – Risk management (continued)

### (2) Credit risk (continued)

### (c) Portfolio concentration (continued)

| | Financial services MCh$ | Chilean Central Bank MCh$ | Govern-ment MCh$ | Individuals MCh$ | Commerce MCh$ | Manufac-turing MCh$ | Mining MCh$ | Electricity, gas and water MCh$ | Agriculture and livestock MCh$ | Fishing MCh$ | Transport and telecom MCh$ | Construction MCh$ | Services MCh$ | Others MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | | | | | | | | | | |
| **Cash and bank deposits** | 758,274 | 121,807 | — | — | — | — | — | — | — | — | — | — | — | — | 880,081 |
| **Trading instruments** | | | | | | | | | | | | | | | |
| State and Chilean Central Bank | — | 1,434,986 | 88,486 | — | — | — | — | — | — | — | — | — | — | — | 1,523,472 |
| Other instruments issued in Chile | 129,607 | — | — | — | — | — | — | — | — | — | — | — | — | — | 129,607 |
| Instruments issued abroad | 4,446 | — | — | — | — | — | — | — | — | — | — | — | — | — | 4,446 |
| Investments in mutual funds | 87,841 | — | — | — | — | — | — | — | — | — | — | — | — | — | 87,841 |
| Subtotal | 221,894 | 1,434,986 | 88,486 | — | — | — | — | — | — | — | — | — | — | — | 1,745,366 |
| **Repurchase agreements and securities lending** | 29,031 | 742 | — | — | 37,520 | — | 5,017 | 4,466 | 3,096 | 59 | 15,637 | — | 985 | 736 | 97,289 |
| **Trading derivative contracts** | | | | | | | | | | | | | | | |
| Forwards | 374,006 | — | — | — | 7,194 | 13,328 | 40 | 10,288 | 4,211 | 411 | 98 | 455 | 296 | 325,117 | 735,444 |
| Swaps | 584,743 | — | — | — | 51,916 | 7,348 | 22 | 4,026 | 10,006 | 2,249 | 2,235 | 680 | 74,250 | 655 | 738,130 |
| Call options | 1,669 | — | — | — | 389 | 16 | — | 1,090 | 1,489 | 80 | — | 59 | 36 | 11 | 4,839 |
| Put options | 64 | — | — | — | 51 | 5 | — | — | — | — | — | — | — | — | 120 |
| Futures | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | 960,482 | — | — | — | 59,550 | 20,697 | 62 | 15,404 | 15,706 | 2,740 | 2,333 | 1,194 | 74,582 | 325,783 | 1,478,533 |
| **Hedge accounting derivative contracts** | | | | | | | | | | | | | | | |
| Forwards | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Swaps | 35,414 | — | — | — | — | — | — | — | — | — | — | — | — | — | 35,414 |
| Call options | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Put options | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Futures | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Subtotal | 35,414 | — | — | — | — | — | — | — | — | — | — | — | — | — | 35,414 |
| **Loans and advances to banks** | | | | | | | | | | | | | | | |
| Chilean Central Bank | — | 1,100,831 | — | — | — | — | — | — | — | — | — | — | — | — | 1,100,831 |
| Banks in Chile | 100,023 | — | — | — | — | — | — | — | — | — | — | — | — | — | 100,023 |
| Banks abroad | 294,542 | — | — | — | — | — | — | — | — | — | — | — | — | — | 294,542 |
| Subtotal | 394,565 | 1,100,831 | — | — | — | — | — | — | — | — | — | — | — | — | 1,495,396 |
| **Customer loans and receivables** | | | | | | | | | | | | | | | |
| Commercial loans | 2,122,425 | — | — | — | 2,322,558 | 1,578,703 | 453,331 | 461,348 | 1,581,701 | 156,444 | 1,497,654 | 1,751,219 | 2,107,494 | 1,397,615 | 15,430,492 |
| Residential mortgage loans | — | — | — | 8,047,708 | — | — | — | — | — | — | — | — | — | — | 8,047,708 |
| Consumer loans | — | — | — | 4,436,122 | — | — | — | — | — | — | — | — | — | — | 4,436,122 |
| Subtotal | 2,122,425 | — | — | 12,483,830 | 2,322,558 | 1,578,703 | 453,331 | 461,348 | 1,581,701 | 156,444 | 1,497,654 | 1,751,219 | 2,107,494 | 1,397,615 | 27,914,322 |
| **Investment instruments held for sale** | | | | | | | | | | | | | | | |
| State and Chilean Central Bank | — | 135,145 | 29,077 | — | — | — | — | — | — | — | — | — | — | — | 164,222 |
| Other instruments issued in Chile | 680,656 | — | — | — | 22,390 | — | — | 8,245 | — | — | 4,938 | — | — | 54,445 | 770,674 |
| Instruments issued abroad | 108,544 | — | — | — | — | — | — | — | — | — | — | — | — | — | 108,544 |
| Subtotal | 789,200 | 135,145 | 29,077 | — | 22,390 | — | — | 8,245 | — | — | 4,938 | — | — | 54,445 | 1,043,440 |
| **Investment instruments held to maturity** | — | — | — | — | — | — | — | — | — | — | — | — | — | — | — |

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(2) Credit risk (continued)**

**(d) Collateral and other credit improvements**

The amount and type of collateral required depends on the counterparty's credit risk assessment.

The Bank has guidelines with respect to the acceptability of collateral and valuation parameters.

The main types of collateral obtained are:

- For commercial loans: residential and non-residential real estate, pledges and inventory.
- For retail loans: mortgages over residential properties.

The Bank also obtains collateral from parent companies for loans granted to their subsidiaries.

Management is committed to obtaining acceptable collateral according to external regulations and in accordance with internal policy guidelines and parameters. The Bank has around 235,878 separate collateral instruments, with the greatest concentration in properties by valuation. Collateral as of December 31, 2019 is detailed as follows.

| | | Collateral | | | | | |
|---|---|---|---|---|---|---|---|
| **2019** | **Loans MCh$** | **Mortgages MCh$** | **Pledges MCh$** | **Securities MCh$** | **Warrants MCh$** | **Others MCh$** | **Total MCh$** |
| Corporations | 12,114,603 | 2,453,533 | 82,365 | 345,246 | 2,182 | 207,052 | 3,090,378 |
| SMEs | 4,169,506 | 3,133,480 | 30,466 | 26,674 | — | 74,725 | 3,265,345 |
| Consumer | 4,532,300 | 341,495 | 966 | 2,045 | — | 20,646 | 365,152 |
| Residential mortgage | 9,203,061 | 8,019,519 | 51 | 176 | — | — | 8,019,746 |
| **Total** | **30,019,470** | **13,948,027** | **113,848** | **374,141** | **2,182** | **302,423** | **14,740,621** |

| | | Collateral | | | | | |
|---|---|---|---|---|---|---|---|
| **2018** | **Loans MCh$** | **Mortgages MCh$** | **Pledges MCh$** | **Securities MCh$** | **Warrants MCh$** | **Others MCh$** | **Total MCh$** |
| Corporations | 11,703,594 | 2,589,429 | 75,105 | 423,556 | 2,263 | 221,919 | 3,312,272 |
| SMEs | 3,726,898 | 2,977,286 | 31,270 | 28,974 | — | 71,140 | 3,108,670 |
| Consumer | 4,436,122 | 332,030 | 967 | 2,244 | — | 20,090 | 355,331 |
| Residential mortgage | 8,047,708 | 7,493,073 | 58 | 265 | — | — | 7,493,396 |
| **Total** | **27,914,322** | **13,391,818** | **107,400** | **455,039** | **2,263** | **313,149** | **14,269,669** |

The Bank also uses credit-risk mitigating elements for derivative transactions. The mitigating elements currently used are:

- Accelerating transactions and net payment using market values at the date of default of one of the parties.
- Option for both parties to terminate early any transaction with a counterparty at a given date, using market values as of the respective date.
- Margins in the form of time deposits by customers who close forward contracts in the subsidiary Banchile Corredores de Bolsa S.A.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(2) Credit risk (continued)**

**(d) Collateral and other credit improvements (continued)**

The value of collateral held by the Bank relating to loans individually classified as impaired as of December 31, 2019 and 2018, is Ch$100,133 million and Ch$85,721 million, respectively.

The value of collateral held by the Bank relating to past due loans not impaired as of December 31, 2019 and 2018, is Ch$344,098 million and Ch$295,634 million, respectively.

**(e) Credit quality by class of assets**

The Bank determines the credit quality of financial assets using internal credit classifications. The classification process is linked to the approval and follow-up processes, and is carried out according to the risk categories under current regulations, constantly updating this according to the favorable or unfavorable evolution shown by the customers and their environment, considering commercial and payment behavior as well as financial information.

The Bank also makes focused revisions of companies in specific economic sectors that are affected by macroeconomic or the sector's own variables. Such reviews allow the Bank to opportunely establish any necessary provisions that are sufficient to cover losses for potentially uncollectable loans.

The following tables show the credit quality by class of asset for each of the lines of the statement of financial position, based on the Bank's loan classification system.

**As of December 31, 2019**

| | Individual Portfolio | | | Group Portfolio | | |
|---|---|---|---|---|---|---|
| | Normal MCh$ | Substandard MCh$ | Default MCh$ | Normal MCh$ | Default MCh$ | Total MCh$ |
| **Financial Assets** | | | | | | |
| **Loans and advances to banks** | | | | | | |
| Chilean Central Bank | 630,053 | — | — | — | — | 630,053 |
| Banks in Chile | 150,007 | — | — | — | — | 150,007 |
| Banks abroad | 360,131 | — | — | — | — | 360,131 |
| Subtotal | 1,140,191 | — | — | — | — | 1,140,191 |
| **Customer loans and receivables (excluding provisions for loan losses)** | | | | | | |
| Commercial loans | 11,893,060 | 71,718 | 149,826 | 3,907,715 | 261,790 | 16,284,109 |
| Residential mortgage loans | — | — | — | 9,031,597 | 171,464 | 9,203,061 |
| Consumer loans | — | — | — | 4,242,486 | 289,814 | 4,532,300 |
| Subtotal | 11,893,060 | 71,718 | 149,826 | 17,181,798 | 723,068 | 30,019,470 |

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(2) Credit risk (continued)**

**(e) Credit quality by class of assets (continued)**

**As of December 31, 2018**

| | Individual Portfolio | | | Group Portfolio | | |
|---|---|---|---|---|---|---|
| | Normal MCh$ | Substandard MCh$ | Default MCh$ | Normal MCh$ | Default MCh$ | Total MCh$ |
| **Financial Assets** | | | | | | |
| **Loans and advances to banks** | | | | | | |
| Chilean Central Bank | 1,100,831 | — | — | — | — | 1,100,831 |
| Banks in Chile | 100,023 | — | — | — | — | 100,023 |
| Banks abroad | 294,542 | — | — | — | — | 294,542 |
| Subtotal | 1,495,396 | — | — | — | — | 1,495,396 |
| **Customer loans and receivables (excluding provisions for loan losses)** | | | | | | |
| Commercial loans | 11,489,787 | 94,893 | 118,914 | 3,492,798 | 234,100 | 15,430,492 |
| Residential mortgage loans | — | — | — | 7,886,998 | 160,710 | 8,047,708 |
| Consumer loans | — | — | — | 4,166,752 | 269,370 | 4,436,122 |
| Subtotal | 11,489,787 | 94,893 | 118,914 | 15,546,548 | 664,180 | 27,914,322 |

The aging of past due loans by class of financial asset is as follows. The past due portion is detailed together with the remaining balance on loans in arrears.

**As of December 31, 2019**

| | Past due | | |
|---|---|---|---|
| | 1 to 29 days MCh$ | 30 to 59 days MCh$ | 60 to 89 days MCh$ |
| Loans and advances to banks | 31,249 | — | — |
| Commercial loans | 213,709 | 54,366 | 26,698 |
| Foreign trade loans | 9,562 | 804 | 1,207 |
| Factoring transactions | 31,972 | 3,022 | 336 |
| Commercial lease transactions | 53,742 | 8,073 | 4,722 |
| Other loans and receivables | 1,463 | 693 | 521 |
| Residential mortgage loans | 152,539 | 73,801 | 32,907 |
| Consumer loans | 221,162 | 102,344 | 51,976 |
| Total | 715,398 | 243,103 | 118,367 |

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(2) Credit risk (continued)**

**(e) Credit quality by class of assets (continued)**

**As of December 31, 2018**

| | Past due | | |
|---|---|---|---|
| | 1 to 29 days MCh$ | 30 to 59 days MCh$ | 60 to 89 days MCh$ |
| Loans and advances to banks | 273 | — | — |
| Commercial loans | 176,581 | 48,321 | 27,785 |
| Foreign trade loans | 13,892 | 2,194 | 618 |
| Factoring transactions | 43,041 | 7,540 | 726 |
| Commercial lease transactions | 92,057 | 6,166 | 3,230 |
| Other loans and receivables | 1,462 | 777 | 470 |
| Residential mortgage loans | 154,700 | 67,211 | 24,639 |
| Consumer loans | 217,923 | 102,752 | 40,782 |
| Total | 699,929 | 234,961 | 98,250 |

The past due but not impaired portfolio as of December 31, 2019 and 2018, is detailed as follows:

| | Past due but not impaired portfolio (*) | | | |
|---|---|---|---|---|
| | 1 to 29 days MCh$ | 30 to 59 days MCh$ | 60 to 89 days MCh$ | Over 90 days MCh$ |
| 2019 | 631,091 | 159,751 | 57,946 | — |
| 2018 | 538,950 | 145,127 | 37,371 | 410 |

(*) These amounts include the past due portion and the remaining balance.

**(f) Assets received in lieu of payment**

The Bank has assets received in lieu of payment amounting to Ch$12,523 million and Ch$17,794 million as of December 31, 2019 and 2018, respectively, which are mainly properties. All of these assets are held for sale.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(2) Credit risk (continued)**

**(g) Restructured loans**

Impaired loans shown as restructured in the statement of financial position relate to those where the corresponding financial commitments have been restructured and where the Bank considers that the probability of recovery is sufficiently high.

The following table details the book value of loans with renegotiated terms by financial asset class.

| Financial Assets | 2019 MCh$ | 2018 MCh$ |
|---|---|---|
| **Loans and advances to banks** | | |
| Chilean Central Bank | — | — |
| Banks in Chile | — | — |
| Banks abroad | — | — |
| Subtotal | — | — |
| | | |
| **Customer loans and receivables, net** | | |
| Commercial loans | 220,056 | 192,646 |
| Residential mortgage loans | 11,980 | 14,463 |
| Consumer loans | 366,339 | 362,562 |
| Subtotal | 598,375 | 569,671 |
| **Total restructured financial assets** | 598,375 | 569,671 |

The Bank separates provision evaluation into two areas: individually evaluated provisions and group evaluated provisions, which are described in Note 2 (qq.5).

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market Risk**

Market risk refers to the potential loss that the Bank could face due to insufficient liquidity to pay its liabilities or close financial transactions on time (liquidity risk), or adverse movements in the prices of market variables (pricing risk).

**(a) Liquidity risk**

**Measurement and limits of liquidity risk**

The Bank manages trading liquidity risk separately from funding liquidity risk.

Trading Liquidity Risk is the inability to cover or close open financial positions at current market prices mainly in the Trading Book. This is valued daily at market prices and any differences in value are instantly recognized in the income statement. This risk is limited and controlled by setting limits on Trading Book positions based on estimates of what can be quickly liquidated. There is a negative impact on the Bank's income statement whenever it considers that the size of a specific position in the Trading Book exceeds a reasonable amount traded in secondary markets that could be sold without altering market prices.

Liquidity Funding Risk refers to the inability of the Bank to obtain sufficient cash to meet its immediate obligations. This risk is mitigated by keeping minimum highly liquid assets called a liquidity buffer, and by establishing limits and internal control metrics, including the MAR (Market Access Report). This report estimates the funding that the Bank would need from the financial wholesale segment for the next 30 and 90 days in each of the significant currencies on the balance sheet, to meet its cash requirements under normal operating conditions. These are mainly all loans maintained, a volatile portion of demand deposits and retail time deposits withdrawn, and all wholesale time deposits withdrawn.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market Risk (continued)**

**(a) Liquidity risk (continued)**

The MAR values in 2019 are shown below (LCCY = local currency; FCCY = foreign currency).

| | MAR LCCY + FCCY BCh$ | | MAR FCCY MUS$ | |
|---|---|---|---|---|
| | 1 – 30 days | 1 – 90 days | 1 – 30 days | 1 – 90 days |
| Maximum | 3,352 | 5,498 | 1,999 | 3,254 |
| Minimum | 1,705 | 3,993 | 1 | 1,407 |
| Average | 2,621 | 4,841 | 1,052 | 2,479 |

The Bank also monitors the local currency assets that are funded with foreign currency liabilities and cash flows generated by derivative payments that must be paid in foreign currency in the future, including all maturities. This metric is known as Cross-Currency Funding. The Bank supervises and limits this amount to take precautions not only against a Banco de Chile event but also against an adverse environment caused by a country event.

The values for Crossed Currency Funding for 2019 are detailed as follows:

| | Cross Currency Funding MUS$ |
|---|---|
| Maximum | 3,339 |
| Minimum | 1,742 |
| Average | 2,640 |

In addition, the Bank establishes thresholds that trigger warnings when indicators exceed the expected ranges at a normal or prudent operating level, with the aim of prudently controlling other dimensions of liquidity risk such as a concentration of fund maturities; the diversification of funding sources by counterparty or product, etc.

It also monitors the evolution over time of the Bank's financial ratios and can detect structural changes in the financial position statement, such as those presented in the following table with their values for 2019.

| | Liquid Assets/ Net Funds < 30 days | Liabilities > 1 year / Assets > 1 year | Deposits/ Loans |
|---|---|---|---|
| Maximum | 103% | 82% | 62% |
| Minimum | 82% | 76% | 58% |
| Average | 92% | 78% | 60% |

Furthermore, specific market indices, prices and monetary decisions taken by the Chilean Central Bank are monitored to detect structural changes in market conditions that can trigger a liquidity shortage or even a financial crisis.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market risk (continued)**

**(a) Liquidity risk (continued)**

The Bank measures cash flow mismatches under regulatory standards using the C46 index report, which represents the expected net cash flow forecasts as a result of almost all assets and liabilities maturing. The CMF also authorized Banco de Chile and others to report the adjusted C46 index. The Bank reports the regular C46 index and the payment behavior assumptions for specific elements of its liabilities, such as demand deposits and time deposits. The regulator also requires refinancing assumptions for the loan portfolio.

The CMF establishes the following limits for the C46 index.

| | |
|---|---|
| Financial position items in foreign currency: | 1 to 30 day C46 Index < 1 times Tier-1 capital |
| Financial position items in all currencies: | 1 to 30 day C46 Index < 1 times Tier-1 capital |
| Financial position items in all currencies: | 1 to 90 day C46 Index < 2 times Tier-1 capital |

The index has been used during 2019 as follows.

| | Adjusted C46 Index LCCY + FCCY as % of Core Capital | | Adjusted C46 Index FCCY as % of Core Capital |
|---|---|---|---|
| | 1 - 30 days | 1 - 90 days | 1 - 30 days |
| Maximum | 0.56 | 0.79 | 0.42 |
| Minimum | 0.32 | 0.55 | 0.15 |
| Average | 0.49 | 0.69 | 0.28 |
| Standard limit | 1.0 | 2.0 | 1.0 |

Additionally, the regulatory authorities introduced other metrics that the Bank uses to measure its performance, such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) using similar assumptions to those used by a first class international bank. An implementation schedule has only been established for the first metric, and during 2019 the minimum was 60%. The trends in the LCR and NSFR metrics during 2019 are detailed as follows:

| | LCR | NSFR |
|---|---|---|
| Maximum | 1.17 | 1.02 |
| Minimum | 0.88 | 0.97 |
| Average | 0.99 | 0.99 |
| Standard limit | 0.6 (*) | N/A |

(*) This is the minimum value for 2019 and it increases by 0.1 every year until it reaches 1.0 in 2023.

## Note 41– Additional notes (continued)

## Note 41.38 – Risk management (continued)

### (3) Market risk (continued)

### (a) Liquidity risk (continued)

The contractual maturity profile of the financial liabilities of Banco de Chile and its subsidiaries (consolidated base) as of December 31, 2019 and 2018, is detailed as follows:

| | Up to 1 month MCh$ | 1 to 3 months MCh$ | 3 to 12 months MCh$ | 1 to 3 years MCh$ | 3 to 5 years MCh$ | Over 5 years MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|
| **Liabilities as of December 31, 2019** | | | | | | | |
| Demand deposits and other obligations | 11,326,102 | — | — | — | — | — | 11,326,102 |
| Transactions in the course of payment | 352,121 | — | — | — | — | — | 352,121 |
| Repurchase agreements and securities lending | 297,011 | 8,582 | — | — | — | — | 305,593 |
| Savings accounts and other time deposits | 6,420,556 | 1,985,948 | 2,250,153 | 284,073 | 491 | 421 | 10,941,642 |
| Physically settled derivatives | 378,151 | 351,351 | 1,132,429 | 974,371 | 669,851 | 797,191 | 4,303,344 |
| Obligations with banks | 68,843 | 348,228 | 934,144 | 206,811 | — | — | 1,558,026 |
| Other obligations | 142,010 | 292 | 17,529 | 727 | 167 | — | 160,725 |
| Debt instruments issued in a foreign currency other than USD | 178,310 | 190,329 | 576,309 | 2,091,841 | 2,081,579 | 5,017,172 | 10,135,540 |
| Total (excluding derivatives under offsetting agreements) | 19,163,104 | 2,884,730 | 4,910,564 | 3,557,823 | 2,752,088 | 5,814,784 | 39,083,093 |
| Derivatives under offsetting agreements | 501,461 | 839,534 | 1,461,804 | 796,805 | 738,830 | 1,650,402 | 5,988,836 |

| | Up to 1 month MCh$ | 1 to 3 months MCh$ | 3 to 12 months MCh$ | 1 to 3 years MCh$ | 3 to 5 years MCh$ | Over 5 years MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|
| **Liabilities as of December 31, 2018** | | | | | | | |
| Demand deposits and other obligations | 9,584,225 | — | — | — | — | — | 9,584,225 |
| Transactions in the course of payment | 335,575 | — | — | — | — | — | 335,575 |
| Repurchase agreements and securities lending | 292,231 | 1,440 | 5,137 | — | — | — | 298,808 |
| Savings accounts and other time deposits | 5,344,294 | 1,981,221 | 3,152,103 | 373,398 | 619 | 132 | 10,851,767 |
| Physically settled derivatives | 351,496 | 190,643 | 648,870 | 582,628 | 536,506 | 592,303 | 2,902,446 |
| Obligations with banks | 97,661 | 268,795 | 946,950 | 183,206 | — | — | 1,496,612 |
| Other obligations | 92,896 | 730 | 4,857 | 18,406 | 366 | 35 | 117,290 |
| Debt instruments issued in a foreign currency other than USD | 101,707 | 267,665 | 724,724 | 1,410,766 | 1,899,529 | 4,303,542 | 8,707,933 |
| Total (excluding derivatives under offsetting agreements) | 16,200,085 | 2,710,494 | 5,482,641 | 2,568,404 | 2,437,020 | 4,896,012 | 34,294,656 |
| Derivatives under offsetting agreements | 297,613 | 604,200 | 1,028,798 | 712,286 | 593,431 | 1,209,282 | 4,445,610 |

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market risk (continued)**

**(b) Price risk**

**Price risk measurement and limits**

Price risk measurement and management processes are carried out using various metrics developed internally by the Bank for both the Accrual Book and the Trading Book. The Accrual Book includes all items on the statement of financial position, including all the items in the Trading Book, but they are reported with a delayed interest rate adjustment of one day, thus avoiding an interest rate accrual risk. The Bank also reports indicators to the regulatory entities, in accordance with their models.

The Bank has established various internal limits for financial positions in the Trading Book, such as internal limits for net positions with spot exchange rates (delta FX), sensitivity limits for interest rate positions (DV01 or rho) and options volatility sensitivity limits (vega). The limits are established on an aggregate basis, but also for some interest rate adjustment points. These limits are monitored on a daily basis, controlled and reported to the Bank's senior management by independent control departments within the business. The internal governance framework also establishes that these limits are approved by the Bank's Board of Directors and reviewed at least annually.

The Bank measures and controls the portfolio risk in the Trading Book using the Value at Risk (VaR) tool. The model uses a 99% confidence level and the rates, prices and yields observed for the most recent year.

The values of VaR for 2019 are detailed as follows:

| | **Value-at-Risk**<br>99% confidence level<br>**MCh$** |
|---|---|
| Maximum | 872 |
| Minimum | 176 |
| Average | 562 |

The Bank also performs measurements, limitations, controls and reports on interest rate exposures and risks in the Accrual Book using internally developed methods based on the differences between assets and liabilities considering the adjustment dates of interest rates. Exposures are measured according to the Interest Rate Exposure (IRE) and the risks according to the Earnings at Risk (EaR) indicators.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market risk (continued)**

**(b) Price Risk (continued)**

The values of EaR for 2019 are detailed as follows:

| | 12 months Earnings-at-Risk<br>99% confidence level<br>3 months from the period close<br>MCh$ |
|---|---|
| Maximum | 54,372 |
| Minimum | 45,023 |
| Average | 47,743 |

The measurement of regulatory risk for the Trading Book (report C41) is produced using the guidelines provided by the Chilean Central Bank (hereinafter "BCCh") and the CMF, which are adopted from standardized methodologies of the BIS 1993. These methodologies estimate the potential loss that the Bank will incur considering standardized fluctuations in the value of market factors such as exchange rates, interest rates and volatilities that may adversely affect the value of foreign currency positions, interest rate exposures and volatility exposures, respectively. Changes in interest rates are provided by the regulator. Furthermore, very conservative correlation and term factors are included to explain changes in the curve of non-parallel yields. The CMF does not establish an individual limit for this particular risk, but an overall limit that includes this risk (also called Market Risk Equivalent or MRE) and assets weighted by credit risk.

The risk for the Banking Book is measured using standardized methods provided by regulatory entities (BCCh and CMF), in accordance with regulatory guidelines (C40 report), as a result of fluctuations in interest rates. The report includes models for reporting currency mismatches, and adverse standardized fluctuations in interest rates. The regulatory agency has also requested banks to establish internal limits for these standard measurements. Limits should be separately established for short and long term financial positions. The short-term risk limit must be expressed as a percentage of the Net Interest Margin (NIM) plus fee income that depends on the interest rate. The long-term risk limit may not exceed a specified percentage of regulatory capital.

Furthermore, the market risk policy at Banco de Chile requires daily stress testing for the trading book and monthly testing for the accruals books. The results of stress testing are checked to see if they exceed the corresponding activation levels. If this happens, senior management is informed, in order to implement additional measures, if necessary. The results of trading activities during the month are checked to see if they exceed defined loss limits. If this happens, senior management is informed.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market risk (continued)**

**(b) Price Risk (continued)**

The following table shows the cash flow in the Banking Book, based on the adjustment dates for interest rates on an individual basis as of December 31, 2019 and 2018.

| | Up to 1 month MCh$ | 1 to 3 months MCh$ | 3 to 12 months MCh$ | 1 to 3 years MCh$ | 3 to 5 years MCh$ | Over 5 years MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|
| **Assets as of December 31, 2019** | | | | | | | |
| Cash and bank balances | 2,310,055 | — | — | — | — | — | 2,310,055 |
| Transactions in the course of collection | 483,857 | — | — | — | — | — | 483,857 |
| Investments under resale agreements and securities borrowing | 45,056 | — | — | — | — | — | 45,056 |
| Hedging instruments | 774 | 36,304 | 28,302 | 257,909 | 348,950 | 1,069,919 | 1,742,158 |
| Interbank loans | 876,508 | 98,673 | 167,287 | — | — | — | 1,142,468 |
| Customer loans and receivables | 3,179,665 | 2,524,282 | 6,473,441 | 6,979,231 | 3,980,097 | 10,744,559 | 33,881,275 |
| Investment instruments held for sale | 26,180 | 241,326 | 805,844 | 115,805 | 25,219 | 142,005 | 1,356,379 |
| Investment instruments held to maturity | — | — | — | — | — | — | — |
| Total assets | 6,922,095 | 2,900,585 | 7,474,874 | 7,352,945 | 4,354,266 | 11,956,483 | 40,961,248 |

| | Up to 1 month MCh$ | 1 to 3 months MCh$ | 3 to 12 months MCh$ | 1 to 3 years MCh$ | 3 to 5 years MCh$ | Over 5 years MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|
| **Assets as of December 31, 2018** | | | | | | | |
| Cash and bank balances | 844,173 | — | — | — | — | — | 844,173 |
| Transactions in the course of collection | 442,840 | — | — | — | — | — | 442,840 |
| Investments under resale agreements and securities borrowing | 3,161 | — | — | — | — | — | 3,161 |
| Hedging instruments | 20 | 140,631 | 253,266 | 176,330 | 229,092 | 717,331 | 1,516,670 |
| Interbank loans | 1,262,749 | 79,199 | 133,689 | 24,337 | — | — | 1,499,974 |
| Customer loans and receivables | 2,305,334 | 2,311,297 | 5,784,455 | 8,402,372 | 3,923,096 | 9,721,138 | 32,447,692 |
| Investment instruments held for sale | 48,469 | 153,479 | 408,390 | 146,136 | 58,093 | 230,003 | 1,044,570 |
| Investment instruments held to maturity | — | — | — | — | — | — | — |
| Total assets | 4,906,746 | 2,684,606 | 6,579,800 | 8,749,175 | 4,210,281 | 10,668,472 | 37,799,080 |

| | Up to 1 month MCh$ | 1 to 3 months MCh$ | 3 to 12 months MCh$ | 1 to 3 years MCh$ | 3 to 5 years MCh$ | Over 5 years MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|
| **Liabilities as of December 31, 2019** | | | | | | | |
| Demand deposits and other obligations | 11,382,462 | — | — | — | — | — | 11,382,462 |
| Transactions in the course of payment | 256,675 | — | — | — | — | — | 256,675 |
| Repurchase agreements and securities lending | 9,068 | — | — | — | — | — | 9,068 |
| Savings accounts and other time deposits | 6,421,107 | 1,985,948 | 2,250,153 | 284,073 | 491 | 421 | 10,942,193 |
| Hedging instruments | 156 | 33,740 | 23,300 | 251,136 | 317,886 | 1,117,967 | 1,744,185 |
| Interbank loans | 60,331 | 348,228 | 934,144 | 206,811 | — | — | 1,549,514 |
| Debt instruments issued (*) | 178,310 | 190,329 | 576,309 | 2,091,841 | 2,081,579 | 5,017,172 | 10,135,540 |
| Other liabilities | 142,010 | 292 | 17,529 | 727 | 167 | — | 160,725 |
| Total liabilities | 18,450,119 | 2,558,537 | 3,801,435 | 2,834,588 | 2,400,123 | 6,135,560 | 36,180,362 |

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market risk (continued)**

**(b) Price Risk (continued)**

| | Up to 1 month MCh$ | 1 to 3 months MCh$ | 3 to 12 months MCh$ | 1 to 3 years MCh$ | 3 to 5 years MCh$ | Over 5 years MCh$ | Total MCh$ |
|---|---|---|---|---|---|---|---|
| **Liabilities as of December 31, 2018** | | | | | | | |
| Demand deposits and other obligations | 9,622,073 | — | — | — | — | — | 9,622,073 |
| Transactions in the course of payment | 226,580 | — | — | — | — | — | 226,580 |
| Repurchase agreements and securities lending | 6,963 | — | — | — | — | — | 6,963 |
| Savings accounts and other time deposits | 5,273,096 | 1,981,221 | 3,152,103 | 373,398 | 619 | 71,330 | 10,851,767 |
| Hedging instruments | 115 | 144,525 | 243,151 | 187,522 | 222,201 | 715,536 | 1,513,050 |
| Interbank loans | 97,661 | 268,795 | 946,950 | 183,206 | — | — | 1,496,612 |
| Debt instruments issued (*) | 101,707 | 267,665 | 724,724 | 1,410,766 | 1,899,529 | 4,303,542 | 8,707,933 |
| Other liabilities | 92,896 | 730 | 4,857 | 18,406 | 366 | 35 | 117,290 |
| Total liabilities | 15,421,091 | 2,662,936 | 5,071,785 | 2,173,298 | 2,122,715 | 5,090,443 | 32,542,268 |

(*) This value does not coincide with that indicated in the liquidity analysis liabilities table, due to differences in the treatment of mortgage notes issued by the Bank in both reports.

**Price Risk Sensitivity Analysis**

The Bank uses stress tests as the principal sensitivity analysis tool for price risk. The trading book and the accrual book are analyzed separately. The Bank adopts this tool as it is more useful than the normal evaluations of fluctuations such as the VaR or EaR, as:

(b) The financial crises showed fluctuations substantially in excess of those used with VaR with 99% confidence or EaR with 99% confidence.

(ii) The crises also showed that correlations between these fluctuations are substantially different to those used to calculate VaR metrics, since there was important decoupling between the trends in market variables compared to those observed under normal conditions.

(c) Trading liquidity decreases dramatically during crises and especially in emerging markets. Therefore, the one-day VaR may not be representative of a situation such as the one described, given that the closing periods for exposures may be much longer than one business day. This may also occur when calculating EaR, even when determining it by considering a three-month closing period.

The impacts are determined using mathematical simulations of fluctuations in the values of market factors and estimating the changes in book and/or economic values of financial positions.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market risk (continued)**

**(b) Price Risk (continued)**

In order to comply with IFRS 7.40, the following table shows the forecast impact of extreme though feasible fluctuations in interest rates, swap yields, exchange rates and exchange rate volatilities, which are used to assess the trading and accrual portfolios. Given that the Bank's portfolio includes positions denominated in nominal and real interest rates, these fluctuations should be aligned with extreme though feasible forecast changes in inflation in Chile.

This exercise is implemented in a simple way. The impacts on the trading portfolios are estimated by multiplying the sensitivities (Greek symbols) by the fluctuations obtained as a result of mathematical simulations over a time horizon of two weeks and using the maximum historical volatility over the last fifteen years for each of the market factors. The impacts on the accrual portfolios are calculated by multiplying the accumulated mismatches by the fluctuations of the forward interest rates modeled on a three-month time horizon and using the maximum historical volatility of the interest fluctuations but limited to the maximum fluctuations observed over a three-month period during the last fifteen years. The method may overlook part of the convexity of interest rates, since this is not adequately captured when large fluctuations are modeled. In any event, given the size of these changes, the methodology is reasonably precise for the purposes and scope of the analysis.

The following table illustrates the fluctuations resulting from the main market factors during maximum, or more adverse, stress testing for the Trading Book.

The direction or sign of these fluctuations cause the most adverse impact in aggregate.

**Average market factor fluctuations for the maximum stress exercise**
**Trading Book**

| | CLP Derivatives (bps) | CLP Bonds (bps) | CLF Derivatives (bps) | CLF Bonds (bps) | USD Offshore Libor Derivatives (bps) | USD Spread On/Off Derivatives (bps) |
|---|---|---|---|---|---|---|
| Under 1 year | 103 | 47 | 163 | 108 | -62 | -9 |
| Over 1 year | 38 | 69 | 92 | 123 | -73 | -2 |

bps = basis points

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(3) Market risk (continued)**

**(b) Price Risk (continued)**

The worst impact in the Bank's Trading Book as of December 31, 2019, as a result of the simulations described above, is detailed as follows:

**Maximum Stress Exercise**
**Trading Book**
**(MCh$)**

| | | |
|---|---|---|
| Interest rates in CLP | | (4,968) |
| Derivatives | (3,006) | |
| Debt instruments | (1,962) | |
| Interest rates in CLF | | (8,694) |
| Derivatives | (2,600) | |
| Debt instruments | (6,094) | |
| USD offshore interest rates | | (1,963) |
| USD local/offshore interest rate spreads | | (50) |
| **Total Interest Rate** | | **(15,675)** |
| **Total Exchange Rate** | | **(16)** |
| **Total FX options** | | **224** |
| **Total** | | **(15,467)** |

This scenario would generate losses in the Trading Book of around Ch$15,500 million. In any case, such fluctuations would not lead to material losses compared to Core Capital (Tier-1) or to earnings forecasts for the next 12 months.

The impact on the Accrual Book as of December 31, 2019, which is not necessarily a net loss/gain but higher/lower net income from funds generation for the next 12 months (resulting in generating net interest) and is shown below.

**Maximum Stress Exercise over 12-months Income**
**Accrual Book**
**(MCh$)**

| | |
|---|---|
| Impact of shock on base interest rate | (164,322) |
| Impact of shock on spreads | (67) |
| **Higher/(Lower) Net Income** | **(164,389)** |

The main negative impact on the Trading Book would result from a dramatic rise in local interest rates. A scenario with sharply falling inflation would cause lower potential earnings over the next 12 months in the Accrual Book. In any case, the impacts would be less than the Bank's annual budgeted earnings.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(4) Capital requirements and management**

The primary objectives of the Bank's capital management are to ensure compliance with regulatory capital requirements and maintain a solid credit rating and appropriate capital ratios. During 2019, the Bank has comfortably complied with the capital requirements demanded.

As part of its capital management policy, the Bank has established capital sufficiency warnings, stricter values than those required by the regulator, which are monitored monthly. None of the internal warnings defined in the capital management policy were triggered during 2019.

The Bank manages capital by making adjustments in the light of changes in economic conditions and the risk characteristics of its business. Therefore, the Bank can adjust the amount paid as dividends or issue capital instruments. The Bank's capital sufficiency is monitored by employing the indicators and rules set by the CMF, and other measures.

***Regulatory capital***

According to the General Banking Law, the Bank should maintain the ratio of regulatory capital divided by the sum of consolidated risk-weighted assets above a minimum of 8%, net of required provisions. The Bank should also maintain core capital to total consolidated assets ratio above a minimum of 3%, net of required provisions. As a result of the merger of Banco de Chile and Citibank Chile in 2008, the CMF required that the institution keeps the first ratio above a minimum of 10%. The regulator thus ratified the minimum of 10% that it had set in December 2001 when authorizing the merger by absorption of Banco Edwards into Banco de Chile.

Regulatory capital is based on the capital and reserves or core capital with the following adjustments: (a) adding total subordinated bonds, subject to a maximum equivalent to 50% of core capital and weighted by their term to maturity, (b) adding additional provisions for loan losses, (c) subtracting goodwill and unconsolidated investments in other companies, and (d) adding minority interests.

Assets are weighted according to their risk categories, which are assigned a percentage risk according to the capital required to support each one. There are 5 risk categories (0%, 10%, 20%, 60% and 100%). For example, cash, loans and advances to banks and financial instruments issued by the Chilean Central Bank have 0% risk, which means that no capital is required to support these assets, in accordance with current standards. Property and equipment have a 100% risk, which means that there should be minimum capital of 8% of these assets, and of 10% in the case of Banco de Chile.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(4) Capital requirements and management (continued)**

All derivative instruments not traded on stock markets are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of credit-risk exposure (or "credit equivalent"). Memorandum account contingent liabilities are also considered by a "credit equivalent" for their weighting.

Levels of core capital and regulatory capital as of December 31, 2019 and 2018, are detailed as follows:

| | Consolidated Assets | | Risk-Weighted Assets | |
|---|---|---|---|---|
| | 2019 MCh$ | 2018 MCh$ | 2019 MCh$ | 2018 MCh$ |
| **Assets, net of provisions** | | | | |
| Cash and bank balances | 2,392,166 | 880,081 | 38,250 | 13,084 |
| Transactions in the course of collection | 584,672 | 580,333 | 167,781 | 186,536 |
| Trading instruments | 1,872,355 | 1,745,366 | 462,177 | 134,412 |
| Investments under resale agreements and securities borrowing | 142,329 | 97,289 | 142,329 | 97,289 |
| Financial derivative contracts (*) | 1,555,749 | 1,310,262 | 1,124,730 | 916,798 |
| Loans and advances to banks | 1,139,433 | 1,494,307 | 389,417 | 313,524 |
| Customer loans and receivables | 29,334,052 | 27,307,223 | 25,668,329 | 24,102,808 |
| Investment instruments held for sale | 1,357,846 | 1,043,440 | 323,160 | 356,568 |
| Investment instruments held to maturity | — | — | — | — |
| Investments in other companies | 50,758 | 44,561 | 50,758 | 44,561 |
| Intangible assets | 58,307 | 52,061 | 58,307 | 52,061 |
| Property, plant and equipment | 220,262 | 215,872 | 220,262 | 215,872 |
| Right-of-use leased assets | 150,665 | — | 150,665 | — |
| Current taxes | 357 | 677 | 36 | 68 |
| Deferred taxes | 320,948 | 277,922 | 32,095 | 27,792 |
| Other assets | 862,968 | 673,380 | 862,968 | 673,380 |
| Subtotal | 40,042,867 | 35,722,774 | 29,691,264 | 27,134,753 |
| **Off-balance-sheet assets** | | | | |
| Contingent loans | 4,365,922 | 4,266,821 | 2,616,074 | 2,559,197 |
| Total | 44,408,789 | 39,989,595 | 32,307,338 | 29,693,950 |

(*) According to Chapter 12-1 of the Updated Compilation of Standards, financial derivatives contracts are presented as equivalent credit risk, in order to calculate consolidated assets.

**Note 41– Additional notes (continued)**

**Note 41.38 – Risk management (continued)**

**(4) Capital requirements and management (continued)**

The amounts and ratios for core capital and regulatory capital limits as of December 31, 2019 and 2018, are detailed as follows:

| | As of December 31 | |
|---|---|---|
| | 2019 MCh$ | 2018 MCh$ |
| Core capital (*) | 3,528,222 | 3,304,152 |
| Regulatory capital | 4,569,090 | 4,129,999 |
| Total consolidated assets | 44,408,789 | 39,989,595 |
| Credit risk-weighted assets. | 32,307,338 | 29,693,950 |

(*) Core capital refers to the equity of the owners of the Bank in the consolidated statement of financial position.

| | Ratio As of December 31 | |
|---|---|---|
| | 2019 % | 2018 % |
| Core capital / consolidated assets | 7.94 | 8.26 |
| Regulatory capital / risk-weighted consolidated assets | 14.14 | 13.91 |

During 2019, the CMF began the regulatory process to implement the Basel III standards in Chile, in accordance with Law 21,130 that Modernizes Banking Legislation. As of the date these financial statements were issued, several regulatory proposals have been published, in order to receive comments regarding systemically important banks, methods to calculate credit and operational risk weighted assets and calculate regulatory capital, and additional core capital requirements. The issuance deadline for all regulations that are required in order to implement Basel III is December 1, 2020.

**Note 41– Additional notes (continued)**

**Note 41.39 – Subsequent events**

a) On January 20, 2020, the subsidiary Banchile Administradora General de Fondos S.A. reported that at an Ordinary Board Meeting held on that day the Board appointed Mr. José Luis Vizcarra Villalobos as Director, to replace Mr. Joaquín Contardo Silva, who presented his resignation from his position as Director.

b) On January 30, 2020, the Board of Directors of Banco de Chile agreed to call an Annual General Shareholders' Meeting for March 26, 2020 in order to propose the following distribution of earnings for the year ended December 31, 2019, and other matters:

i) Deduct and retain from net distributable income for the year an indexation adjustment on the share capital and reserves for the change in the Consumer Price Index between November 2018 and November 2019, amounting to Ch$92,239,840,420, which will be added to retained earnings for previous years.

ii) Distribute a dividend of 70% of the remaining net distributable income, which is a dividend of Ch$3.47008338564 per share payable for each of the Bank's 101,017,081,114 shares, and retain the remaining 30%.

Consequently, the proposed dividend will be 59.1% of net income for the year ended December 31, 2019.

In management's opinion, there are no other significant subsequent events that affect or may affect Banco de Chile's consolidated financial statements between December 31, 2019, and the date of issuance of these consolidated financial statements.

**Note 42 – Material events**

On February 11, 2019, the subsidiary SM SAAM reported the following material event:

"In accordance with Articles 9 and the second paragraph of Article 10 of Law 18,045 and General Standard 30, being duly empowered to do so, it is my duty to report the following material event regarding Sociedad Matriz SAAM SA ("SM SAAM").

Yesterday, SM SAAM, through its subsidiary SAAM S.A. (SAAM) signed a Term Sheet with its partner Boskalis Holding B.V. (Boskalis) which sets out the essential terms and conditions to acquire 49% of the shares held by Boskalis in SAAM SMIT Towage Mexico S.A. de C.V., which includes businesses in Mexico, Canada and Panama, and 50% of its shares in SAAM SMIT Towage Brasil S.A. The total price agreed is US$ 201,250,000, which will be paid using a combination of own funds and bank financing. If this transaction is completed, SAAM would control all the shares of both companies.

During the next few weeks SAAM and Boskalis will sign the contracts required to complete this transaction, which is subject to approval by the relevant regulatory authorities in the partner's countries, and compliance with other customary conditions that are normal for these transactions.

The impact of the events reported in this communication on the net income of SM SAAM cannot be precisely determined yet.

This material event reported to the Financial Market Commission means that the nature of the communication made by SM SAAM referred to in these negotiations is no longer confidential".

On April 4, 2019, Quiñenco S.A. reported the following material event.

"In accordance with Articles 9 and the second paragraph of Article 10 of Law 18,045 on the Securities Market, and General Standard 30 and Circular 660 issued by the CMF, being duly empowered to do so, it is my duty to report a material event that a meeting of the Board held on April 4, 2019, proposed that at the next Annual General Shareholders' Meeting to be held on April 29, 2019, the shareholders approve the distribution of a final dividend of Ch$72,172,163,272, being 40% of net income attributable to the owners of the controlling company for 2018 ("net income for 2018"), composed of: (a) a mandatory minimum dividend of Ch$54,129,126,611, equivalent to 30% of net income for 2018 and (b) an additional dividend of Ch$18,043,036,661, equivalent to 10% of net income for 2018.

This final dividend is Ch$43.40505 (forty-three point four zero five zero five pesos) per share, and will be proposed to be paid from May 9, 2019, to the shareholders registered in the respective registry at midnight on the fifth business day prior to that date."

On May 3, 2019, Quiñenco S.A. reported the following material event.

"In accordance with the provisions of Articles 9 and 10 of Law 18,045 and Chapter 18-10 of the Updated Compilation of Regulations of the Superintendency of Banks and Financial Institutions, I hereby report as a Material Event that the subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. paid its total subordinated obligation to the Chilean Central Bank on April 30, 2019. In accordance with Article 26 of Law 19,396, Sociedad Matriz del Banco de Chile S.A. (SM-Chile S.A.) has been dissolved under the law as a result of eliminating the subordinated obligation.

On May 2, 2019, the Board of Directors of SM-Chile S.A. met with the exclusive purpose of complying with Law 19,396, and recorded that the company had been dissolved as a result of eliminating the subordinate obligation. The minutes of the board meeting have been summarized in a public deed with the same date and shall be sent to that Superintendency as required by Article 26 of Law 19,396."

**Note 42 – Material events (continued)**

On May 23, 2019, Quiñenco S.A. reported the following material event.

"In accordance with Articles 9 and 10 of Law 18,045 and Chapter 18-10 of the Updated Compilation of Regulations issued by the Superintendency of Banks and Financial Institutions, I hereby report the following as a Material Event.

In accordance with Article 26 of Law 19,396, the Company's bylaws and the resolutions of an Extraordinary Shareholders' Meeting held on March 28, 2019, the Liquidation Committee of Sociedad Matriz del Banco de Chile S.A. in liquidation held a meeting on May 23, 2019, and agreed that Banco de Chile shares belonging to Sociedad Matriz del Banco de Chile S.A. and belonging to Sociedad Administradora de la Obligación Subordinada SAOS S.A. should be distributed to the shareholders of SM - CHILE S.A. in liquidation on Thursday June 6, 2019.

In accordance with Article 10 of the Regulations of Law 18,046 on Corporations, those shareholders of series "A", "B", "D" and "E" shares registered in the Shareholders' Registry at midnight on Friday, May 31, 2019, have the right to receive the aforementioned Banco de Chile shares.

These shares will be distributed in accordance with Article 25 of the bylaws of SM - CHILE S.A. in liquidation and in accordance with the resolutions of the Extraordinary Shareholders' Meeting held on March 28, 2019. Consequently, series "A", "B" and "D" shareholders will receive 3.38337826970 Banco de Chile shares for each SM-CHILE S.A. share registered in their name on May 31, 2019, and Series "E" shareholders will receive 1 Banco de Chile share for each S-M CHILE S.A. share registered in their name on the same date.

In accordance with the agreement of the Extraordinary Shareholders' Meeting held on March 28, 2019, the Liquidation Committee also agreed to request that the registration of Sociedad Matriz del Banco de Chile S.A. shares in the registries held by Chile's exchanges be terminated with effect from Monday, June 3, 2019."

On July 4, 2019, Quiñenco reported the following material event:

"In accordance with Articles 9 and 10, second paragraph, of Securities Market Law 18,045, and the instructions given by the Financial Market Commission in its General Regulation 30, and being duly empowered to do so by the Board of Directors, I hereby report the following a material event with respect to Quiñenco S.A. (the "Company").

As a result of the passing away of Mr. Gonzalo Menéndez Duque, a vacancy arose on Quiñenco's Board of Directors. At a Board Meeting held today, the Board appointed Mr. Pablo Granifo Lavín to replace him, in accordance with Article 32 of Corporations Law 18,046.

This event left a vacancy in the Company's Directors' Committee. Accordingly, Mr. Fernando Enrique Cañas Berkowitz was appointed to this Committee, as a non-independent director.

The Board of Directors recorded its appreciation of the commitment with which Mr. Gonzalo Menéndez Duque contributed to the Company, and the dedication, talent and thoroughness that he brought to various positions held during the 47 years he worked for companies within the group."

**Note 42 – Material events (continued)**

On September 14, 2019, Quiñenco reported the following material event.

"In accordance with Articles 9 and 10, second paragraph, of Securities Market Law 18,045, and the instructions given by the Financial Market Commission in its General Regulation 30, and being duly empowered to do so by the Board of Directors, I hereby report the following material event with respect to Quiñenco S.A.

1. Pursuant to a share sale agreement (the "Sale Agreement") signed on September 14, 2019, the following share sales were agreed.

   (a) The subsidiary Inmobiliaria Norte Verde S.A. directly and indirectly sold to CHUBB INA International Holdings Ltd. Agencia in Chile and AFIA Finance Corporation Agencia in Chile all of its respective shares in the subsidiaries Inversiones Vita S.A., Banchile Seguros de Vida S.A. and Segchile Seguros Generales S.A. (collectively, the "Companies"), which together represent 66.3% of their share capital.

   (b) Inversiones Camino del Inca SpA and Inmobiliaria Inersa SpA are not related to Quiñenco S.A. and sold to the same buyers all their shares in each of the Companies, which represent 33.7% of their share capital.

The sale price mentioned in paragraph (a) above is UF 1,334,633 (one million three hundred and thirty-four thousand six hundred and thirty-three Unidades de Fomento), for all of the shares in the Companies, which will be paid on the day that the transaction is closed in their equivalent in Chilean pesos at the value of the Unidad de Fomento on that day.

The obligations of the selling and buying parties to close this transaction are subject to compliance with various suspensive conditions, which include the following. (i) favorable resolutions issued by the National Economic Prosecutor's Office or the Free Competition Defense Court, as appropriate; (ii) approval by the Financial Market Commission; (iii) the absence of any legal or regulatory provision, whether preliminary, temporary or permanent, that prohibits or makes it illegal to proceed with the closing; (iv) both the selling and buying parties are substantially in compliance with their respective obligations under the Sale Agreement; and (v) the fundamental representations and warranties made by the respective parties under the Sale Agreement are true and correct in all respects (material in the case of buyers, with respect to the Companies' business), as of this date (or as of the date on which it becomes effective) and as of the closing date.

The closing date may not be before December 30, 2019. Therefore, if the last of the above-mentioned closing conditions is met or waived by the corresponding party, the closing date will be December 30, 2019.

This transaction will produce an estimated pre-tax gain of approximately Ch$19,000 million for Quiñenco S.A. based on information in the financial statements as of June 30, 2019. This may be adjusted on the closing date according to changes in the value of the Unidad de Fomento and the Companies' earnings during the period before the closing date.

By virtue of this material event, the communication sent by Quiñenco S.A. to the CMF on May 2, 2019 has ceased to be confidential."

On October 30, 2019, the subsidiary SM SAAM reported the following material event.

"In accordance with Article 9 and the second paragraph of Article 10 of Law 18,045 and General Regulation 30, duly empowered to do so on behalf of SOCIEDAD MATRIZ SAAM S.A. ("SM SAAM") I hereby supplement the information provided on February 11, 2019, in connection with acquiring the shares held by Boskalis Holding B.V. (Boskalis) in SAAM SMIT Towage Mexico S.A. de C.V. and in SAAM SMIT Towage Brasil S.A.

Today, the closing terms and conditions in the sale agreement signed by the parties on May 8, 2019, were fulfilled. Accordingly, the acquisition of a 49% interest in SAAM SMIT Towage Mexico S.A. de C.V., which operates in Mexico, Canada and Panama, and a 50% interest in SAAM SMIT Towage Brasil S.A. from Boskalis has been completed. This acquisition means that SM SAAM now fully owns both companies, through its subsidiary SAAM S.A.

**Note 42 – Material events (continued)**

After customary adjustments for this type of transaction, the cash disbursement for this operation totals US$194,355,622, which was paid with a combination of cash and bank financing.

The impact of the events reported on SM SAAM's financial statements will be communicated promptly in conformity with the deadlines established in IFRS 3."

On December 23, 2019, Quiñenco S.A. reported the following material event:

"In accordance with Articles 9 and 10, second paragraph, of Securities Market Law 18,045, and the instructions given by the Financial Market Commission in its General Regulation 30, and being duly empowered to do so by the Board of Directors, I report the following material event with respect to Quiñenco S.A.

The shareholders of Sociedad Nacional de Oleoductos S.A. ("Sonacol") are: (i) Compañía de Petróleos de Chile Copec S.A., (ii) Esmax Inversiones S.A., (iii) Abastible S.A., (iv) Empresa Nacional del Petróleo S.A. and, (v) Empresa Nacional de Energía Enex S.A., where the latter is a wholly-owned subsidiary of Quiñenco S.A. They have all agreed to sell all their shares in Sonacol.

Therefore, Goldman Sachs has been appointed as the investment bank to structure and lead a competitive process to sell the Sonacol shares (the "Sale Process"), in an instrument dated December 20, 2019. On the same date, these shareholders have signed a Potential Sale Evaluation Agreement, which establishes their specific obligations and rights in relation to the Sale Process.

The purpose of the Sale Process will be to find a potential buyer and negotiate a potential sale, which began when the aforementioned agreements were signed. However, as its terms of reference and conditions have not yet been defined, its effects on Quiñenco S.A. cannot be reasonably quantified at this time.

This sale is expected to take place within 14 months as of December 20, 2019."

On December 30, 2019, Quiñenco S.A. reported the following material event.

"In accordance with Articles 9 and 10, second paragraph, of Securities Market Law 18,045, and the instructions given by the Financial Market Commission in its General Regulation 30, and being duly empowered to do so by the Board of Directors, I report the following material event with respect to Quiñenco S.A.

Subsequent to the material event reported on September 14, 2019, I report that on this same date all its suspensive conditions were fulfilled, and the Share Sale Agreement transaction dated September 13, 2019 (the "Sale Agreement") has been closed. Accordingly,

(a) the subsidiary Inmobiliaria Norte Verde S.A. directly and indirectly sold to CHUBB INA International Holdings Ltd. Agencia in Chile and AF1A Finance Corporation Agencia in Chile all of its respective shares in the subsidiaries Inversiones Vita S.A., Banchile Seguros de Vida S.A. and Segchile Seguros Generales S.A. (collectively, the "Companies"), which together represent 66.3% of their share capital, and

(b) Inversiones Camino del Inca SpA and Inmobiliaria Inersa SpA (not related to Quiñenco S.A.) sold to the same buyers all their shares in each of the Companies, which represent the remaining 33.7% of their share capital.

The payment received by Inmobiliaria Norte Verde S.A. at the closing of this sale was Ch$35,898,596,016, equivalent to UF 1,268,097, which was calculated in accordance with the terms of the Sale Agreement.

This transaction will produce an estimated pre-tax gain of around Ch$23 billion for Quiñenco S.A. based on information in the financial statements as of September 30, 2019, which could vary depending on the adjustment mechanism provided for in the Sale Agreement, which may alter the sale price paid upon closing of the transaction."

There were no other events of a financial or other nature between December 31, 2019, and the date of issuance of these consolidated financial statements that might significantly affect their interpretation.

# MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2019

## I. SUMMARY

During 2019, Quiñenco reported net income[1] of Ch$210,049 million, 16.4% above the Ch$180,430 million reported in 2018. This increase is mainly explained by CSAV's participation in the earnings of its main asset, Hapag-Lloyd, which had a positive evolution. The German shipping line reported net income of US$405 million, a significant increase over 2018, reflecting a solid operating performance based on higher revenues driven by a rise in average freight rates along with growing transport volumes and priority given to profitable routes and revenue management. In the energy sector, Enex's contribution increased by 33.4%, due to improved operating performance driven by the acquisition of the Road Ranger travel center chain in the U.S. at the end of 2018 and good performance from its domestic business, partially offset by lower non-operating income that was affected by higher finance costs. In the port services sector, SM SAAM increased its contribution by 24.9% in 2019, reflecting growth in all its businesses, particularly port terminals and tug boats, combined with efficiencies associated with its new operating model. CCU's contribution decreased, mainly due to a non-recurring gain in the second quarter of 2018 associated with the early termination of Budweiser's license in Argentina, and weaker performance in 2019 from the International Business segment. The French company Nexans in the manufacturing sector reported a loss in 2019, mainly due to restructuring costs, although its operating margin increased by 32.4%, due to 4.5% organic sales growth, greater efficiencies and cost reductions. Banco de Chile maintained stable earnings in the banking sector, with a slight decrease in net income of 0.3%, mainly due to higher customer-related revenue offset by an increase in loan loss provisions and higher operating expenses. The complete repayment of SM Chile's subordinated debt to the Chilean Central Bank at the end of April 2019 also had a favorable impact, resulting in a 12.9% increase in the financial segment's contribution to Quiñenco's consolidated earnings. Furthermore, at the corporate level, the sale of the insurance companies Banchile Vida and SegChile at the end of 2019 generated an after-tax gain of Ch$14,289 million.

## II. ANALYSIS OF COMPREHENSIVE INCOME

The analysis of Quiñenco's financial statements has been separated into the banking sector and the non-banking sector, to improve understanding.

IFRS 16 on leases came into effect on January 1, 2019, which affected the consolidated financial statements. Consequently, the statement of financial position includes right-of-use assets and lease liabilities. Amortization on right-of-use assets and associated finance costs are recognized in the income statement, instead of operating lease expenses recognized under the previous regulations. For more information, see Notes 3 and 19 to these consolidated financial statements.

### 1. Analysis of the Non-Banking Sector

The following segments are included in the non-banking sector:

a) Manufacturing
- Invexans
- Techpack

b) Financial
- LQ Inversiones Financieras Holding (LQIF holding)

c) Energy
- Enex

d) Transport
- Compañía Sud Americana de Vapores (CSAV)

e) Port Services
- Sociedad Matriz SAAM (SM SAAM)

f) Others
- Quiñenco and others (includes CCU, Quiñenco holding and eliminations).

As of December 31, 2019, Quiñenco indirectly owns 29.0% of Nexans, through its direct subsidiaries Invexans and Techpack.

(1) *Net income refers to net income attributable to owners of the controller.*

As of December 31, 2019, Quiñenco holds directly or through its direct subsidiary Inv. Río Grande and its indirect subsidiaries Inmobiliaria Norte Verde and Inv. Río Azul, 99.97% of Techpack and 99.4% of Invexans.

As of December 31, 2019, Quiñenco holds directly, and through its subsidiaries Inv. Río Bravo and Inmobiliaria Norte Verde, 52.2% of SM SAAM.

CSAV sold its entire interest in Norgistics Chile on December 13, 2017. CSAV decided to close the offices of Norgistics in Peru, Mexico and China. Therefore, the entire Norgistics business was classified as discontinued operations in the income statement. Quiñenco increased its interest in CSAV by 5.28% during the third quarter of 2019. As of December 31, 2019, Quiñenco holds directly, and through its subsidiaries Inv. Rio Bravo and Inmobiliaria Norte Verde, a 61.45% interest in CSAV.

CSAV acquired 0.4% in additional shares in Hapag-Lloyd during the second quarter of 2018, increasing its interest to 25.86%, as of December 31, 2018. CSAV acquired 1.93% in additional shares in Hapag-Lloyd during 2019, increasing its interest to 27.79%, as of December 31, 2019.

On June 6, 2019, Banco de Chile shares belonging to SM Chile and SAOS were distributed to Series A, B, D and E shareholders of SM-Chile en liquidación that were registered in the shareholders' registry as of May 31, 2019, according to the terms in the bylaws of SM-Chile en liquidación. Thus, LQIF's interest in Banco de Chile and its dividend rights were 51.15%, as of December 31, 2019.

On December 30, 2019, Quiñenco completed the sale of its entire direct and indirect interests in Inversiones Vita, Banchile Vida Seguros de Vida and SegChile Seguros Generales. Therefore, the profit contribution of these companies until that date and the result generated by the transaction were classified as discontinued operations in the income statements for 2019 and 2018.

| NON-BANKING SECTOR RESULTS | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Operating income | 71,379 | 48,684 |
| Non-operating income | 40,078 | 34,148 |
| Income tax expense | (13,173) | (3,161) |
| Net income (loss) from discontinued operations | 21,736 | (9,473) |
| **Consolidated net income from non-banking sector** | **120,019** | **70,198** |

## Revenue

Revenue increased by 12.9% to reach Ch$3,010,184 million in 2019, mainly due to increased revenue at Enex, and to a lesser extent at SM SAAM and CSAV.

The composition of consolidated revenue in comparative terms is as follows:

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Manufacturing | | |
| Invexans | 52 | 21 |
| Techpack | 15 | 10 |
| Subtotal manufacturing | 67 | 31 |
| Financial | | |
| LQIF holding | - | - |
| Energy | | |
| Enex | 2,570,311 | 2,276,314 |
| Transport | | |
| CSAV | 65,499 | 58,474 |
| Port Services | | |
| SM SAAM | 373,718 | 330,997 |
| Other | | |
| Quiñenco and Others | 589 | 620 |
| **Revenue** | **3,010,184** | **2,666,437** |

Enex's revenue in 2019 was Ch$2,570,311 million, an increase of 12.9% over the previous year, mainly due to the incorporation of Road Ranger at the end of 2018 and to a lesser extent, higher revenue in Chile in the service station channel and the aviation segment. Total volumes in 2019 were 4,343 thousand cubic meters, 8.0% higher than the previous year, of which 98.3% were fuels.

CSAV's revenue in 2019 was Ch$65,499 million, an increase of 12.0% over the previous year, mainly due to a favorable exchange rate, as US dollar revenue increased by 1.7%, due to increased revenue from sub-chartering vessels and selling slots to third parties, offset by lower car carrier volumes.

SM SAAM's revenue in 2019 was Ch$373,718 million, an increase of 12.9% over the previous year, mainly due to higher revenue from towage services, reflecting an increase in special maneuvers, consolidation of SAAM Towage Brasil and growth in foreign port terminals.

## Cost of sales

Cost of sales increased by 11.6% in 2019, compared to the previous year. This increase was primarily due to cost increases at Enex and to a lesser extent at SM SAAM and CSAV.

The composition of consolidated cost of sales in comparative terms is as follows:

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Manufacturing | | |
| Invexans | - | - |
| Techpack | - | - |
| Subtotal manufacturing | - | - |
| Financial | | |
| LQIF holding | - | - |
| Energy | | |
| Enex | (2,291,879) | (2,054,318) |
| Transport | | |
| CSAV | (66,347) | (55,860) |
| Port Services | | |
| SM SAAM | (257,749) | (234,891) |
| Other | | |
| Quiñenco and Others | (220) | (230) |
| **Cost of sales** | **(2,616,195)** | **(2,345,298)** |

Enex's cost of sales in 2019 was Ch$2,291,879 million, an increase of 11.6% over the previous year, mainly due to incorporating Road Ranger's cost of sales, together with higher fuel costs in Chile and increased volumes sold. Cost of sales was equivalent to 89.2% and 90.2% of sales for 2019 and 2018, respectively.

CSAV's cost of sales in 2019 was Ch$66,347 million, an increase of 18.8% over the previous year in Chilean peso terms, while in US dollar terms the increase was 7.7%, due to higher chartering costs and an increase in provisions for onerous contracts associated with voyages in the coming months. Cost of sales was equivalent to 101.3% and 95.5% of sales in 2019 and 2018, respectively.

SM SAAM's cost of sales in 2019 was Ch$257,749 million, an increase of 9.7% over the previous year, mainly due to changes in foreign exchange rates. Cost of sales decreased by 0.3% in US dollar terms, mainly because of cost savings in all three segments, partially offset by consolidating SAAM Towage Brasil.

## Gross income

The composition of gross income in comparative terms is as follows:

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Manufacturing | | |
| Invexans | 52 | 21 |
| Techpack | 15 | 10 |
| Subtotal manufacturing | 67 | 31 |
| Financial | | |
| LQIF holding | - | - |
| Energy | | |
| Enex | 278,432 | 221,996 |
| Transport | | |
| CSAV | (848) | 2,614 |
| Port Services | | |
| SM SAAM | 115,969 | 96,107 |
| Other | | |
| Quiñenco and Others | 369 | 391 |
| **Gross income** | **393,989** | **321,139** |

Gross income was Ch$393,989 million in 2019, an increase of 22.7% over 2018, mainly due to an increase in gross income from Enex and to a lesser extent SM SAAM, partially offset by lower gross income from CSAV. Enex increased its gross income by 25.4%, driven mainly by Road Ranger's gross income in 2019, along with higher gross income in Chile attributable to the service station channel and the industrial channel. SM SAAM increased its gross income by 20.7%, mainly due to cost and expense efficiencies from the new operating model. CSAV's gross income was a loss of Ch$848 million in 2019, which contrasts negatively with gross income of Ch$2,614 million in 2018, mainly due to the increase in fleet and operating costs, mostly associated with vessel chartering costs.

## Operating income[2]

Operating income was Ch$71,379 million in 2019, up 46.6% from Ch$48,684 million in the previous year, mainly due to higher operating income from SM SAAM and Enex and, to a lesser extent, Invexans, partially offset by a negative change in CSAV's operating income.

*(2) Operating income includes Gross income, Other revenue by function, Distribution costs, Administrative expenses, Other expenses by function and Other gains (losses).*

The comparative composition of operating income is as follows:

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Manufacturing | | |
| Invexans | (2,124) | (5,010) |
| Techpack | (1,162) | (1,682) |
| Subtotal manufacturing | (3,286) | (6,692) |
| Financial | | |
| LQIF holding | (1,579) | (1,697) |
| Energy | | |
| Enex | 39,147 | 28,069 |
| Transport | | |
| CSAV | (7,855) | 2,366 |
| Port Services | | |
| SM SAAM | 69,993 | 51,919 |
| Other | | |
| Quiñenco and Others | (25,041) | (25,282) |
| **Operating income** | **71,379** | **48,684** |

The operating loss at Invexans for 2019 decreased to Ch$2,124 million, down 57.6% from the operating loss of Ch$5,010 million in 2018, mainly due to a decrease in administrative expenses, an increase in other income due to the sale of a property in La Florida (Chile) and to a lesser extent, lower legal expenses in Brazil.

Operating income at Enex for 2019 was Ch$39,147 million, up 39.5% from Ch$28,069 million for 2018, mainly due to the 25.4% increase in gross income explained above. This effect was partially offset by a 21.7% increase in administrative expenses, mainly due to operating expenses associated with Road Ranger.

CSAV recorded an operating loss of Ch$7,855 million for 2019, which contrasts negatively with operating income of Ch$2,366 million recorded in the previous year, mainly due to the negative change in gross income, together with a decrease in other gains, due to the sale of real estate during 2018, and, to a lesser extent, higher administrative expenses.

SM SAAM recorded operating income of Ch$69,993 million for 2019, which was 34.8% higher than the Ch$51,919 million for 2018, mainly due to the 20.7% increase in gross income explained above, slightly offset by lower other non-recurring gains in 2018. Administrative expenses remained stable in Chilean peso terms.

The operating loss recorded by Quiñenco and others was Ch$25,041 million for 2019, a decrease of 1.0% compared to the operating loss of Ch$25,282 million recorded in 2018.

## Non-operating income (loss)

The comparative composition of non-operating income (loss) is as follows:

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Finance income | 18,669 | 15,692 |
| Finance costs | (74,344) | (55,909) |
| Share of income (loss) of associates & joint ventures | 122,806 | 110,851 |
| Exchange differences | (421) | (10,447) |
| Indexation gains (losses) | (26,632) | (26,039) |
| **Non-operating income** | **40,078** | **34,148** |

Non-operating income was Ch$40,078 million in 2019, which contrasts positively with non-operating income of Ch$34,148 million in 2018. The most important movements were the following:

- The share in associates was a gain of Ch$122,806 million in 2019, 10.8% higher than the gain of Ch$110,851 million in 2018, due to the positive change in CSAV's share of Hapag-Lloyd's results, adjusted for fair value accounting, with an increase of Ch$94,463 million, reflecting the rise in the German shipping line's earnings for 2019, and the effect of the increased interest in Hapag-Lloyd of 27.79% as of December 31, 2019, compared to 25.86% as of December 31, 2018. This increase was partially offset by: (i) the 58.5% decrease in IRSA's contribution, mainly due to CCU's non-recurring gain of Ch$157,359 million in 2018 from the transaction in Argentina that resulted in the early termination of the Budweiser license, and (ii) the loss on Invexans' interest and, to a lesser extent, Techpack's interest in Nexans, adjusted for fair value accounting, which resulted in an unfavorable change of Ch$26,438 million.

- A favorable variation in exchange rate differences, mainly due to Enex, Techpack and SM SAAM.

This was partially offset by:

- An increase in finance costs, mainly for Enex, due to the increased debt associated with the acquisition of Road Ranger and the finance costs associated with adopting IFRS 16, and, to a lesser extent, higher finance costs at CSAV and SM SAAM.

## Consolidated net income from non-banking sector

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Net income from continuing operations before taxes | 111,457 | 82,832 |
| Income tax expense | (13,173) | (3,161) |
| Net income (loss) from discontinued operations | 21,736 | (9,473) |
| **Consolidated net income from non-banking sector** | **120,019** | **70,198** |

The non-banking sector recorded consolidated net income of Ch$120,019 million in 2019, an increase of 71.0% over the net income of Ch$70,198 million reported for the previous year. This growth is mainly due to a strong performance by Hapag-Lloyd during the year and, to a lesser extent, at SM SAAM, Enex and Techpack, and to Quiñenco's corporate level gain from the sale of insurance companies Banchile Vida and SegChile at the end of 2019, classified as discontinued operations. These changes were partially offset by reduced net income at CCU, due to the non-recurring gain from the transaction in Argentina in the previous year, and Nexans' loss for 2019, which was affected by restructuring costs.

# 2. ANALYSIS OF THE BANKING SECTOR

The following companies are included in the banking sector: Banco de Chile and SM-Chile. Their financial statements for 2019 and 2018 only partially comply with IFRS.

| | FIGURES IN MCH$ | |
|---|---|---|
| BANKING SECTOR RESULTS | 12/31/2019 | 12/31/2018 |
| Operating income | 756,919 | 744,966 |
| Non-operating loss | (21,714) | (72,279) |
| Income tax expense | (169,683) | (156,609) |
| **Consolidated net income from the banking sector** | **565,521** | **516,078** |

## Operating revenues[3]

Operating revenues were Ch$2,015,198 million for 2019, 7.5% higher than the previous year, due to growth in income from customers, including higher fees, higher loan income based on a 7.1% increase in average loan balances, higher finance income from subsidiaries, and a greater contribution from demand deposits.

## Loan loss provisions

Banco de Chile's loan loss provisions were Ch$347,275 million in 2019, 23.4% higher than the provisions for 2018 of Ch$281,410 million. This change is mainly due to higher expenses in retail banking related to a net deterioration in credit quality and an increase in loan loss provisions as a result of loan portfolio growth and a change in its composition.

## Operating expenses

Operating expenses were Ch$911,004 million in 2019, 7.4% higher than the Ch$848,361 million recorded in 2018. This change is largely due to higher payroll and personnel benefits, and higher expenses associated with investments in technology, commercial and operational efficiency, and the impairment caused by damage to branches and ATMs in the civil unrest that began in October 2019.

## Non-operating loss[4]

A non-operating loss of Ch$21,714 million was recorded in 2019, 70.0% lower than the non-operating loss of Ch$72,279 million for 2018, mainly due to lower interest on the subordinated debt with the Chilean Central Bank in 2019, which was fully repaid on April 30, 2019.

## Net income from the banking sector

Consolidated net income from the banking sector was Ch$565,521 million for 2019, 9.6% higher than in 2018, mainly due to higher revenues from customers and lower interest on the subordinated debt, partially offset by increases in loan loss provisions, operating expenses and income tax expense.

# 3. NET INCOME ATTRIBUTABLE TO OWNERS OF THE CONTROLLER

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Consolidated net income | 685,541 | 586,276 |
| | | |
| Net income attributable to non-controlling interests | 475,491 | 405,846 |
| **Net income attributable to owners of the controller** | **210,049** | **180,430** |

Quiñenco's consolidated net income for 2019 was Ch$685,541 million, 16.9% higher than in 2018, due to a 71.0% increase

*(3) Operating revenues correspond to total net operating revenues excluding loan loss provisions.*

*(4) Non-operating loss includes income from equity investments, and interest on the subordinated debt with the Chilean Central Bank.*

in consolidated net income from the non-banking sector and a 9.6% increase from the banking sector. Net income attributable to non-controlling interests was Ch$475,491 million in 2019, an increase of 17.2% over 2018. This change is mainly due to the non-controlling interest in the higher net income achieved by the financial segment and the transport segment. Thus, net income attributable to owners of the controller, or net income, was Ch$210,049 million in 2019, increasing by 16.4% over that reported in 2018.

## 4. RESULTS ANALYSIS BY SEGMENT

The following shows the composition of results by segment.

| | MANUFACTURING | | FINANCIAL | | ENERGY | | TRANSPORT | | PORT SERVICES | | OTHER | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FIGURES IN MCH$ AS OF DECEMBER 31, | | FIGURES IN MCH$ AS OF DECEMBER 31, | | FIGURES IN MCH$ AS OF DECEMBER 31, | | FIGURES IN MCH$ AS OF DECEMBER 31, | | FIGURES IN MCH$ AS OF DECEMBER 31, | | FIGURES IN MCH$ AS OF DECEMBER 31, | | FIGURES IN MCH$ AS OF DECEMBER 31, | |
| BUSINESS / SEGMENT | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Non-banking sector | | | | | | | | | | | | | | |
| Net income from continuing operations before taxes | (31,152) | (11,406) | (14,755) | (14,826) | 26,335 | 21,534 | 90,184 | 5,153 | 65,752 | 49,602 | (24,908) | 32,776 | 111,457 | 82,832 |
| Income tax benefit (expense) | 6 | (331) | 1,758 | 1,120 | (627) | (2,257) | (1,334) | 5,845 | (19,689) | (12,502) | 6,713 | 4,964 | (13,173) | (3,161) |
| Net income (loss) from discontinued operations | (819) | (17,375) | - | - | - | - | (697) | (301) | - | - | 23,252 | 8,204 | 21,736 | (9,473) |
| **Consolidated net income (loss) from the non-banking sector** | **(31,965)** | **(29,113)** | **(12,997)** | **(13,706)** | **25,709** | **19,277** | **88,152** | **10,696** | **46,063** | **37,100** | **5,057** | **45,944** | **120,019** | **70,198** |
| | | | | | | | | | | | | | | |
| Banking sector | | | | | | | | | | | | | | |
| Net income before taxes | - | - | 734,529 | 671,726 | - | - | - | - | - | - | 675 | 961 | 735,205 | 672,687 |
| Income tax expense | - | - | (169,683) | (156,609) | - | - | - | - | - | - | - | - | (169,683) | (156,609) |
| **Consolidated net income from the banking sector** | **-** | **-** | **564,846** | **515,117** | **-** | **-** | **-** | **-** | **-** | **-** | **675** | **961** | **565,521** | **516,078** |
| **Consolidated net income (loss)** | **(31,965)** | **(29,113)** | **551,849** | **501,411** | **25,709** | **19,277** | **88,152** | **10,696** | **46,063** | **37,100** | **5,732** | **46,905** | **685,541** | **586,276** |
| Net income (loss) attributable to non-controlling interests | 298 | (4) | 414,912 | 380,138 | - | - | 35,344 | 4,688 | 26,914 | 21,767 | (1,975) | (743) | 475,491 | 405,846 |
| **Net income (loss) attributable to owners of the controller (1)** | **(32,262)** | **(29,109)** | **136,938** | **121,273** | **25,709** | **19,277** | **52,809** | **6,009** | **19,150** | **15,333** | **7,707** | **47,648** | **210,049** | **180,430** |
| **EBITDA (2)** | **(4,089)** | **(6,499)** | **825,610** | **780,392** | **92,226** | **50,301** | **10,079** | **(7,489)** | **122,930** | **90,802** | **(14,485)** | **(14,393)** | **1,032,271** | **893,114** |

*(1) Net income attributable to owners of the controller for each segment is the final contribution from each segment, and the companies they comprise, to Quiñenco's net income. Note 1 to Quiñenco's financial statements details its interests in its principal subsidiaries and associates.*
*(2) EBITDA is defined as Operating income, excluding Other gains (losses), plus Depreciation and Amortization.*

### Manufacturing Segment

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Invexans | (32,095) | (9,041) |
| Techpack | (167) | (20,068) |
| **Net loss for the manufacturing segment** | **(32,262)** | **(29,109)** |

The manufacturing segment contributed a net loss of Ch$32,262 million to Quiñenco's net income for 2019, an increase of 10.8% over the net loss of Ch$29,109 million for the previous year.

### Invexans

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Revenue | 52 | 21 |
| Operating loss | (2,124) | (5,010) |
| Non-operating loss | (30,134) | (4,004) |
| **Net loss attributable to owners of the controller** | **(32,343)** | **(9,162)** |

Invexans reported a net loss of Ch$32,343 million[5] in 2019, comparing unfavorably to the loss of Ch$9,162 million for the previous year. This change is mainly due to lower net income from its main asset, Nexans, due to restructuring costs, although it achieved better operating performance during the year.

*(5) The analysis of Invexans is based on its financial statements prepared in the functional currency of Quiñenco. The functional currency of Invexans differs from that of Quiñenco, as well as some classifications of accounting items.*

Invexans recorded an operating loss of Ch$2,124 million in 2019, 57.6% lower than the operating loss of Ch$5,010 million for the previous year, mainly due to a decrease in administrative expenses, because of lower prospecting expenses for new investments by the London subsidiary. It also recorded a gain on the sale of a property in La Florida (Chile) in 2019 and operating expenses related to lawsuits in Brazil were reduced, while a tax provision was established in the previous year.

Its non-operating loss was Ch$30,134 million in 2019, which compares unfavorably with the loss of Ch$4,004 million for the previous year, mainly due to its share of Nexans' results, which had significant restructuring expenses related to the implementation of the plan for a New Nexans, which reduced hierarchies and fixed costs. Nexans reported organic[6] growth in sales of 4.5% and operating income of €249 million, up 32.4% from 2018, due to growth in all its segments and the favorable impact of its cost reduction and transformation plans. Growth was led by the construction segment, which increased its operating income by €36 million (50%), due to organic sales growth of 3.5% per year, mainly during the first half of the year, led by Europe and South America, together with a favorable impact on costs and efficiency. The high voltage and projects segment increased its operating income by €28 million (82%), driven by organic sales growth of 6.7%, mainly due to sales in the submarine high voltage segment, based on good project execution, offset by weaker performance from the high voltage land segment. The industrial segment increased its operating income by €16 million (31%), reflecting good performance in cables for automotive harnesses, especially in the U.S., complemented by higher profitability in the industrial cable segment. Finally, the telecommunications segment increased its operating income by €7 million (21%), mainly reflecting growth in cables and LAN systems, despite slightly lower organic sales, and submarine telecommunications cables, along with cost reductions and greater efficiencies. EBITDA was €413 million in 2019, up 27.1% from 2018, including the favorable impact of adopting IFRS 16 of €29 million. Nexans' non-operating income suffered the negative impact of restructuring costs of €251 million in 2019, mainly due to provisions for the restructuring plan in Europe. Net finance costs increased by 12.5% during 2019. Thus, Nexans reported a net loss of €122 million in 2019. Invexans adjusted its proportional net income to reflect the fair value of Nexans' assets. Together with its share of net income, this resulted in a net loss for Invexans on its investment in the French company of Ch$29,888 million, which contrasts unfavorably with the net loss of Ch$3,866 million in 2018.

Invexans's income tax expense was Ch$86 million in 2019, which contrasts positively with the expense of Ch$148 million in 2018.

### Techpack

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Revenue | 15 | 10 |
| Operating loss | (1,162) | (1,682) |
| Loss from discontinued operations | (819) | (17,375) |
| **Net income (loss) attributable to owners of the controller** | **380** | **(19,874)** |

During 2019, Techpack achieved net income of Ch$380 million[7] , which compares favorably to the net loss of Ch$19,874 million for the previous year, mainly due to lower losses from discontinued operations and an increase in non-operating income, driven by decreased foreign exchange losses and an increase in finance income.

Techpack's operating loss was Ch$1,162 million in 2019, a decrease of 30.9% from the operating loss of Ch$1,682 million in 2018, mainly due to decreased administrative expenses.

Techpack achieved non-operating income of Ch$2,268 million for 2019, which compares favorably with the non-operating loss of Ch$710 million in 2018, due to decreased foreign exchange losses and an increase in finance income.

Techpack's loss from discontinued operations decreased to Ch$819 million in 2019, down 95.3% from the previous year, mainly due to expenses and adjustments associated with the Amcor transaction in 2018.

Finally, the income tax credit was Ch$92 million for 2019, which compares favorably with the income tax expense of Ch$184 million for the previous year.

*(6) Organic growth: Nexans compares sales on the same consolidation basis, excluding the impact of acquisitions and divestitures between one period and another, exchange rate effects and changes in the prices of base metals.*

*(7) The analysis of Techpack is based on its financial statements prepared in the functional currency of Quiñenco. Techpack and Quiñenco have different functional currencies.*

## Financial services segment

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| LQIF holding | (6,498) | (6,853) |
| Banking sector | 143,436 | 128,126 |
| **Net income for the financial segment** | **136,938** | **121,273** |

The financial services segment contributed Ch$136,938 million to Quiñenco's net income in 2019, an increase of 12.9% compared to the previous year.

The banking sector includes Banco de Chile and SM-Chile, and the most important component of its result is the subordinated debt with Banco Central de Chile, which was fully repaid on April 30, 2019.

### LQIF holding

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Revenue | - | - |
| Operating loss | (1,579) | (1,697) |
| **Net loss from the non-banking sector** | **(12,997)** | **(13,713)** |

LQIF holding reported a net loss of Ch$12,997 million in 2019, 5.2% lower than the net loss of Ch$13,713 million for the previous year, mainly due to an increase in the income tax credit of Ch$638 million.

### Banco de Chile

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Operating revenue | 2,014,520 | 1,873,283 |
| Loan loss provisions | (347,274) | (281,410) |
| Operating expenses | (911,004) | (847,724) |
| **Net income attributable to owners of the controller** | **593,008** | **594,872** |

Banco de Chile reported net income of Ch$593,008 million in 2019, 0.3% lower than the previous year. This change is mainly due to an increase in operating revenue, offset by an increase in loan loss provisions, higher operating expenses and higher income tax.

Operating revenue increased by 7.5%, equivalent to Ch$141,237 million for 2019, mainly due to (i) an increase in fee income of Ch$97,300 million, mainly from insurance brokerage and transactional services, (ii) higher loan income of Ch$43,700 million due to a 7.1% increase in average loan balances, (iii) higher finance income from subsidiaries of Ch$22,100 million, associated with fixed income portfolio management by its brokerage business, (iv) a greater contribution from demand deposits of Ch$20,700 million due to higher average balances and an increase in average foreign interest rates and (v) higher income from trading, held-for-sale and structured instruments of Ch$14,600 million. These effects were partially offset by a negative impact of Ch$35,300 million related to counterparty risk on derivative valuations, lower income of Ch$10,300 million from releasing non-credit related provisions during the previous period and lower income of Ch$5,400 million associated with the impact of exchange rates on US dollar hedge positions, due to higher depreciation of the Chilean peso compared to the previous year.

Loan loss provisions at Banco de Chile totaled Ch$347,274 million for 2019, an increase of 23.4% compared to Ch$281,410 million in 2018. This change was mainly due to: (i) higher expense of Ch$60,100 million associated with a net deterioration in loan quality, caused by an increase in total delinquency in October, concentrated mainly in the retail banking segment, which contributed Ch$38,100 million, and; (ii) an increase in the loan loss provision by approximately Ch$33,400 million due to the growth in loans and a change in the composition of the portfolio, focused on the retail segment. These effects were partially offset by a net decrease of Ch$24,100 million due to changes in credit risk models and adopting a new standardized group risk matrix for the commercial segment, and a decrease of Ch$3,600 million due to the effect of foreign exchange rates on loan loss provisions for US dollar loans.

Therefore, the portfolio expense indicator was 1.20% as of December 31, 2019, an increase of 14 basis points over 1.06% as of December 31, 2018. The Bank had an overdue portfolio indicator of 1.39% as of December 31, 2019, slightly higher than the 1.09% as of December 31, 2018.

Operating expenses increased by 7.5% to Ch$911,004 million in 2019, compared to Ch$847,724 million in the previous year. This change is mainly due to: (i) higher personnel expenses of Ch$33,023 million or 7.5%, due to bonuses, salaries, termination payments, benefits achieved in the collective bargaining negotiations during the previous year, adjustments in the organizational structure to adapt the Bank to new internal challenges, and a special bonus to employees that was associated with the social unrest that occurred in the fourth quarter of 2019, (ii) an increase of Ch$32,860 million or 87.2% in depreciation and amortization mainly due to implementing

IFRS 16 on leases as of January 1, 2019, and, to a lesser extent, technology projects, and (iii) an increase of Ch$2,221 million mostly due to damages to branches and ATMs, as a result of the civil unrest that began on October 18, 2019. These increases were partially offset by lower administrative expenses of Ch$1,774 million, mainly due to lower operating lease expenses as a result of implementing IFRS 16, offset by higher expenses for technology, commercial and operational efficiency projects, including expenses for building and ATM repairs during October 2019 of Ch$7,700 million.

Income tax expense increased by 8.4% to Ch$169,683 million in 2019.

**Subordinated Debt with the Chilean Central Bank**

Interest and indexation expenses for 2019 on the subordinated debt with the Chilean Central Bank were 64.6% lower than the previous year. The subordinated debt was fully repaid on April 30, 2019.

## Energy Segment

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Enex | 25,709 | 19,277 |
| **Net income from the energy segment** | **25,709** | **19,277** |

The energy segment contributed Ch$25,709 million to Quiñenco's net income in 2019, which was 33.4% higher than the Ch$19,277 million that it contributed for the previous year.

### Enex

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Revenue | 2,570,311 | 2,276,314 |
| Operating income | 39,147 | 28,069 |
| **Net income attributable to owners of the controller** | **25,709** | **19,277** |

Enex reported net income of Ch$25,709 million for 2019, an increase of 33.4% over the Ch$19,277 million it reported for the previous year, due to a stronger operating performance driven by the acquisition of Road Ranger in the U.S., partially offset by a drop in non-operating income.

Revenue reached Ch$2,570,311 million for 2019, up 12.9% from the previous year, mainly due to incorporating Road Ranger in the U.S. at the end of 2018, together with a rise in fuel prices and sales volumes at service stations in Chile. Higher prices in the industrial channel were offset by a decrease in sales volumes, which reflects lower volumes in the mining segment, partially offset by growth in the aviation segment. Total sales volumes in 2019 were 4,343 thousand cubic meters, 8.0% higher than the previous year, of which 98.3% were fuels.

Gross income was Ch$278,432 million, up 25.4% from the previous year, mainly driven by gross income from Road Ranger. Higher gross income achieved from domestic service stations, driven by higher sales volumes, and from the industrial channel, was partly offset by a lower favorable effect from the sale of inventory valued at historical cost, as prices continued to rise in 2019 compared to the previous year.

Operating income at Enex was Ch$39,147 million for 2019, up 39.5% on operating income of Ch$28,069 million for the previous year, mainly due to the 25.4% increase in gross income explained above. This effect was partially offset by a 21.7% increase in administrative expenses, mainly due to operating expenses associated with Road Ranger. EBITDA was Ch$92,226 million for 2019, up 83.3% from the previous year, including the favorable impact of implementing IFRS 16.

The non-operating loss was Ch$12,812 million for 2019, significantly higher than the non-operating loss of Ch$6,535 million for the previous year, mainly due to an increase in finance costs, due to higher debt associated with acquiring the Road Ranger travel center chain in November 2018 and higher finance costs associated with lease liabilities under IFRS 16, partially offset by favorable foreign exchange differences.

Income tax expense at Enex was Ch$627 million for 2019, a reduction of 72.2% from the expense of Ch$2,257 million for the previous year.

## Transport Segment

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| CSAV | 52,809 | 6,009 |
| **Net income from the transport segment** | **52,809** | **6,009** |

The transport segment contributed net income of Ch$52,809 million to Quiñenco's net income for 2019, which contrasts favorably with the net income of Ch$6,009 million for the previous year.

CSAV's result is adjusted for the fair value accounting of Quiñenco's investment in CSAV. This adjustment amounted to a loss of Ch$25 million in December 2019 (a loss of Ch$1,770 million in 2018).

**CSAV**

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Revenue | 65,499 | 58,474 |
| Operating income (loss) | (7,855) | 2,366 |
| Non-operating income | 98,098 | 7,101 |
| **Net income attributable to owners of the controller** | **88,195** | **13,846** |

CSAV achieved net income of Ch$88,195 million[8] for 2019, significantly higher than the net income of Ch$13,846 million for the previous year, primarily due to improved performance from the German shipping liner Hapag-Lloyd.

CSAV's revenue in Chilean pesos was Ch$65,499 million for 2019, an increase of 12.0% over the previous year, mainly due to a favorable exchange rate, as US dollar revenue increased by 1.7% compared to the previous year, due to higher revenue from sub-chartering vessels and selling slots to third parties, offset by lower car carrier volumes.

CSAV reported negative gross income of Ch$848 million for 2019, which contrasts negatively with the positive gross income of Ch$2,614 million achieved in 2018. This decrease in gross income is due to an 18.8% increase in the cost of sales in Chilean pesos, which rose 7.7% in US dollar terms, driven by increases in fleet and operating costs, associated to a great extent with vessel chartering and an increase in provisions for onerous contracts in the coming months.

Operating income amounted to a loss of Ch$7,855 million in 2019, which contrasts negatively with operating income of Ch$2,366 million for the previous year, mainly due to decreases in other gains of Ch$4,789 million, due to the sale of real estate during 2018, the decline in gross income explained above and, to a lesser extent, a 28.0% increase in administrative expenses in Chilean peso terms.

Non-operating income was Ch$98,098 million for 2019, which contrasts positively with non-operating income of Ch$7,101 for 2018. This positive change is mainly due to higher income from its investment in Hapag-Lloyd. CSAV's direct share of Hapag-Lloyd's results improved substantially compared to the previous year, from a gain of US$11.5 million as of December 2018, to a gain of US$110.6 million as of December 2019, together with a higher positive adjustment to fair value in 2019 (US$1.6 million as of December 2018 and US$2.6 million as of December 2019), which resulted in a net increase of US$100.1 million (Ch$70,530 million).

Net income at Hapag-Lloyd was US$405 million in 2019, which compares favorably with net income of US$43.5 million for the previous year. Its sales increased by 2.8%, reflecting 1.4% growth in volumes and a 2.7% rise in average freight rates. Meanwhile, operating expenses remained constant. Accordingly, the German shipping company registered net income before interest and taxes (EBIT) of US$908 million in 2019, significantly higher than its EBIT of US$524 million for the previous year. Finance costs increased by 2.9%, mainly due to the first-time application of IFRS 16, which states that the financial costs of lease liabilities must be included and, to a lesser extent, the early repayment of a bond, which incurred prepayment charges partially offset by lower interest. EBITDA was US$2,223 million for 2019, up 65.2% from US$1,345 million for 2018, with a margin over sales of 15.8%. EBITDA includes the positive effect of implementing IFRS 16 of approximately US$523 million.

Finally, the additional 1.9% interest acquired in December 2019 generated an accounting gain of Ch$24,661 million (US$34.6 million). Thus, CSAV's direct share of Hapag-Lloyd's results, including all the effects mentioned above, was a net gain of Ch$105,454 million in 2019, which contrasts favorably with the gain of Ch$10,991 million in 2018.

CSAV's income tax expense was Ch$1,350 million in 2019, which contrasts unfavorably with its income tax benefit of Ch$4,680 million for the previous year. This is mainly due to higher deferred tax expense in 2019 associated with the depreciation of the Euro, given the financing structure of CSAV's investment in Hapag-Lloyd.

The net loss from discontinued operations of Ch$697 million in 2019 is greater than the loss of Ch$301 million for 2018. Discontinued operations correspond to the logistics and freight forwarding businesses.

*(8) The analysis of CSAV is based on its financial statements prepared in Quiñenco's functional currency. CSAV and Quiñenco have different functional currencies.*

## Port Services Segment

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| SM SAAM | 19,150 | 15,333 |
| **Net income from the port services segment** | **19,150** | **15,333** |

The port services segment contributed net income of Ch$19,150 million to Quiñenco's net income for 2019, which is an increase of 24.9% over the Ch$15,333 million it contributed in 2018.

SM SAAM's result is adjusted for the fair value accounting of Quiñenco's investment in SM SAAM. This adjustment amounted to a loss of Ch$1,966 million as of December 31, 2019 (a loss of Ch$1,405 million as of December 31, 2018).

### SM SAAM

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Revenue | 373,718 | 330,997 |
| Operating income | 69,993 | 51,919 |
| Non-operating income (loss) | (322) | 1,526 |
| **Net income attributable to owners of the controller** | **40,453** | **32,065** |

SM SAAM achieved net income of Ch$40,453 million[9] in 2019, up 26.2% compared to Ch$32,065 million in the previous year, mainly due to improved performances from all three business divisions, particularly port terminals and towage, and efficiencies associated with implementing the new operating model.

SM SAAM's revenue was Ch$373,718 million in 2019, an increase of 12.9% in Chilean peso terms compared to the previous year, due to higher average exchange rates during the year and growth in the towage and port terminals businesses, offset by a decrease in logistics. Revenue from the towage segment led the increase, which was due to more special and salvage services and consolidating SAAM Towage Brasil over the last two months of the year. The port terminal segment increased its revenue, driven by growth in foreign terminals. However, the logistics segment's revenue declined, due to lower volumes of warehousing and trucking services, mainly associated with the retail industry.

SM SAAM earned gross income of Ch$115,969 million in 2019, 20.7% higher than the previous year, mainly due to cost efficiencies generated by the new operating model. Its operating income was Ch$69,993 million in 2019, 34.8% higher than operating income of Ch$51,919 million for the previous year, mainly due to the increase in the gross income explained above, together with stable administrative expenses in Chilean peso terms, as a result of savings generated by the new operating model that offset consolidating the towage business in Brazil during the last two months of the year.

Its non-operating loss was Ch$322 million for 2019, which contrasts negatively with non-operating income of Ch$1,526 million for the previous year, mainly due to lower income from equity investments, reflecting mainly lower earnings from ports in Chile, affected by social unrest in the last quarter, and higher net finance costs, partially offset by lower foreign exchange losses.

Income tax expense rose by 53.2% to Ch$20,747 million, mainly due to increased period results.

## Other Segment

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| IRSA | 37,458 | 90,165 |
| Quiñenco and others | (29,751) | (42,517) |
| **Net income from the others segment** | **7,707** | **47,648** |

The others segment contributed net income of Ch$7,707 million to Quiñenco's net income in 2019, significantly lower than net income of Ch$47,648 million in 2018, mainly due to the lower contribution from IRSA, partially offset by a lower net loss at Quiñenco and others.

### IRSA

IRSA is the parent company of CCU and contributed Ch$37,458 million to Quiñenco in 2019, which was 58.5% lower than the Ch$90,165 million contributed in the previous year, mainly due to non-recurring gains recorded by CCU in 2018.

### CCU

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Revenue | 1,822,541 | 1,783,282 |
| Operating income | 233,965 | 472,751 |
| **Net income attributable to owners of the controller** | **130,142** | **306,891** |

*(9) The analysis of SM SAAM is based on its financial statements prepared in Quiñenco's functional currency. SM SAAM and Quiñenco have different functional currencies.*

CCU reports its consolidated financial statements in accordance with its operating segments. These are defined as the geographical areas of its commercial business: Chile, International Business, Wine, and Others[10] .

CCU earned net income of Ch$130,142 million in 2019, significantly lower than the Ch$306,891 million earned in the previous year, mainly due to the non-recurring gain associated with the early termination of the Budweiser license in Argentina (the Transaction) in the second quarter of 2018, of Ch$157,359 million. When comparing the results excluding the effects of this transaction, net income declined by 13.0% compared to 2018, mainly due to weaker performance of the International Businesses segment, negatively impacted by the devaluation of the Argentine peso and hyperinflationary accounting, and, to a lesser extent, in the Chile segment, partially mitigated by stronger performance from the Wine segment.

Revenue for CCU was Ch$1,822,541 million in 2019, 2.2% higher than in 2018, due to 5.3% growth in consolidated volumes sold, partially offset by a 2.9% fall in average prices in Chilean peso terms. The operating segments contributed to this sales growth as follows: Chile contributed with 4.9% sales growth driven by 4.9% volume growth, while average prices remained stable. Wine segment sales increased by 2.8%, due to an increase in average prices of 2.3%, and 0.5% volume growth. These increases were partially offset by the International Business segment, which reported a 4.0% decline in sales, due to a 10.8% fall in average prices, reflecting the negative impact of the Argentine peso sharply depreciating against the Chilean peso, which was greater than price increases in local currency, partially offset by 7.6% growth in sales volumes. The main drivers of this growth have been Bolivia, which is consolidated since the third quarter of 2018 and, to a lesser extent, Argentina.

CCU's operating income was Ch$233,965 million in 2019, 50.5% lower than operating income of Ch$472,751 million for the previous year, mainly due to the non-recurring gain from the Transaction reported in the second quarter of 2018. This decrease is affected to a lesser extent by the 1.0% reduction in gross income, along with higher marketing and distribution expenses, partially offset by lower administrative expenses. The fall in gross income is primarily due to the International Business segment, partially offset by the Chile and Wine segments. International Business recorded a 15.1% decrease in gross income, due to the fall in sales prices already explained, together with an 8.2% increase in costs, mainly due to the impact of the 58.9% depreciation of the Argentine peso against the US dollar on dollar-indexed costs, and the effects of inflation in Argentina, partly offset by currency translation effects, given the devaluation of the Argentine peso against the Chilean peso. The Chile segment increased its gross income by 2.6%. The increase in revenue was offset by higher costs, mainly due to the depreciation of the Chilean peso against the US dollar and its impact on US dollar-denominated costs, which was partially offset by efficiencies and lower costs for some raw materials. The Wine segment achieved a 14.1% increase in gross income, driven by the higher average prices explained above, along with a 3.4% decrease in the cost of sales, due to lower wine costs.

The non-operating loss was Ch$48,343 million, significantly higher than the non-operating loss of Ch$14,540 million for 2018, mainly due to the negative impact of foreign exchange losses that totaled Ch$9,054 million in 2019 whereas they produced a gain of Ch$3,300 million in 2018, largely influenced by the Transaction. Furthermore, indexation losses increased mainly due to hyperinflationary accounting in Argentina, higher net finance losses and weaker performance from associates and joint ventures, mainly due to weaker financial performance in Colombia.

Income taxes decreased to Ch$39,976 million in 2019, compared to Ch$136,127 million in the previous year, mainly due to taxes associated with the Transaction in 2018.

**Quiñenco and others**

Quiñenco and others recorded a net loss of Ch$29,751 million in 2019, which compares favorably with the net loss of Ch$42,517 million in 2018. The change is mainly due to the Ch$14,289 million after-tax gain on the sale of Quiñenco's interests in insurance companies Banchile Vida and SegChile on December 30, 2019, where the transaction amounted to approximately Ch$35,900 million. Furthermore, although to a lesser extent, finance income was higher, mainly as a result of a higher average cash balance during the year, partially offset by higher finance costs.

## III. Analysis of the Statement of Financial Position

**Assets**

The consolidated assets of Quiñenco as of December 31, 2019, amounted to Ch$47,696,197 million, an increase of 14.3%

*(10) Chile: includes marketing beer, soft drinks and spirits in Chile and strategic service units in the Chilean market. International Business: includes the sale of beer, cider, soft drinks and spirits in Argentina, Uruguay, Paraguay, and from the third quarter of 2018 in Bolivia. Wine: includes the sale of Chilean wine, primarily to export markets. Other: includes corporate income and expenditures, and eliminating transactions between segments.*

over the Ch$41,736,083 million recorded as of December 31, 2018, mainly due to increases in banking sector assets.

The composition of consolidated assets at the end of each year is as follows:

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Manufacturing | | |
| Invexans | 314,629 | 325,933 |
| Techpack | 150,843 | 137,470 |
| Subtotal manufacturing | 465,473 | 463,404 |
| Financial | | |
| LQIF holding | 848,036 | 848,885 |
| Energy | | |
| Enex | 1,339,745 | 1,066,109 |
| Transport | | |
| CSAV | 1,884,863 | 1,568,705 |
| Port Services | | |
| SM SAAM | 1,211,453 | 990,212 |
| Other | | |
| Quiñenco and others | 673,299 | 872,273 |
| **Total assets for the non-banking sector** | **6,422,869** | **5,809,588** |
| Banking sector assets | 41,273,328 | 35,926,495 |
| **Total consolidated assets** | **47,696,197** | **41,736,083** |

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Non-banking sector current assets | 1,025,848 | 973,991 |
| Non-banking sector non-current assets | 5,397,021 | 4,835,597 |
| **Total assets for the non-banking sector** | **6,422,869** | **5,809,588** |
| Banking sector assets | 41,273,328 | 35,926,495 |
| **Total consolidated assets** | **47,696,197** | **41,736,083** |

### Non-banking sector current

Non-banking sector current assets were Ch$1,025,848 million as of December 31, 2019, which represents an increase of 5.3% compared to December 31, 2018. This increase is mainly due to an increase in cash and cash equivalents, mostly due to the sale of insurance companies Banchile Vida and SegChile, dividends received by LQIF, dividends received from IRSA and Vita by Quiñenco, larger balances at SM SAAM and Enex, mainly due to operating cash flows net of investments in property, plant and equipment, partially offset by dividend payments by Quiñenco and by LQIF and SM SAAM to third parties, and SM SAAM's payment for the towage business acquisition from Boskalis.

### Non-banking sector non-current assets

Non-banking sector non-current assets were Ch$5,397,021 million as of December 31, 2019, which represents an increase of 11.6% compared to December 31, 2018. This change is mainly due to the addition of right-of-use leased assets at Enex and, to a lesser extent, SM SAAM and CSAV, with effect from January 1, 2019, in accordance with IFRS 16. Investments accounted for using the equity method also contributed to the increase, with a 9.5% increase as of December 31, 2019, compared to December 31, 2018, mainly due to the greater book value of Hapag-Lloyd (net income for the year net of dividends plus translation adjustments), which was partially offset by reductions in the book values of SM SAAM's associates, mainly due to the absence of SAAM SMIT Towage Brasil as of December 31, 2019, as it was consolidated when it became a wholly-owned subsidiary of SM SAAM. Finally, total property, plant and equipment increased by 26.7%, mainly due to the consolidation of SAAM Towage Brasil.

### Banking sector assets

Banking sector assets were Ch$41,273,328 million as of December 31, 2019, representing an increase of 14.9% over December 31, 2018.

### Liabilities

The consolidated liabilities of Quiñenco at the end of each year were as follows:

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Manufacturing | | |
| Invexans | 17,150 | 16,100 |
| Techpack | 1,687 | 1,861 |
| Subtotal manufacturing | 18,837 | 17,961 |
| Financial | | |
| LQIF holding | 251,161 | 245,622 |
| Energy | | |
| Enex | 729,618 | 481,981 |
| Transport | | |
| CSAV | 219,525 | 88,704 |
| Port Services | | |
| SM SAAM | 590,936 | 350,769 |
| Other | | |
| Quiñenco and others | 866,177 | 1,011,524 |
| **Total liabilities for the non-banking sector** | **2,676,255** | **2,196,561** |
| Banking sector liabilities | 37,520,550 | 32,418,479 |
| **Total consolidated liabilities** | **40,196,805** | **34,615,040** |

| | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Non-banking sector current liabilities | 521,270 | 423,167 |
| Non-banking sector non-current liabilities | 2,154,985 | 1,773,394 |
| **Total liabilities for the non-banking sector** | **2,676,255** | **2,196,561** |
| Banking sector liabilities | 37,520,550 | 32,418,479 |
| **Total consolidated liabilities** | **40,196,805** | **34,615,040** |
| Total equity | 7,499,392 | 7,121,042 |
| **Total equity and liabilities** | **47,696,197** | **41,736,083** |

**Non-banking sector current liabilities**
Non-banking sector current liabilities reached Ch$521,270 million, an increase of 23.2% over December 31, 2018. This increase is mainly due to increases in financial debt, mainly at SM SAAM and CSAV, mainly due to the investments in SAAM Towage Brasil and Hapag-Lloyd, respectively, and to including lease liabilities under IFRS 16 as from January 1, 2019 at Enex and to a lesser extent, at CSAV and SM SAAM. Current tax liabilities increased, although to a lesser extent, mainly due to the sale of insurance companies Banchile Vida and SegChile, and trade payables mainly at Enex, partially offset by lower provisions at Enex.

**Non-banking sector non-current liabilities**
Non-banking sector non-current liabilities reached Ch$2,154,985 million, an increase of 21.5% over December 31, 2018. This increase is mainly due to increased financial obligations mainly at SM SAAM, due to consolidating the liabilities of SAAM Towage Brasil and a bank loan for the acquisition of Boskalis' share in the towage businesses in Canada, Mexico, Panama and Brazil, and, to a lesser extent, the issuance of a new series of bonds at CSAV to acquire an increased interest in the German shipping company Hapag-Lloyd. The increase also reflects including lease liabilities under IFRS 16 as from January 1, 2019 at Enex and, to a lesser extent, at SM SAAM. This was partially offset by decreased non-financial liabilities, which were higher in 2018 mainly due to reserves for the Banchile Vida and SegChile insurance businesses that were sold at the end of 2019.

Total liabilities for the non-banking sector were Ch$2,676,255 million as of December 31, 2019, an increase of 21.8% over December 31, 2018, due to an increase in non-current liabilities, and, to a lesser extent, an increase in current liabilities.

**Banking sector liabilities**
Banking sector liabilities increased by 15.7% compared to December 31, 2018.

**Equity[11]**
Quiñenco's equity was Ch$3,486,434 million as of December 31, 2019, 8.5% higher than as of December 31, 2018. This increase is explained by increases in other reserves, mainly due to translation adjustments at CSAV, SM SAAM and Invexans, and net income for the year net of dividends

(11) Patrimonio corresponde al Patrimonio atribuible a los propietarios de la controladora.

## IV. TRENDS IN INDICATORS

| FINANCIAL INDICATORS | | 12/31/2019 | 12/31/2018 |
|---|---|---|---|
| LIQUIDITY* | | | |
| Current Liquidity | times | 2.0 | 2.3 |
| (Current assets/Current liabilities) | | | |
| Acid ratio | times | 1.1 | 0.7 |
| (Cash & cash equivalents/Current liabilities) | | | |
| DEBT* | | | |
| Leverage ratio | times | 0.77 | 0.68 |
| (Total liabilities/Equity attributable to owners of the controller) | | | |
| Current debt/Total debt | % | 19.5% | 19.3% |
| (Current liabilities/Total liabilities) | | | |
| Non-current debt/Total debt | % | 80.5% | 80.7% |
| (Non-current liabilities/Total liabilities) | | | |
| Financial expenses coverage | times | 2.79 | 2.31 |
| ((Non-banking net income + Income tax expense + Financial costs)/ Financial costs) | | | |
| ACTIVITY* | | | |
| Inventory turnover | times | 23.91 | 23.63 |
| (Cost of sales/Average inventories) | | | |
| PROFITABILITY | | | |
| Return on equity | % | 6.3% | 5.8% |
| (Net income attributable to the controller/Average equity attributable to owners of the controller) | | | |
| Return on assets of non-financial segments | % | 1.4% | 1.3% |
| (Net income of controller - non-financial segments/Average assets - non-financial segments) | | | |
| Return on assets of financial segment | % | 0.3% | 0.3% |
| (Net income attributable to the controller - financial segment/ Average assets - financial segment) | | | |
| Earnings per share | Ch$ | 126.33 | 108.51 |
| (Net income attributable to the controller/Weighted average number of shares) | | | |
| Dividend yield | % | 2.8% | 1.8% |
| (Dividend payments last 12 months per share/Closing share price) | | | |

** Excludes banking sector assets and liabilities.*
*** Excludes liabilities included in disposal groups classified as held for sale.*

**Liquidity**
The non-banking sector current liquidity ratio decreased to 2.0 as of December 31, 2019, from 2.3 as of December 31, 2018. An increase in current liabilities of 23.2% was partially offset by a 5.3% increase in current assets, explained above.

**Leverage**
The non-banking sector leverage ratio increased from 0.68 as of December 31, 2018, to 0.77 as of December 31, 2019. This is mainly due to an increase of 21.8% in total liabilities, partially offset by an increase in the controller's equity of 8.5%, as explained above. Current liabilities for the non-banking sector as of December 31, 2019, represent 19.5% of total liabilities for the non-banking sector, compared to 19.3% as of December 31, 2018.

The financial expenses coverage ratio for the non-banking sector increased from 2.31 as of December 31, 2018, to 2.79 as of December 31, 2019. This change is mainly due to the increase in non-banking net income (71.0%), partially offset by an increase in finance costs (33.0%).

**Activity**
Inventory turnover increased from 23.63 as of December 31, 2018, to 23.91 as of December 31, 2019. This increase is due to increased cost of sales (11.6%), offset by increased average inventory (10.2%), mainly at Enex and to a lesser extent at SM SAAM.

**Profitability**
Return on equity increased from 5.8% as of December 31, 2018 to 6.3% as of December 31, 2019. This increase is mainly due to 16.4% higher net income attributable to the controller for the current year (16.4%), partially offset by the increase in average equity (8.5%).

Return on assets for the non-banking sector changed from 1.3% as of December 31, 2018, to 1.4% as of December 31, 2019. This variation is mainly due to the increase in net income attributable to the controller from the non-financial segments in the current year (23.6%), partially offset by an increase in average assets in the non-financial segments (17.9%).

Earnings per share increased from Ch$108.51 as of December 31, 2018, to Ch$126.33 as of December 31, 2019. This increase is mainly due to the higher net income attributable to the controller in 2019, as explained before.

The dividend yield increased from 1.8% as of December 31, 2018 to 2.8% as of December 31, 2019, due to an increase in dividends paid over the last twelve months (32.7%) and a fall in the market price of the share (-15.0%).

## V. Summarized Statement of Cash Flows

| CASH FLOWS IN THE NON-BANKING SECTOR | FIGURES IN MCH$ | |
|---|---|---|
| | 12/31/2019 | 12/31/2018 |
| Net cash flow provided by operating activities | 200,912 | 79,904 |
| Net cash flow provided by (used in) financing activities | (81,207) | 97,048 |
| Net cash flow provided by (used in) investing activities | 59,652 | (310,149) |
| **Total net cash flows for the year** | **179,356** | **(133,196)** |

As of December 31, 2019, Quiñenco reported total positive net cash flows of Ch$179,356 million for the non-banking sector, explained by positive cash flows provided by operating activities of Ch$200,912 million and positive cash flows provided by investing activities of Ch$59,652 million, partially offset by negative cash flows used in financing activities of Ch$81,207 million.

The positive cash flow from operating activities is due to customer collections of Ch$3,461,938 million mainly at Enex and to a lesser extent, at SM SAAM and CSAV, partially offset by payments to suppliers of Ch$3,043,306 million mainly by Enex and, to a lesser extent, SM SAAM and CSAV. It was also affected by payments to employees of Ch$167,993 million, mainly by SM SAAM and Enex, and other payments for net operating activities of Ch$46,197 million, mainly by SM SAAM and Enex.

The negative cash flow from financing activities is mainly due to dividend payments of Ch$146,850 million, primarily by Quiñenco and by LQIF and SM SAAM to third parties, and, to a lesser extent, by interest payments of Ch$59,683 million and the payment of lease liabilities of Ch$47,152 million by

CSAV, Enex and to a lesser extent SM SAAM. These negative cash flows were partially offset by higher net obligations of Ch$174,549 million, mainly at CSAV, SM SAAM and, to a lesser extent, Enex.

The positive cash flow provided by investing activities is mainly due to the net redemption of time and other deposits over 90 days of Ch$242,093 million, mainly attributable to Quiñenco, to dividends received of Ch$95,164 million, mainly from IRSA and to a lesser extent from Inversiones Vita, the associates of SM SAAM and Enex, from Hapag-Lloyd and Nexans, to the proceeds from the sale of shares for Ch$47,099 million, mainly from the sale of Banchile Vida and SegChile, and, to a lesser extent, to the capital decrease in Foods (included in Quiñenco and Others), to interest received of Ch$23,478 million, mainly at Quiñenco, Techpack and SM SAAM, and to the sale of non-controlling interests of Ch$8,382 million, due to the sale of Terminal Puerto Arica by SM SAAM. These positive cash flows were partially offset by the acquisition of additional interests in subsidiaries for Ch$196,430 million, mainly due to SM SAAM's acquisition of Boskalis' shares in the towage segment, and, to a lesser extent, by Quiñenco's acquisition of an additional interest in CSAV, by the purchase of property, plant and equipment for Ch$88,533 million, mainly at Enex and SM SAAM, and by payments to acquire interests in joint ventures of Ch$83,365 million, explained by CSAV's increased interest in Hapag-Lloyd.

| | FIGURES IN MCH$ | |
|---|---|---|
| **BANKING SECTOR CASH FLOWS** | **12/31/2019** | **12/31/2018** |
| Net cash flow provided by (used in) operating activities | 1,136,352 | (546,996) |
| Net cash flow provided by financing activities | 847,146 | 449,183 |
| Net cash flow provided by (used in) investing activities | (263,650) | 284,890 |
| **Total net cash flow for the year** | **1,719,848** | **187,077** |

As of December 31, 2019, Quiñenco reported a total positive net cash flow of Ch$1,719,848 million from the banking sector, explained by positive cash flows provided by operating activities of Ch$1,136,352 million and financing activities of Ch$847,146 million, partially offset by negative cash flows used in investing activities of Ch$263,650 million.

## VI. Summarized Statement of Comprehensive Results

| | FIGURES IN MCH$ | | |
|---|---|---|---|
| | **12/31/2019** | **12/31/2018** | **CHANGE** |
| Non-banking sector results | | | |
| **Operating revenue** | **3,010,184** | **2,666,437** | **12.9%** |
| Manufacturing | 67 | 31 | 112.2% |
| Financial | - | - | - |
| Energy | 2,570,311 | 2,276,314 | 12.9% |
| Transport | 65,499 | 58,474 | 12.0% |
| Port Services | 373,718 | 330,997 | 12.9% |
| Other | 589 | 620 | -5.0% |
| **Cost of sales** | **(2,616,195)** | **(2,345,298)** | **11.6%** |
| Manufacturing | - | - | - |
| Financial | - | - | - |
| Energy | (2,291,879) | (2,054,318) | 11.6% |
| Transport | (66,347) | (55,860) | 18.8% |
| Port Services | (257,749) | (234,891) | 9.7% |
| Other | (220) | (230) | -4.0% |
| **Operating income (loss)** | **71,379** | **48,684** | **46.6%** |
| Manufacturing | (3,286) | (6,692) | -50.9% |
| Financial | (1,579) | (1,697) | -7.0% |
| Energy | 39,147 | 28,069 | 39.5% |
| Transport | (7,855) | 2,366 | n.a. |
| Port Services | 69,993 | 51,919 | 34.8% |
| Other | (25,041) | (25,282) | -1.0% |
| **Non-operating income** | **40,078** | **34,148** | **17.4%** |
| Finance income | 18,669 | 15,692 | 19.0% |
| Finance costs | (74,344) | (55,909) | 33.0% |
| Share of income (loss) of associates & joint ventures | 122,806 | 110,851 | 10.8% |
| Exchange differences | (421) | (10,447) | -96.0% |
| Indexation gains (losses) | (26,632) | (26,039) | 2.3% |
| Income tax expense | (13,173) | (3,161) | 316.7% |
| Net income (loss) from discontinued operations | 21,736 | (9,473) | n.a. |
| **Consolidated net income from non-banking sector** | **120,019** | **70,198** | **71.0%** |
| Banking sector results | | | |
| Operating revenue | 2,015,198 | 1,874,738 | 7.5% |
| Loan loss provisions | (347,275) | (281,410) | 23.4% |
| Operating expenses | (911,004) | (848,361) | 7.4% |
| Operating income | 756,919 | 744,966 | 1.6% |
| Non-operating loss | (21,714) | (72,279) | -70.0% |
| Income tax expense | (169,683) | (156,609) | 8.3% |
| **Consolidated net income from the banking sector** | **565,521** | **516,078** | **9.6%** |
| Consolidated net income | 685,541 | 586,276 | 16.9% |
| Net income attributable to non-controlling interests | 475,491 | 405,846 | 17.2% |
| **Net income attributable to owners of the controller** | **210,049** | **180,430** | **16.4%** |

## VII. Risk Analysis

Quiñenco and its subsidiaries and associates face risks inherent to their markets and economies in Chile and abroad. These risks reflect the prices, costs and sales volumes of the products and services manufactured and commercialized.

**Economic Environment**

The Company's businesses are primarily in Chile. Therefore, its operating results and financial position are largely dependent on the general state of the economy. While it is estimated that the Chilean economy grew by 1.0% in 2019, there is no assurance that it will continue to grow in the future. The factors that might have an adverse effect on the Company's business and the performance of its operations include slowdowns in the Chilean economy, a return to high inflation, fluctuations in foreign currencies, tax reforms, changes in the regulatory frameworks governing its subsidiaries' and associates' industries, increases in labor costs, a shortage of skilled labor, and potential structural reforms to the Constitution or laws during the constitutional reform process to be initiated in 2020. The Company's businesses in Chile are diversified across six economic sectors.

Apart from its operations in Chile, some of the Company's industrial businesses operate and export to companies that, in turn, operate in or export to Argentina, Peru, Colombia and other Latin American countries and the rest of the world, which on various occasions in the past have suffered from volatile, or at least unfavorable, economic, political and social conditions. The business, results and assets of the Company may be severely and adversely affected by events relating to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxes, expropriation, social instability and other political, economic or diplomatic events that affect the countries where the Company operates. The gradual globalization of some of the Company's businesses diversifies the risk associated with a sector or country.

The current global coronavirus pandemic or COVID-19 has been declared by the World Health Organization to be an international public health emergency, which has increased uncertainty and affected economies and markets around the world. The COVID-19 pandemic or epidemic implies the risk that the Company, its employees, suppliers, partners, subsidiaries and associates may be prevented from carrying out their business for an indefinite period. This may result in facilities being closed at the request of government authorities and potential difficulties arising in supply chains. The scope of this pandemic and its potential impact on the Company's business and financial situation cannot yet be quantified. Quiñenco and its subsidiaries have already taken measures to safeguard their employees and operational continuity.

**Competition**

Quiñenco believes that its businesses face a high level of competition. This is reflected in the prices, costs and sales volumes of the products and services produced and sold by Quiñenco's businesses. While the Company expects that its businesses will be capable of continuing to compete successfully in their respective areas based on its past experience and records, there is no certainty that competition will not continue to grow in the future, including a possible continued consolidation trend in some industries. The imbalance between supply and demand in the maritime shipping industry could affect shipping operators to a greater or lesser extent, depending on their operating fleet and the proportion and structure of their fleet that is owned rather than chartered in comparison to the industry. An imbalance between supply and demand can generate volatility in freight rates and in charter rates for leased ships. Greater competition and an imbalance between supply and demand could affect the profit margins and operating results of Quiñenco's businesses which, as a result, might significantly and adversely affect the dividend flows that Quiñenco receives from its businesses. However, the Company's businesses are diversified across various sectors and countries.

**Raw Materials Risk**

Fuels sold at Enex are primarily bought from Enap under annual supply contracts that regulate the formulas that index the prices of each product to relevant international market benchmarks, which in this case is the United States Gulf Coast. These contracts also reward compliance with monthly and annual purchase programs and apply fines when actual purchases are outside an agreed range. Enex has average inventories to cover around two weeks of sales, which reduces its exposure to price changes. Road Ranger sells fuels in the U.S. and has a wide range of suppliers, allowing it to change suppliers with relative ease and maintain an average inventory of less than one week's sales.

The Shell and Pennzoil brand lubricants sold by Enex are supplied by Shell which sets its prices based on trends in raw materials, production costs and local market conditions. Price changes are notified in advance, which are generally passed on in commercial contracts.

Fuel is an important cost component at CSAV. Most of CSAV's maritime freight sales are agreed with contracts and generally a percentage of those rates are subject to price adjustments, based on changes in the cost of fuel, or a Bunker Adjustment Factor ("BAF"). CSAV contracts fuel price hedges on volumes that are not covered by sales and contracts subject to fuel price adjustment clauses, or which are not at a fixed price, or for that portion of sales with this clause where the coverage is limited, in order to reduce the impact of potential upward volatility in fuel prices. On January 1, 2020, the new regulation on sulfide emissions imposed by the International Maritime Organization took force. Therefore, since January 1, 2019, the associate Hapag-Lloyd has gradually implemented an incremental cost recovery mechanism for the more refined fuel (Marine Fuel Recovery), determined by TEU.

**Concession Renewal**

The non-renewal of port concessions held by SM SAAM is a long-term risk, and is subject to future market conditions and negotiations with port authorities, which could affect the company's revenue. Concession renewals also depend on having achieved and maintained specific operational standards, which SM SAAM has amply fulfilled at all ports. This subsidiary also has various towage concessions.

**Banking Sector Risks**

The risk management policy at Banco de Chile aims to maintain an integrated, future-focused perspective on risk management, taking into account the current and forecast economic environment and the risk/return ratio of all products at the Bank and its subsidiaries. The spectrum of risk management covers financial risks (credit and market risks) and the non-financial risks (including, among others, the risk of loss resulting from inadequate processes, process failures, personnel or internal systems failures, external events, technological risks and cybersecurity). The Bank's credit policies and processes acknowledge the particularities of each market and segment, thus affording specialized treatment. Loan loss management is based on an overall strategy that combines the Bank's target markets and segments. Origination management in the retail segment largely uses models for both individuals and SMEs, with customers and market trends constantly being monitored. Origination management in the wholesale segment is based on a case-by-case expert analysis, with systematic monitoring of the individual portfolio. The Market Risk Division is in charge of limiting, controlling and reporting market risks for the Bank, which cover liquidity and price risks, as well as providing guidelines for its subsidiaries.

**Financial Risks**

***Credit Risk***

Surplus cash at the corporate level is invested with first-class Chilean and foreign financial entities under limits established for each entity, and which have a credit rating of at least the levels pre-established for each type of instrument.

The subsidiary Techpack manages the risk associated with financial assets in accordance with its investment policy. Cash surpluses and available funds are invested in accordance with its investment policy in low-risk fixed income instruments with institutions with strong credit ratings and diversified investment portfolios, subject to diversification limits by institution. Issuers and institutions that are subject to credit limits and investment limits are regularly reviewed to assess potential changes in their solvency that could affect the company.

Invexans manages the credit risk associated with financial assets or liabilities in accordance with its policies. Cash surpluses are invested in accordance with policy, in low-risk instruments (primarily time deposits) with institutions having strong credit ratings and within the limits established for each institution (funds are placed in a diversified manner). Management selects institutions with strong credit ratings for its financial hedges.

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. Cash surpluses are invested under market conditions in fixed-income instruments, according to the maturities of its financial commitments and operating expenses.

The subsidiary Enex manages customer credit risk in accordance with its credit policy and authorizations manual. Sales on credit terms are controlled by the management system by blocking purchase orders when the customer has past due debt or exceeds their previously agreed and approved credit limit. The Finance and Administration Department at Enex approves customer credit lines, with the support and recommendation of commercial areas, in accordance with a credit assessment model that takes into account both commercial and technical aspects. When considered appropriate, guarantees and other requirements are requested in support of the credit. Should the credit granted be insufficient to meet commercial needs, the case is taken to the credit committee.

Enex's financial investments are limited to fixed-income instruments, such as repurchase agreements and time deposits, with financial entities that are evaluated at least once a year, with exposure limits assigned by entity according to reports and opinions issued by prestigious and experienced credit rating agencies, in line with Enex's current treasury policy.

The subsidiary CSAV has a strict credit policy to manage its receivables portfolio, which is based on lines of credit and payment terms granted on the basis of an individual analysis of the solvency, payment ability, and general references of each customer, their shareholders, the industry and the customer's market, as well as its payment history with the company. These credit lines are reviewed at least annually and payment behavior and percentage utilization are monitored regularly. Agencies that represent CSAV are constantly monitored to ensure that the administrative, commercial, operational and collection processes, and their relationship with customers and suppliers complies with agreed contract terms.

CSAV supports its vessel and slot chartering contracts with third parties using charter party freight contracts and slot charter agreements. CSAV charters vessels to third parties and slots to other shipping companies, always taking into consideration the counterparty's creditworthiness. However, CSAV often leases slots from the same shipping companies to which it leases its own slots on other voyages and services, which significantly reduces the risk of default.

CSAV has an investment policy to manage its financial assets, which include time deposits and repurchase agreements, whereby its checking accounts and investments are held in financial institutions with investment grade credit ratings. Its risk control policy also includes taking hedge positions in interest rates, exchange rates and oil prices, with prestigious financial institutions within the industry that have investment grade credit ratings.

Credit granted to customers at SM SAAM is regularly revised, in order to apply the controls defined by the company, and to monitor the status of accounts pending collection.

Cash surpluses at SM SAAM can be invested in low-risk financial instruments.

See Note 28 Classes of financial assets and liabilities, for details of the balances of financial assets.

***Liquidity Risk***

Quiñenco finances its businesses and investments with dividend distributions from the companies in which it holds an interest, from the proceeds of asset sales and/or by issuing debt and shares.

Quiñenco prefers long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturities are compatible with cash flow generation.

The subsidiary Invexans regularly estimates its projected liquidity requirements for each period, covering cash to be received (rents receivable, dividends receivable, etc.), the respective payments (commercial, financial, etc.) and available cash, in order to avoid short-term external financing. Invexan's financing policy seeks funding sources with a balanced structure between short and long term, low-risk exposure and alignment with the cash flows generated by the company.

The capital management policy at the subsidiary Techpack aims to ensure the liquidity and availability of resources, and ensure that it has sufficient liquidity.

The subsidiary LQIF distributes dividends based on available cash flow taking into account the company's actual and forecast costs, including financial obligations. The main source of funds to pay interest and capital on the financial obligations of LQIF are the dividends received from its direct and indirect shareholdings in Banco de Chile. Consequently, its ability to meet the scheduled payments of interest and principal depends entirely on the ability of Banco de Chile to generate positive net income from its operations, and the agreements approved annually at shareholders' meetings regarding the distribution of dividends.

The subsidiary Enex regularly updates its short-term cash flow projections based on information received from its commercial areas. Enex has credit lines with its principal banks, in order to cover possible unexpected cash deficits.

CSAV is not directly exposed to the container business, but indirectly as main shareholder of Hapag-Lloyd. This limits liquidity risk to the expected flow of dividends or any additional capital required by this joint venture. CSAV has specific long-term borrowing to finance its investment in Hapag-Lloyd. CSAV has sufficient liquidity to cover its direct transport services. It has an available line of credit, if required.

The subsidiary SM SAAM estimates its forecast liquidity needs for each year, covering receipts such as customer receivables and dividends, payments such as commercial and financial liabilities, and available cash balances. SM SAAM ensures that financing has a balanced short and long-term structure, a low risk exposure and repayments match the company's cash flows.

See Note 22 on Other current and non-current financial liabilities for details of the balances and maturities of financial debt.

***Market risk*[12]**

### Exchange rate risk

As of December 31, 2019, the net corporate exposure to exchange rate risk is an asset equivalent to Ch$188,497 million. A 5% change in the exchange rate of currencies other than the functional currency would have an estimated effect on comprehensive income before taxes of Ch$9,425 million. This exposure is covered by derivatives contracted to eliminate or mitigate foreign exchange risk. As of December 31, 2019, corporate foreign exchange exposure arising from financial assets with related third parties is covered by derivatives contracted to eliminate or mitigate foreign exchange risks.

Exposure to exchange rate risk at the subsidiary Invexans derives from asset and liability positions held in currencies other than its functional currency, which is the US dollar, and the related appreciations/depreciations between both currencies. The Board and management at Invexans regularly review its net exposure to exchange rate risk, based on projecting the financial effects of changes in currencies other than the functional currency that would be generated by assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Invexans, financial derivatives may be contracted (primarily cross currency swaps) in order to mitigate these potential risks. As of December 31, 2019, the net exposure to exchange rate risk at Invexans is an asset equivalent to Ch$2,533 million. A 5% change in the exchange rate of currencies other than the functional currency would have an estimated effect on comprehensive income before taxes of Ch$127 million.

Exposure to exchange rate risk at the subsidiary Techpack arises from exchange differences on potential mismatches in asset and liability positions denominated in a currency other than the functional currency (US dollar). The Board and management of Techpack and its subsidiaries and associates regularly review their net exposure to exchange rate risk, based on projecting the financial effects of changes in currencies other than the functional currency that would be generated by assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Techpack, financial derivatives may be contracted (primarily cross currency swaps) in order to mitigate these potential risks. As of December 31, 2019, Techpack's net exposure to exchange rate risk is a liability equivalent to Ch$281 million. A 5% change in the exchange rate of currencies other than the functional currency would have an estimated effect on comprehensive income before taxes of Ch$14 million.

LQIF has no exposure to exchange rate risk as it has no foreign currency assets or liabilities as of December 31, 2019 and 2018.

The subsidiary Enex is exposed to exchange risk due to specific agreements with suppliers and customers agreed in a currency other than the functional currency (Chilean peso). The most important cases relate to the import of fuels, lubricants and bitumen where the obligation is generated and payable in US dollars. Enex has a policy of minimizing the net exposure (assets-liabilities) in foreign currencies using a regular currency purchase mechanism on the spot market, in order to mitigate this risk. As of December 31, 2019, the net exposure to exchange rate risk of Enex is a liability equivalent to Ch$105,760 million. A 5% change in the exchange rate of currencies other than the functional currency would have an estimated effect on comprehensive income before taxes of Ch$5,288 million.

CSAV has assets and liabilities primarily denominated in its functional currency, the US dollar. However, it also has assets and liabilities in other currencies. The company reduces the risk of exchange-rate fluctuations by regularly converting any balance in local currency that exceeds payment needs in that currency to US dollars. As of December 31, 2019, the net exposure to exchange rate risk of CSAV is a liability equivalent to Ch$1,397 million. A 5% change in the exchange rate of the

*(12) The exposure of financial assets and liabilities to market risk is measured on a consolidated basis, where any balances between subsidiaries have already been eliminated in consolidation. In some cases these individual balances may affect consolidated financial results with a corresponding equal effect on equity.*

US dollar against other currencies would have an estimated effect on comprehensive income before taxes of Ch$70 million.

The major currencies to which SM SAAM is exposed, other than the functional currency (US dollar), are the Chilean peso, Mexican peso and Canadian dollar. Usually SM SAAM mitigates volatility in its results, caused by net positions of assets and liabilities in foreign currencies, using hedging instruments. As of December 31, 2019, the net exposure to exchange rate risk at SM SAAM is a liability equivalent to Ch$162,089 million. A 5% change in the exchange rate of the US dollar against other currencies would have an estimated effect on comprehensive income before taxes of Ch$8,104 million.

Exchange differences produced by translating to Chilean pesos balances in the functional currencies of consolidated entities or associates whose functional currency is other than the Chilean peso, are recognized as a credit or charge to equity, until they are settled when they are recognized in net income.

Note 36 contains the detail of assets and liabilities by currency, which includes the financial assets and liabilities described here.

### Interest rate risk

As of December 31, 2019, at the corporate level Quiñenco has financial assets at fair value through profit and loss of Ch$234,282 million, which are subject to interest rate risk. A change of 10 basis points in the interest rate would generate an effect on finance income for the year of Ch$16 million.

Quiñenco has all its corporate obligations at fixed interest rates, which implies a low exposure to interest-rate risk.

Invexans has all of its financial obligations at protected interest rates.

As of December 31, 2019, Techpack has no financial obligations that cause interest rate risks.

LQIF has all its financial obligations at fixed interest rates, which implies a low exposure to interest rate risk.

Enex has all its financial obligations at fixed interest rates, which implies a low exposure to interest rate risk.

CSAV has 68.1% of its obligations at fixed rates and 31.9% at variable rates.

SM SAAM has 57.3% of its obligations at fixed rates, 33.3% at protected rates and 9.4% at variable rates.

The consolidated interest-rate structure is detailed in the table below. As can be seen, the consolidated interest-rate risk is low, as 95.2% of debt is structured with fixed or protected interest rates.

| CONSOLIDATED FINANCIAL LIABILITIES BY INTEREST RATE TYPE | 12/31/2019 | 12/31/2018 |
|---|---|---|
| Fixed interest rate | 87.9% | 93.4% |
| Protected interest rate | 7.3% | 0.8% |
| Variable interest rate | 4.8% | 5.8% |
| **Total** | **100.0%** | **100.0%** |

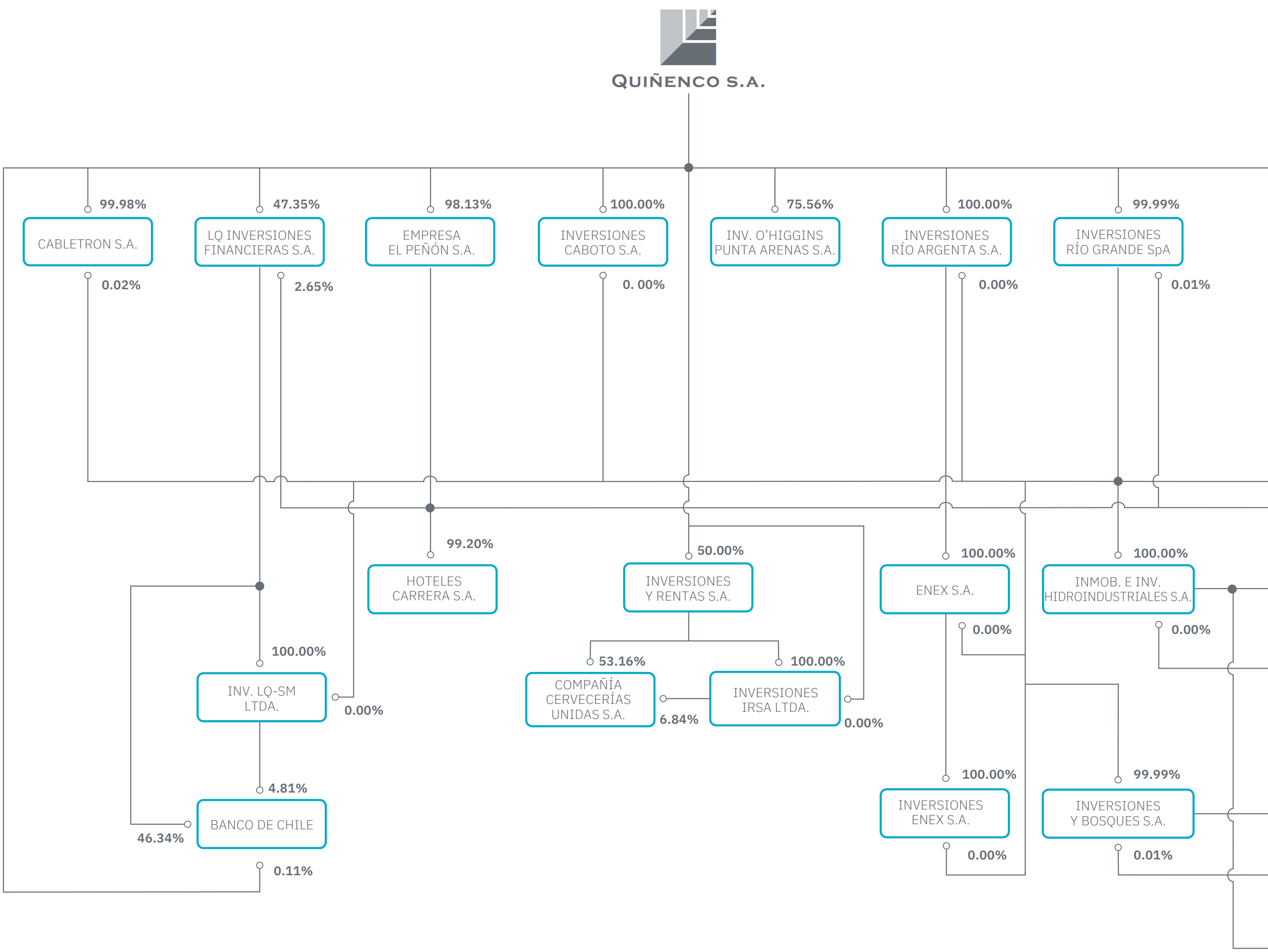
As of December 31, 2019, the consolidated exposure to variable interest rates was a liability of Ch$87,987 million. A 100 basis point change in the interest rate would generate an effect on finance costs for the 12-month period of Ch$880 million.

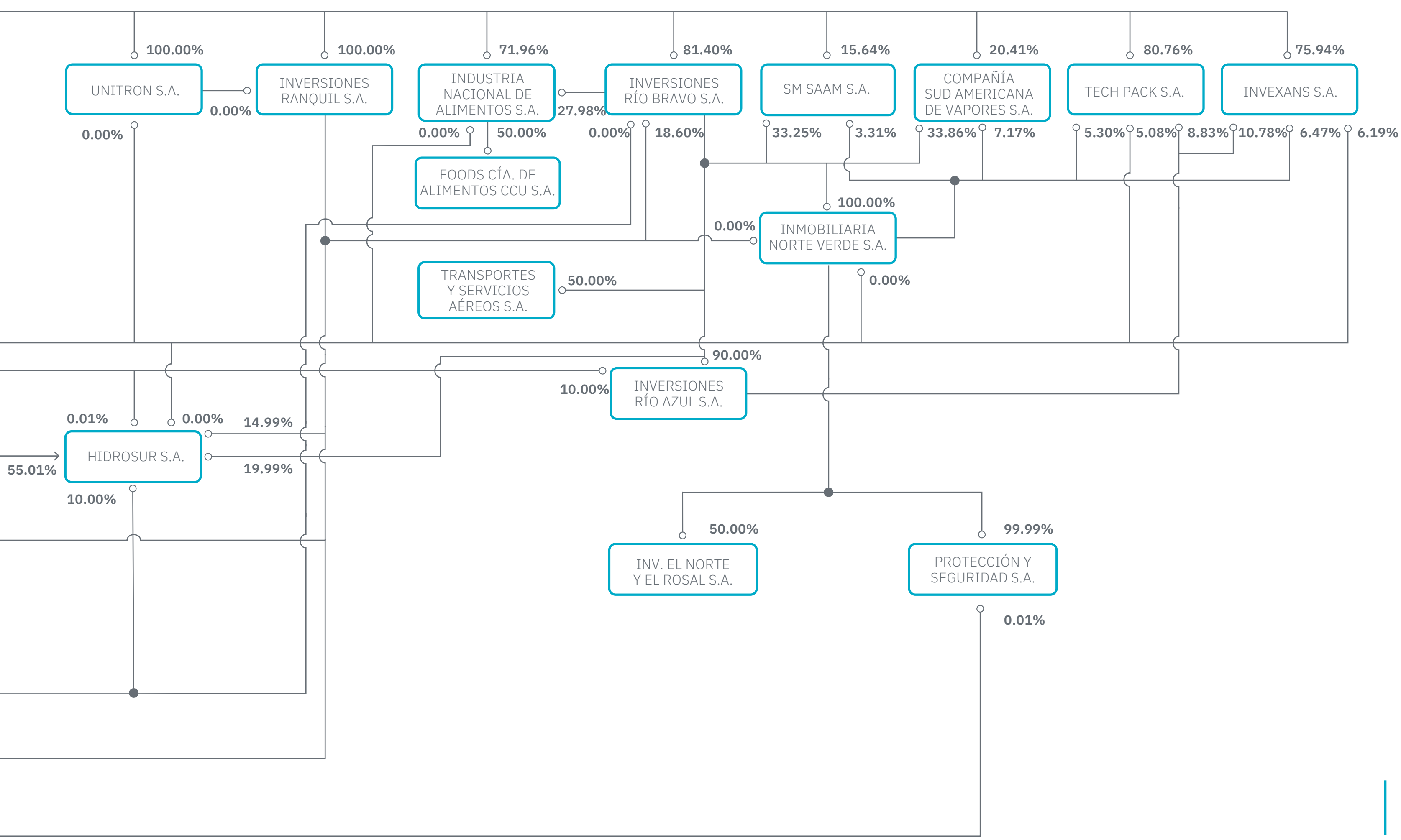
# CORPORATE STRUCTURE

SUBSIDIARIES AND AFFILIATE COMPANIES
AS OF DECEMBER 31, 2019

# QUIÑENCO S.A.

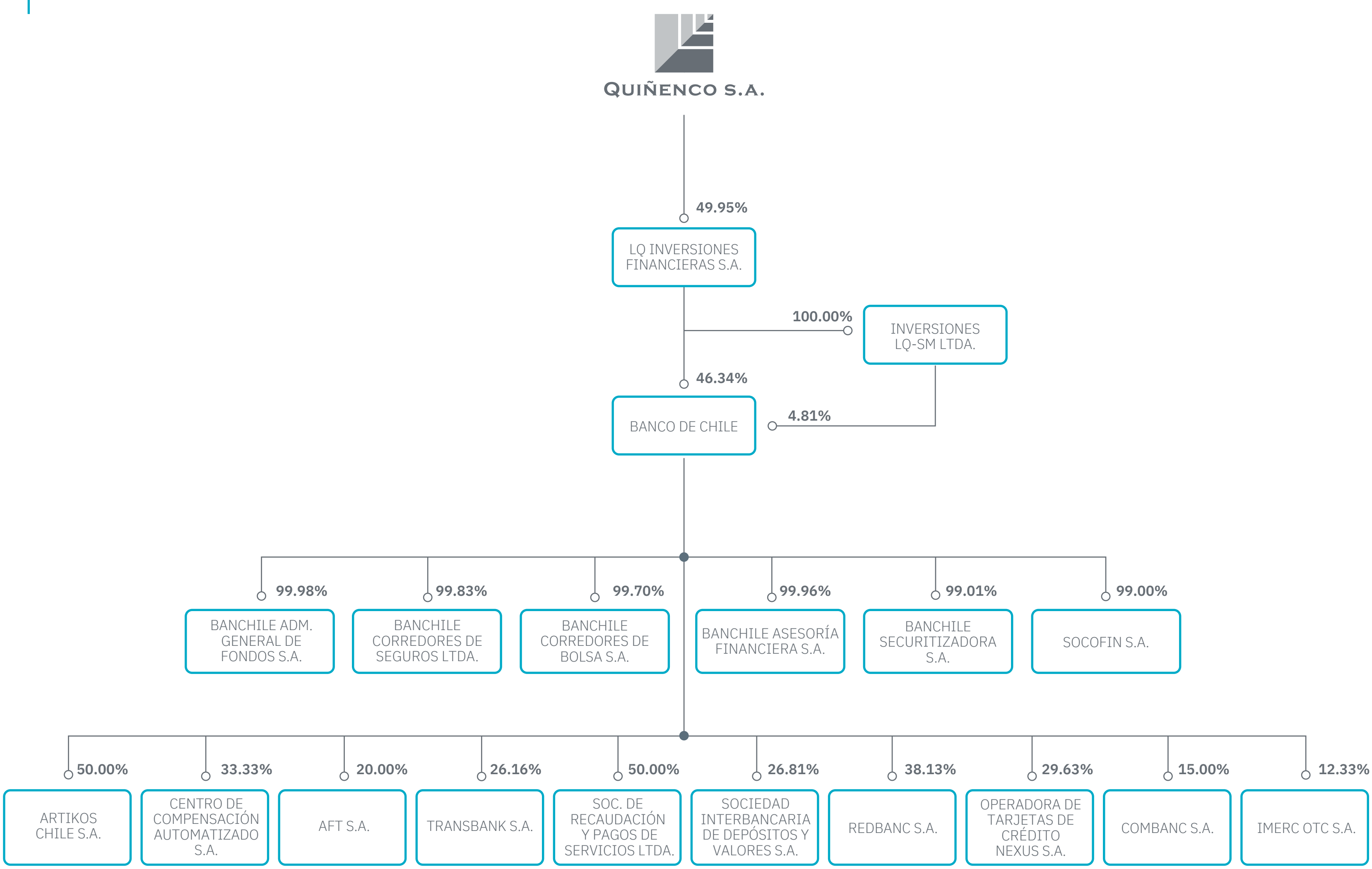
## SUBSIDIARIES AND AFFILIATES




UNITRON S.A.
INVERSIONES RANQUIL S.A.
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
INVERSIONES RÍO BRAVO S.A.
SM SAAM S.A.
COMPAÑÍA SUD AMERICANA DE VAPORES S.A.
TECH PACK S.A.
INVEXANS S.A.
FOODS CÍA. DE ALIMENTOS CCU S.A.
INMOBILIARIA NORTE VERDE S.A.
TRANSPORTES Y SERVICIOS AÉREOS S.A.
INVERSIONES RÍO AZUL S.A.
HIDROSUR S.A.
INV. EL NORTE Y EL ROSAL S.A.
PROTECCIÓN Y SEGURIDAD S.A.
100.00%
100.00%
71.96%
81.40%
15.64%
20.41%
80.76%
75.94%
0.00%
0.00%
27.98%
0.00%
50.00%
0.00%
18.60%
33.25%
3.31%
33.86%
7.17%
5.30%
5.08%
8.83%
10.78%
6.47%
6.19%
100.00%
0.00%
50.00%
0.00%
90.00%
10.00%
0.01%
0.00%
14.99%
55.01%
19.99%
10.00%
50.00%
99.99%
0.01%

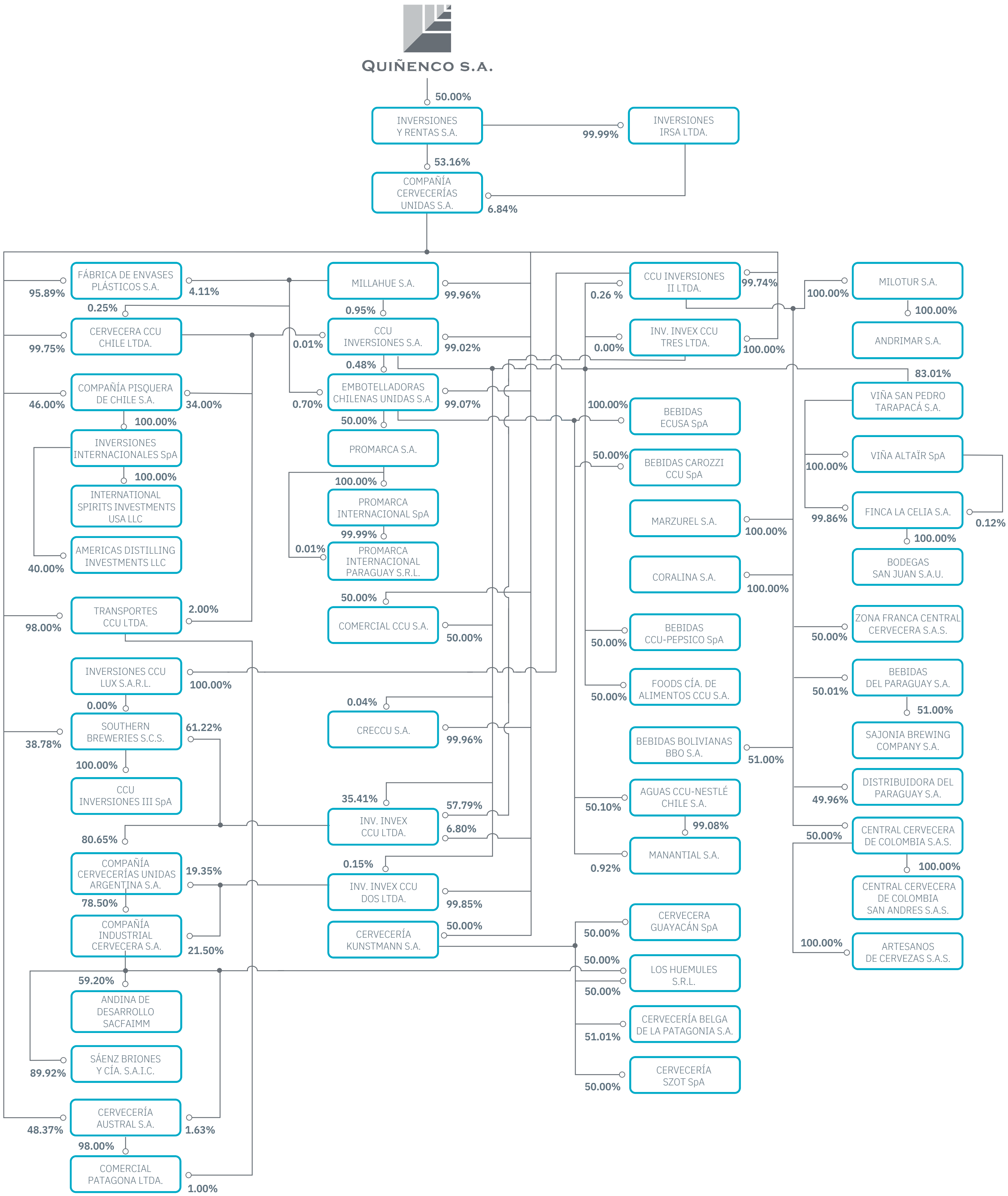
# LQ INVERSIONES FINANCIERAS S.A.

## SUBSIDIARIES AND AFFILIATES



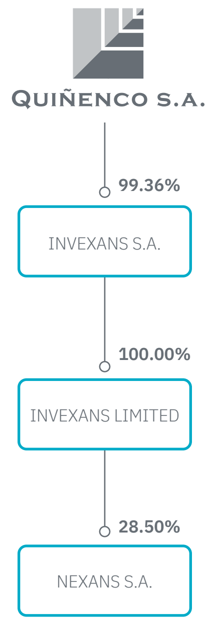
# COMPAÑÍA CERVECERÍAS UNIDAS S.A.

## SUBSIDIARIES AND AFFILIATES



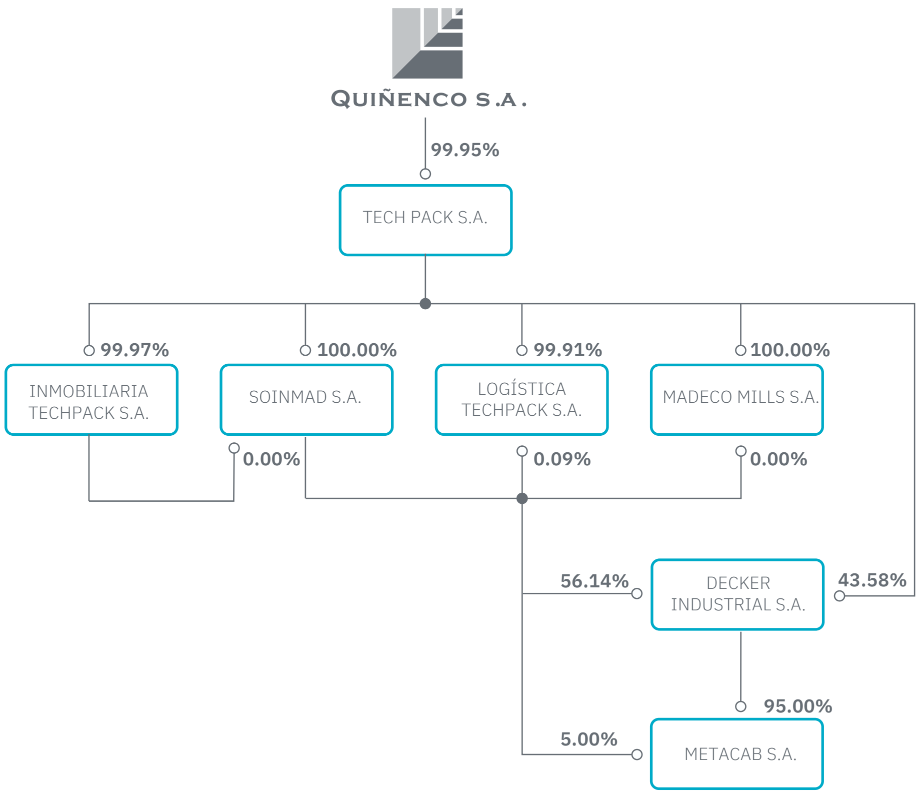
# INVEXANS S.A.

## SUBSIDIARY AND AFFILIATE



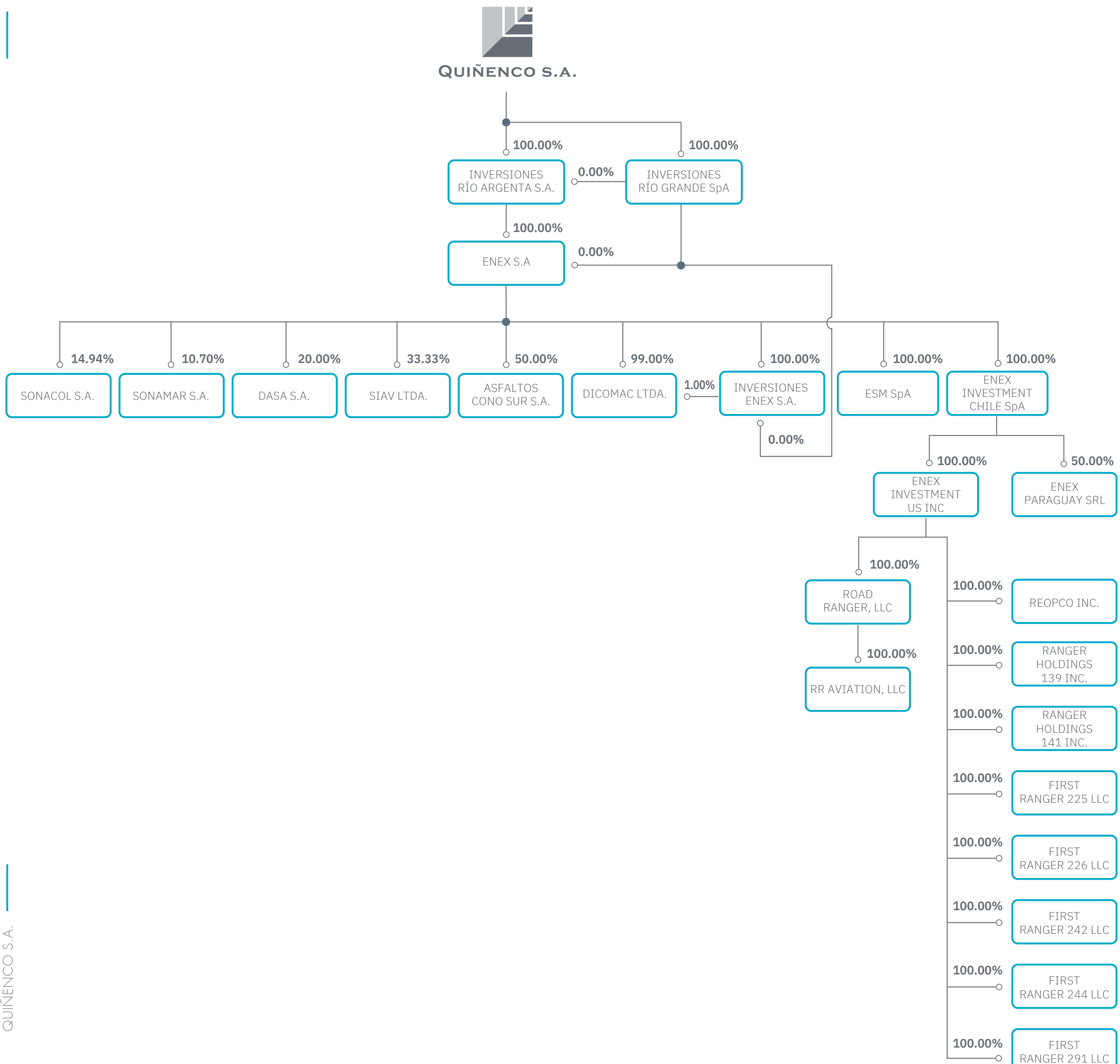
# TECH PACK S.A.

## SUBSIDIARIES AND AFFILIATES



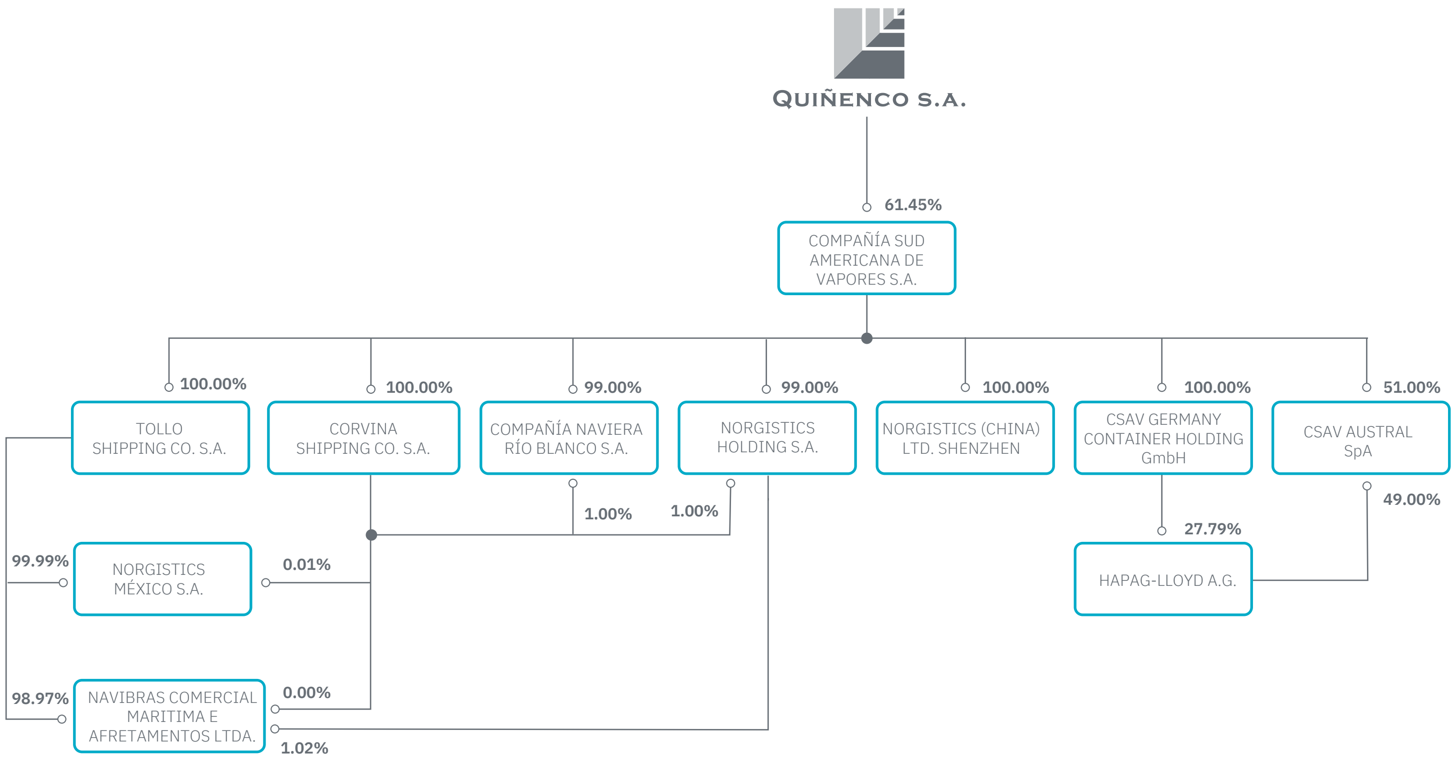
# EMPRESA NACIONAL DE ENERGÍA ENEX S.A.

## SUBSIDIARIES AND AFFILIATES



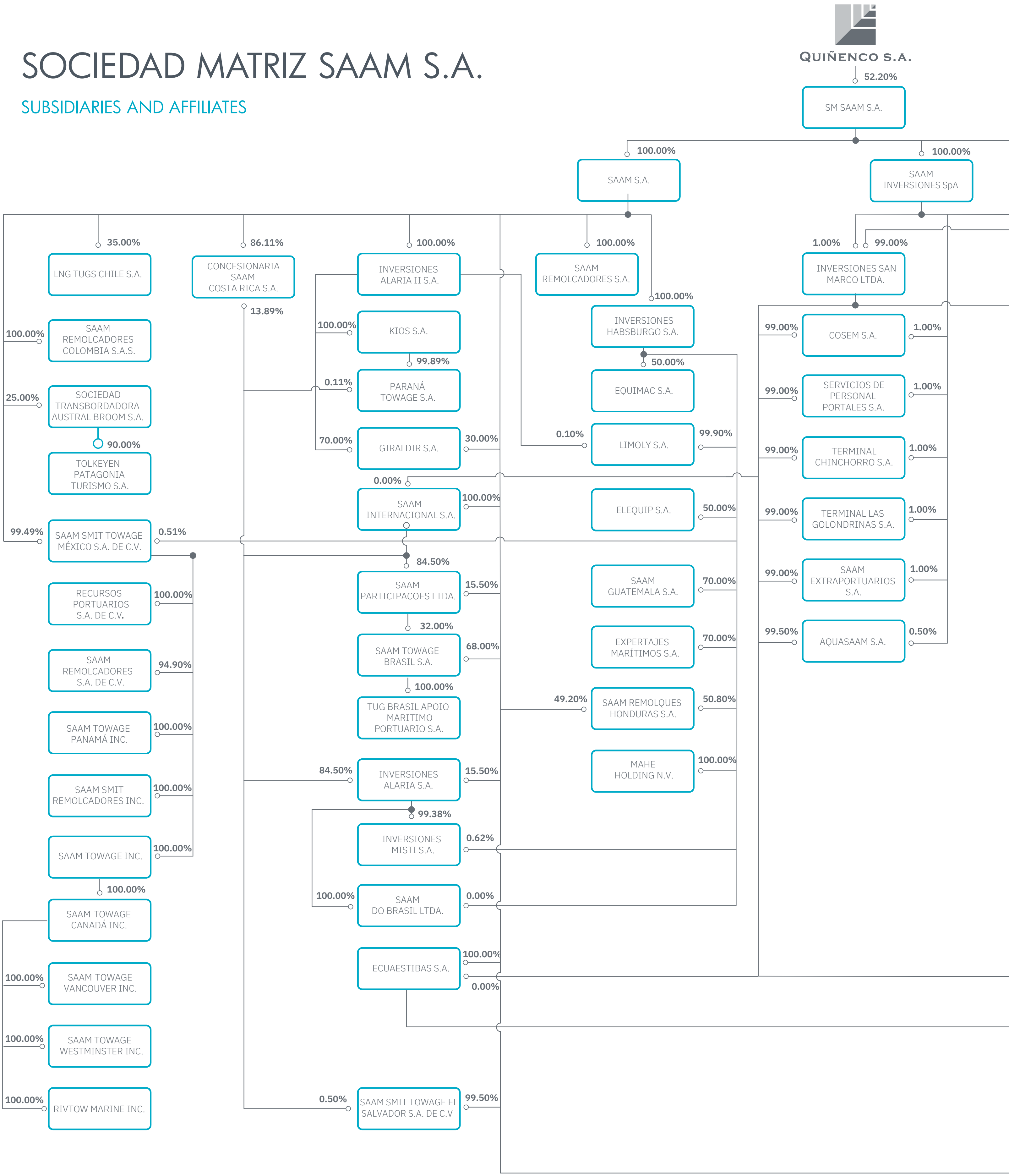
# COMPAÑÍA SUD AMERICANA DE VAPORES S.A.

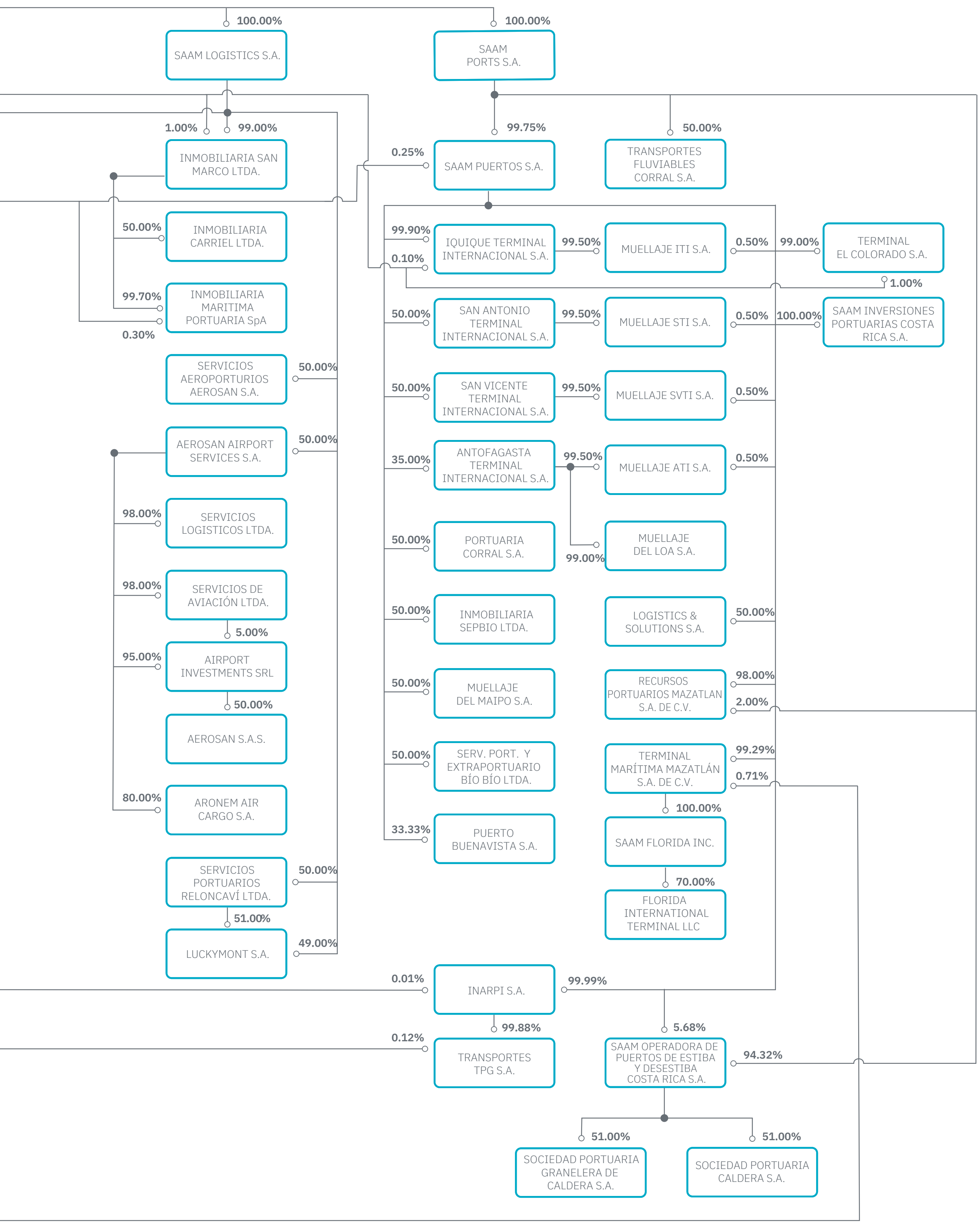
## SUBSIDIARIES AND AFFILIATES



# SOCIEDAD MATRIZ SAAM S.A.

## SUBSIDIARIES AND AFFILIATES




100.00%
SAAM LOGISTICS S.A.
100.00%
SAAM PORTS S.A.
1.00%
99.00%
INMOBILIARIA SAN MARCO LTDA.
99.75%
SAAM PUERTOS S.A.
0.25%
50.00%
TRANSPORTES FLUVIABLES CORRAL S.A.
50.00%
INMOBILIARIA CARRIEL LTDA.
99.70%
INMOBILIARIA MARITIMA PORTUARIA SpA
0.30%
SERVICIOS AEROPORTURIOS AEROSAN S.A.
50.00%
AEROSAN AIRPORT SERVICES S.A.
50.00%
98.00%
SERVICIOS LOGISTICOS LTDA.
98.00%
SERVICIOS DE AVIACIÓN LTDA.
5.00%
95.00%
AIRPORT INVESTMENTS SRL
50.00%
AEROSAN S.A.S.
80.00%
ARONEM AIR CARGO S.A.
SERVICIOS PORTUARIOS RELONCAVÍ LTDA.
50.00%
51.00%
LUCKYMONT S.A.
49.00%
99.90%
0.10%
IQUIQUE TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE ITI S.A.
0.50%
99.00%
TERMINAL EL COLORADO S.A.
1.00%
50.00%
SAN ANTONIO TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE STI S.A.
0.50%
100.00%
SAAM INVERSIONES PORTUARIAS COSTA RICA S.A.
50.00%
SAN VICENTE TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE SVTI S.A.
0.50%
35.00%
ANTOFAGASTA TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE ATI S.A.
0.50%
50.00%
PORTUARIA CORRAL S.A.
MUELLAJE DEL LOA S.A.
99.00%
50.00%
INMOBILIARIA SEPBIO LTDA.
LOGISTICS & SOLUTIONS S.A.
50.00%
50.00%
MUELLAJE DEL MAIPO S.A.
RECURSOS PORTUARIOS MAZATLAN S.A. DE C.V.
98.00%
2.00%
50.00%
SERV. PORT. Y EXTRAPORTUARIO BÍO BÍO LTDA.
TERMINAL MARÍTIMA MAZATLÁN S.A. DE C.V.
99.29%
0.71%
100.00%
33.33%
PUERTO BUENAVISTA S.A.
SAAM FLORIDA INC.
70.00%
FLORIDA INTERNATIONAL TERMINAL LLC
0.01%
INARPI S.A.
99.99%
99.88%
0.12%
TRANSPORTES TPG S.A.
5.68%
SAAM OPERADORA DE PUERTOS DE ESTIBA Y DESESTIBA COSTA RICA S.A.
94.32%
51.00%
SOCIEDAD PORTUARIA GRANELERA DE CALDERA S.A.
51.00%
SOCIEDAD PORTUARIA CALDERA S.A.

QUIÑENCO S.A.

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