Scotiabank Chile
Management Commentary
June 2023

Scotiabank

Contents

Note

Scotiabank Chile has prepared this document following the guidelines of IFRS Practice Statement No. 1 "Management Commentary", presenting useful information for investors, financiers and other creditors that contribute to the understanding of the entity's financial position related to the Consolidated Financial Statements as at June 30, 2023.

1. NATURE OF THE BUSINESS

Brief history of Scotiabank Chile

Scotiabank Chile is part of The Bank of Nova Scotia Group, Canada's third largest bank, an institution with 191 years of history and footprint in over 30 countries, listed on the Toronto (TSX: BNS) and New York (NYSE: BNS) stock exchanges, being a leading bank in the Americas and the only one with operations in Canada, the United States and the Pacific Alliance countries.

Scotiabank has been operating in Chile since 1990, after acquiring ownership of Banco Sud Americano. In 2007, it expanded its market share by acquiring Banco del Desarrollo, thereby incorporating new business segments. Subsequently, in 2015, it partnered with Cencosud in the credit card business, through a 15-year alliance with which Scotiabank took control of 51% of Cencosud Administradora de Tarjetas (CAT).

In 2018, the Bank finalized the acquisition of BBVA Chile, a transaction that transformed it into one of the most important financial institutions in Chile, reaching the category of systemically important bank.

Having approximately 6,000 employees, Scotiabank Chile is engaged in helping its customers improve their financial position, delivering disruptive, simple and flexible products and services to its customers, not only through its network of 109 branches from Arica to Punta Arenas and 19 remote assistance Connect branches, but also through its Digital Banking.

Market positioning in the relevant segments

Scotiabank's market share in total loans as at May[1] 2023, excluding branches and subsidiaries abroad, reached 14.54%, equivalent to CLP 32,804,255 million. It ranks fourth among its competitors, down 6 basis points compared to May 2022.

Of the aforementioned total, commercial loans (including education) reached CLP 15,046,088 million, recording market share of 12.52%. Market share in consumer loans recorded 13.90%, equivalent to CLP 3,886,904 million, whereas market share in mortgage loans recorded 17.92%, equivalent to CLP 13,871,263 million.

As at May[1], 2023, Scotiabank's liabilities record total deposits of CLP 18,581,872 million, of which CLP 14,052,780 million correspond to term deposits and CLP 4,529,092 million to on-demand deposits. Accordingly, Scotiabank Chile's market share in total deposits, excluding branches and subsidiaries abroad, reached 11.29% as at May 2023, up 15 basis points compared to May 2022.

Significant environment features

International scenario

Globally, inflation has continued to decrease at a headline level, although underlying inflation has dropped more gradually. Activity data for Q1 2023 exceeded expectations, especially in China. However, growth outlook in GDP for 2023 and 2024 remains weak. Financial conditions will remain tight in the next few months, whereas the uncertainty will continue to be high and a more restrictive monetary policy is expected in the main world economies, considering the challenge of reducing the inflation level.

Central Banks continued to indicate increase outlook for benchmark interest rates, in response to the high and persistent inflation levels. The European Central Bank increased the monetary policy rate by 25 bps at its meeting of June, whereas the U.S. Federal Reserve maintained the rate although it indicated it may increase it twice again during the remainder of 2023.

[1] For data on loans and deposits figures as at May 2023 have been considered as no public information is available as at June.

In the interim, the degree of uncertainty regarding the evolution of the financial position has decreased. The authorities in the countries involved in insolvency cases by certain banks quickly made decisions to contain the impact, which has reduced financial volatility levels.

Local political environment

The political environment in Chile is marked by the structural reforms that the Government submitted to the Congress towards the end of last year and recently by the progress in the constitution-making process. The Tax Reform was rejected in the Chamber of Deputies, so the government is currently holding discussions to reach a broad agreement on this matter and submit a new proposal in the next few months. Note that the Government's initial proposal considered collection level as a percentage of GDP of 5%, which was successively moderated during the processing in the Chilean Congress reaching 3.5% of GDP, which was finally rejected by the Chilean Congress. As it has been announced, the new initiative to be submitted by the Government would have the objective of collecting a percentage close to 2% of GDP. Because of the commitments that depend on tax reform collection -mainly financing the Pension Reform-, we continue to raise upside risks on the level of gross debt projected by the Ministry of Finance for the next few years (approximately 40% of GDP).

In the fourth quarter of prior year, the Government presented the Pension Reform, which aims to raise the level of current and future pensions mainly through an increase in the Universal Guaranteed Pension and mandatory savings. The cost of this reform is estimated to amount between 1.5% and 2% of GDP in regime, where the main questions come from the efficiency that the new government entity will have to manage the funds and the destination of the individual contribution payment funds. Regarding the last point, the Government has indicated its willingness to allow that at least 2% of extra contribution payments are allocated to individual accounts. Through the present date, the bill continues its discussion in the Chilean Congress.

The new constitutional process began in March, where the Expert Commission took office at the beginning of that month (24 members elected by the Chilean Congress) and continued in May with the election of the constituent councillors (51 members), where the opposition to the Government obtained a large majority, greater than the 2/3 quorum, which allows it to achieve a veto power over any constituent initiative. Currently, the Council elected is in the process of discussing the proposal submitted by the Expert Commission. The process will end with an exit plebiscite on December 17, 2023.

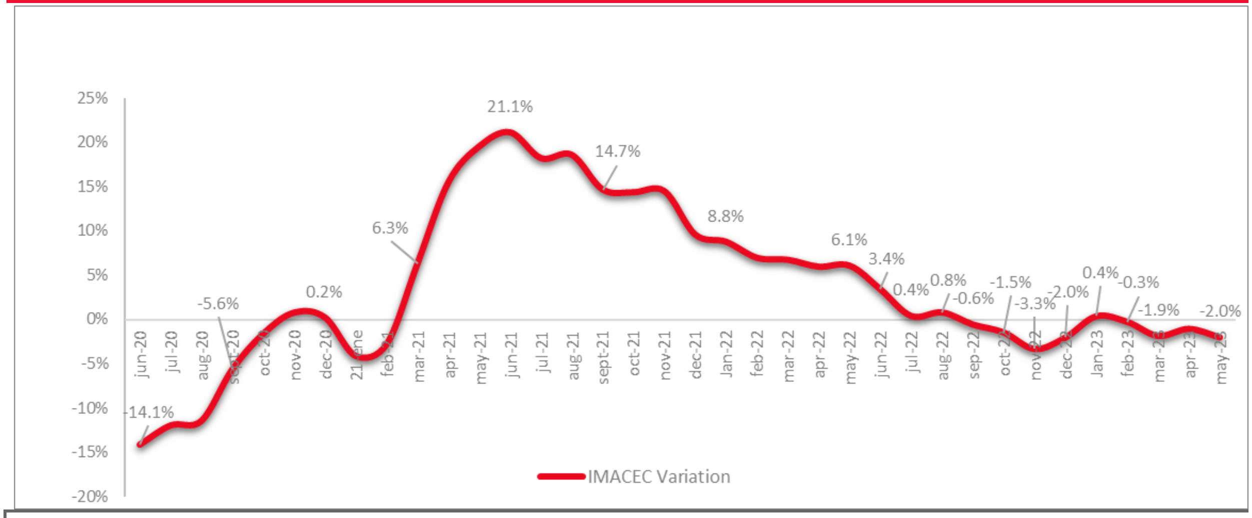
Economic activity level

The economy continues its adjustment process of the macro imbalances generated after the COVID-19 crisis and the extraordinary fiscal and monetary impulses. In 2022, GDP expanded 2.4%, thanks to growth in private consumption (2.9%) and investment (2.8% YoY). During the second half of 2023, GDP has accelerated its convergence, showing greater weakness in most non-mining industries, especially in commerce, which has shown significant drops from March. Services have also begun to show less dynamism, in line with the slow pace in public investment so far this year, especially in public works. In addition, large private investment projects in mining and the lack of new projects in employment-intensive sectors such as real estate are lagging behind. Accordingly, in May, the Monthly Economic Activity Index (IMACEC) contracted by 2% YoY, recording a drop of 0.5% m/m, where the non-mining sectors showed zero growth and the mining industry contracted by 3.5% m/m.

The lower external momentum and the low dynamism of private investment and consumption in the year will result in negative YoY growth rates for part of 2023. According to the Banco Central de Chile, the GDP growth range for this year fluctuates between 0.25% and -0.5%.

Figure No. 1

Variance in the Monthly Economic Activity Index (IMACEC)[2]
(variance % YoY)



Source: Banco Central de Chile.

Inflation

Following the peaks reached in 2022, inflation continues on a downward trajectory (see Table No.1). Although the inflationary records for January and March were high, no additional inflationary pressures other than those generated by second round effects were noted. In fact, the June CPI was negative (-0.2% m/m), reflecting genuinely lower generalized inflationary pressures within the basket.

In this regard, the appreciation of the peso has been consolidated in recent months, where it has fluctuated around Ch$800. On the other hand, the deterioration in the labour market, the restrictive financing conditions, the restocking of inventories and the depletion of household liquidity continue. However, inflation is forecasted to end 2023 recording a 12-month growth of 4.2%, according to Banco Central de Chile. In Scotiabank, we forecast that inflation will end at 3.7% this year.

Table No.1: Variance in CPI over the last 12 months (%)

Month	Monthly	Accumulated	Last 12 months
March 2022	1.9	3.4	9.4
April 2022	1.4	4.7	10.5
May 2022	1.2	5.9	11.5
June 2022	0.9	6.9	12.5
July 2022	1.4	8.3	13.1
August 2022	1.2	9.5	14.1
September 2022	0.9	10.3	13.7
October 2022	0.5	10.8	12.8
November 2022	1.0	11.8	13.3
December 2022	0.3	12.1	12.8
January 2023	0.8	0.8	12.3
February 2023	-0.1	0.7	11.9
March 2023	1.1	1.8	11.1
April 2023	0.3	2.1	9.9
June 2023	0.1	2.2	8.7
July 2023	-0.2	2.0	7.6

[2] For IMACEC purposes, data considered figures as at February 2023 because as at June no public information was available.

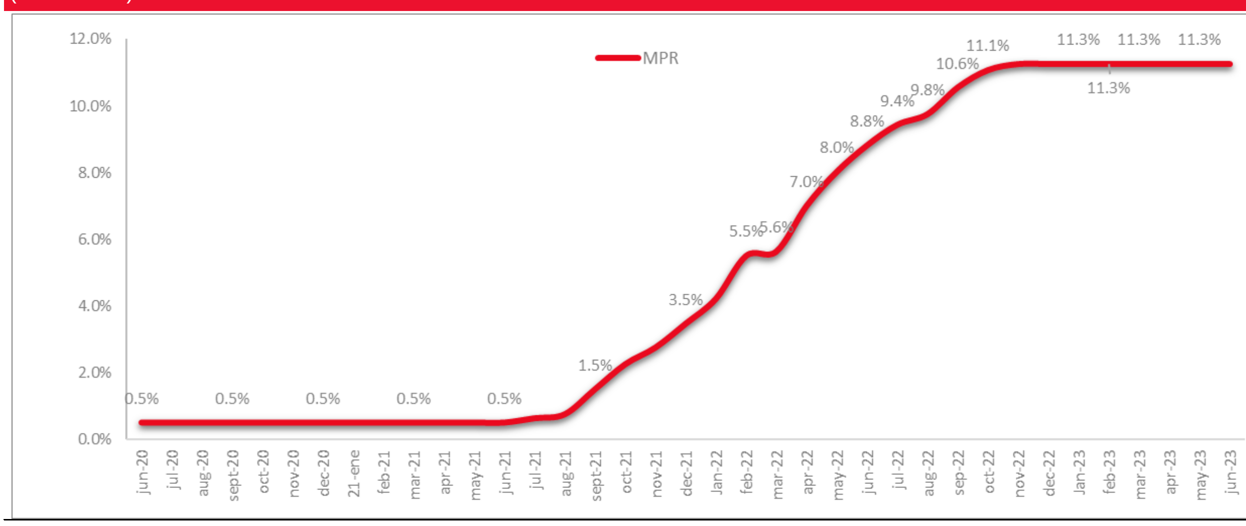
Interest rate

At its June 2023 meeting, the banco Central de Chile -in a divided manner- decided to maintain the benchmark interest rate at 11.25%, stating that "the MPR will begin reducing in the short term". At the same time, it recognizes that inflation expectations over the policy horizon have re-anchored at 3%.

The disinflationary surprises accumulated in the last two months will lead, according to Bloomberg's survey of economists, to a MPR cut of between 50 bps to 100 bps at the July 28 meeting. In this scenario, we note flexibility from Board to act according to the new figures and modify its view of terminal MPR for 2023 and 2024 before unveiling the new September Monetary Policy Report (MPR). In Scotiabank we continue to assess the MPR between 6.5% and 7.5% as at December 2023.

Figure No. 2

Monetary Policy Rate Evaluation
(Variance %)



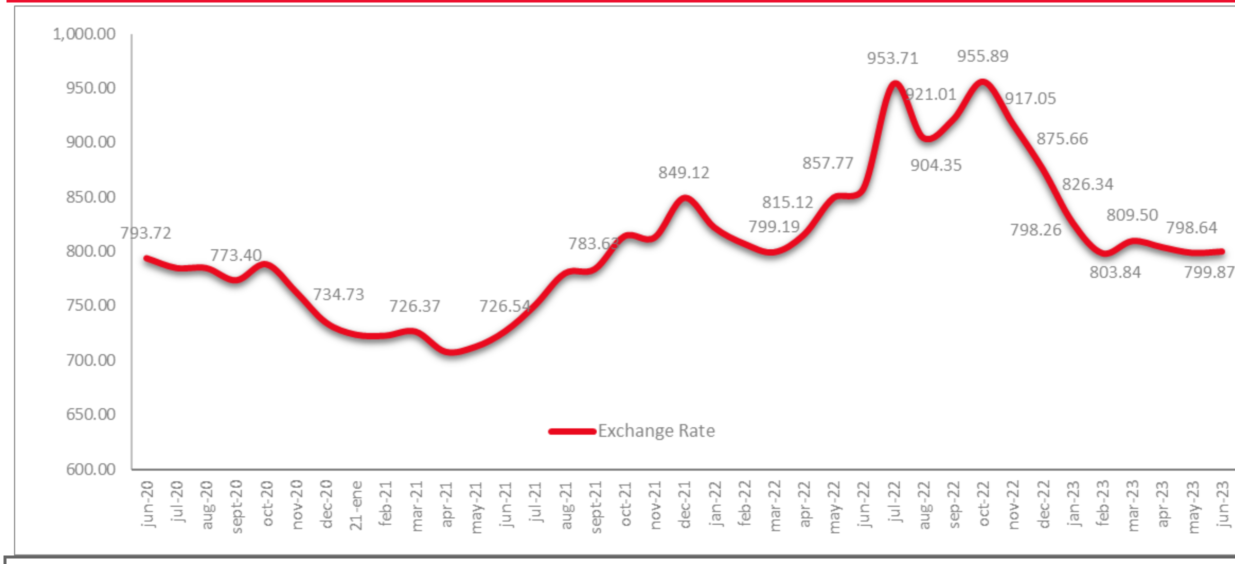
Source: Banco Central de Chile.

Exchange rate

In recent months, the nominal exchange rate has fluctuated around Ch$800 per U.S. dollar, showing less volatility in recent weeks. Certain elements that explain this evolution relate to global depreciation of U.S. dollar in the most recent period-due to expectations of further increases in the Fed's interest rate-as well as a drop in the price of copper. However, the reduction in the level of political uncertainty has contributed to reduce the exchange rate level, as the political punishment accumulated by the CLP has significantly reduced. In addition, the Ministry of Finance announced the sale of U.S. dollars until September, whereas the Banco Central de Chile continues to reduce the pace of forward U.S. dollar sales and at the same time is rebuilding international reserves. At the closing date of this report, the exchange rate was being traded at Ch$805 per US$1.00.

Figure No. 3

Exchange rate fluctuation, CLP/USD
(Variance %)



Source: Banco Central de Chile.

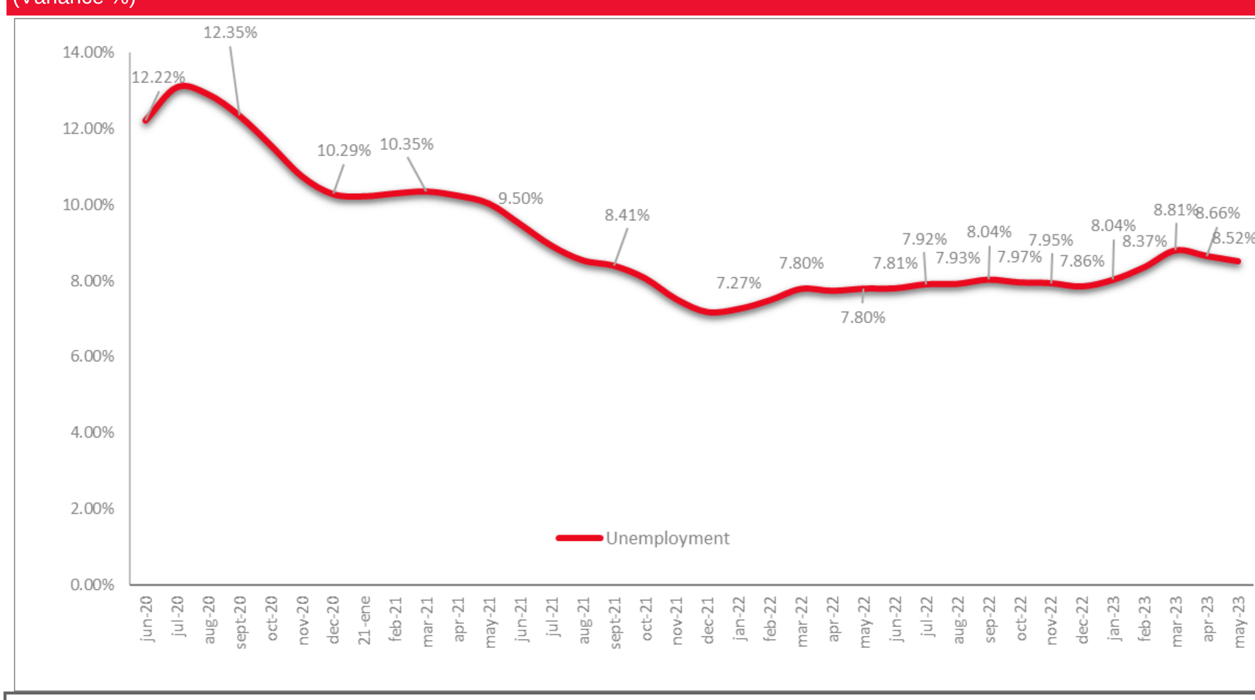
Labour market

Most recently, the unemployment rate decreased to 8.5% (quarter ended May 2023), which was explained by a smaller increase in the labour force (+0.2%) compared to job creation (+0.3%). In this regard, 28 thousand new jobs were created, with the creation of 37 thousand private salaried jobs, mainly in the Commerce sector. This is difficult to explain for the time being, because of the successive decline in sales and activity in such industry.

Beyond the surprising rise in the Commerce industry, the labour market remains weak, with little job creation in most industries and even destruction in certain services. Meanwhile, employment in the public sector - after a significant contribution in the first quarter - has begun to normalize.

Figure No. 4

Unemployment rate[3]
(Variance %)



Source: Banco Central de Chile.

[3] The unemployment rate considered figures as at February 2023 because as at June no public information was available.

Legal and regulatory environment

Main authorities regulating financial institutions in Chile are the Financial Market Commission (CMF) and Banco Central de Chile. Chilean banks are subject primarily to the General Banking Law and, to the extent not inconsistent with their bylaws, to the provisions of the Chilean Corporations Law governing corporations, except for certain provisions that are expressly excluded. The most recent reform to the General Banking Law was approved in January 2019, where the most relevant change related to the adoption of the most recent standards issued by the Basel Committee (Basel III).

CMF is the single supervisor of the Chilean financial system and supervises insurance companies, publicly-listed companies, credit unions, credit card issuers and banks. The CMF's main responsibility is to ensure the proper operation, development and stability of the financial market, facilitating the participation of market agents and defending public faith in the financial markets.

The regulator examines all banks on a regular basis, usually at least once a year. Banks are also required to submit their financial statements to the CMF on a monthly basis and at least quarterly they must publish their financial statements in a newspaper circulating nationwide. In addition, banks are required to provide information on their operations to the CMF at several periodic intervals. A bank's annual financial statements and the opinion of its independent auditors must also be filed with the CMF. In addition, interim financial statements as at June 30 must include a review report of the interim financial information issued by the independent auditors.

The CMF and the Central Bank of Chile act coordinately, in particular considering the responsibility of each in preserving financial stability within the framework of their respective legal competencies.

Banco Central de Chile is an autonomous agency, of constitutional rank, of a technical nature, with legal personality, its own equity and indefinite duration. The legal purpose of Banco Central de Chile is to maintain the stability of the Chilean peso and the orderly operation of the internal and external payment systems. Banco Central de Chile also has powers to regulate the financial system and capital markets, which are aimed at ensuring that banks and other financial institutions perform their activities in a safe and orderly manner, and to promote the efficient and reliable operation of payment systems and means of payment. Complementarily, it has the power to safeguard the stability of the financial system, which allows it to act in the event of crisis scenarios, which it does through financial policy.

Main products, services and business processes

Scotiabank Chile is positioned as a universal bank offering a great variety of products and financial services to several kinds of customers, ranging from major corporations and financial institutions to low/medium income individuals, which are classified in different business segments referred to their business characteristics. The Bank creates value in a sustainable manner, giving customers the opportunity to choose their according to their interests and needs, from a range of financial products and services for our diverse segments.

Scotiabank Chile operates in 5 main market segments, which correspond to Retail Banking, Wholesale Banking, Card Administration (CAT), Treasury and Others, each of which is summarized below.

Retail

Personal Banking: This segment addresses individual customers whose monthly income is over CLP 200 thousand. The main products offered by the Bank in this segment include consumer loans, overdraft credit line, credit cards, and mortgage loans. In addition, the Bank has liability products for this tranche, and offers chequing accounts and diverse saving products such as term deposits, agreements, mutual funds and short-term investments. In addition, the Bank provides this segment of customers with a variety of financial services such as purchase and sale of foreign currency, shares and insurance products, among others. In addition to the traditional customer service points, it also provides these customers with a complete self-service and self-management model through the web and the mobile application, which allows customers to perform a wide variety of transactions autonomously through its digital channels.

SME Banking: Efforts for this segment are focused on attracting and linking corporate customers and individuals with business activities, belonging to different economic sectors such as services, commerce, transportation and agriculture, and where annual sales do not exceed USD 4 million. The Bank's value proposition is based on providing financial services of excellence through asset and liability products, such as commercial loans, *lease contracts,* factoring transactions, chequing account plans, insurance, investment products, foreign trade and cash management.

Wholesale

This business segment includes enterprise customers with annual sales over USD 4 million and corporate customers with annual sales over USD 150 million. The main products offered by the Bank to this segment include working capital financing, foreign trade loans, *lease operations, factoring* transactions and structured finance (syndicated loans, Project finance, etc.).

These customers also use liability products such as domestic and foreign currency chequing accounts, term deposits and mutual funds.

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

CAT

This segment groups credit cards and consumer loans offered within the framework of the binding partnership agreement entered into with Cencosud S.A., by way of which the bank acquired 51% of the shares of CAT Administradora de Tarjetas de Crédito S.A. (“CAT”) and of CAT Corredores de Seguros y Servicios S.A., with the purpose of the joint and exclusive performance of the financial retail business of Cencosud in Chile.

Treasury

This segment performs the global functions of interest rate risk management, structural exchange rate position, inflation position and liquidity risk management. The latter, through issuance and fund raising, in addition to the management of the available-for-sale investment portfolio. Likewise, the Bank's own resources, the capital endowment made to each unit and the cost of financing the investments made are also managed. The segment includes revenue associated with the management of the investment portfolio and gains or losses from the management of interest rate and inflation risks.

Other

This segment includes all items that bear no connection with customer segments and other minor income and expenses not related to any of the above-mentioned lines of business.

Each segment's performance can be observed in Table No.2.

Table No.2: Performance by segment

Quarter ended June 30, 2023 MCLP	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	132,627	76,652	68,706	-111,307	158	166,836
Other income	30,897	54,095	21,558	109,687	19,322	235,559
Equity in net income of investees	0	0	0	0	1,377	1,377
Total operating income	**163,524**	**130,747**	**90,264**	**-1,620**	**20,857**	**403,772**
Operating expenses	-73,057	-29,696	-31,654	-1,825	-5,749	-141,981
Depreciation and amortization	-9,077	-2,714	-2,928	-229	-1,656	-16,604
Provisions	-35,691	-9,605	-45,277	0	1,145	-89,428
Segment operating profit (loss)	**45,699**	**88,732**	**10,405**	**-3,674**	**14,597**	**155,759**
Income tax expense						-28,107
Profit (loss) for the year						**127,652**
Spot volumes - MCLP						
Assets (loans)	18,747,465	11,416,599	1,587,790	0	85,984	31,837,838
Liabilities (Core and Term deposits)	6,322,584	6,053,924	0	5,654,665	224,081	18,255,254

Quarter ended March 31, 2023 (in millions of CLP (MCLP))	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	131,217	77,228	67,361	-56,084	158	219,880
Other income	28,021	45,966	23,032	37,739	-1,526	133,232
Equity in net income of investees	0	0	0	0	1,759	1,759
Total operating income	**159,238**	**123,194**	**90,393**	**-18,345**	**391**	**354,871**
Operating expenses	-80,659	-33,319	-32,317	-2,428	1,963	-146,760
Depreciation and amortization	-8,969	-2,690	-2,879	-228	-1,754	-16,520
Provisions	-47,661	-4,389	-50,688	0	-951	-103,689
Segment operating profit (loss)	**21,949**	**82,796**	**4,509**	**-21,001**	**-351**	**87,902**
Income tax expense						-14,088
Profit (loss) for the year						**73,814**
Spot volumes - MCLP						
Assets (loans)	18,528,288	11,796,194	1,687,973	0	88,513	32,100,967
Liabilities (Core and Term deposits)	6,322,584	6,053,924	0	5,879,344	592,439	18,848,291

Quarter ended June 30, 2022 (in millions of CLP (MCLP))	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	118,054	65,461	51,034	-60,723	0	173,826
Other income	24,399	38,773	18,598	120,281	0	202,051
Equity in net income of investees	0	0	0	0	2,001	2,001
Total operating income	**142,453**	**104,234**	**69,632**	**59,558**	**2,001**	**377,878**
Operating expenses	-79,255	-28,622	-9,214	-1,930	-19,493	-138,514
Depreciation and amortization	-7,381	-2,706	-2,730	-268	-1,772	-14,857
Provisions	-33,471	-10,355	-32,861	0	-1,683	-78,370
Segment operating profit (loss)	**22,346**	**62,551**	**24,827**	**57,360**	**-20,947**	**146,137**
Income tax expense						-12,485
Profit (loss) for the year						**133,652**
Spot volumes - MCLP						
Assets (loans)	17,469,284	12,072,735	1,435,245	0	173,746	31,151,010
Liabilities (Core and Term deposits)	6,131,932	5,286,055	0	6,936,642	354,043	18,708,672

Six months ended June 30, 2023 (in millions of CLP (MCLP))	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	263,844	153,880	136,067	-167,391	316	386,716
Other income	58,918	100,061	44,590	147,426	17,796	368,791
Equity in net income of investees	0	0	0	0	3,136	3,136
Total operating income	**322,762**	**253,941**	**180,657**	**-19,965**	**21,248**	**758,643**
Operating expenses	-153,716	-63,015	-63,971	-4,253	-3,786	-288,741
Depreciation and amortization	-18,046	-5,404	-5,807	-457	-3,410	-33,124
Provisions	-83,352	-13,994	-95,965	0	194	-193,117
Segment operating profit (loss)	**67,648**	**171,528**	**14,914**	**-24,675**	**14,246**	**243,661**
Income tax expense						-42,194
Profit (loss) for the year						**201,467**
Spot volumes - MCLP						
Assets (loans)	18,747,465	11,416,599	1,587,790	0	85,984	31,837,838
Liabilities (Core and Term deposits)	6,322,584	6,053,924	0	5,654,665	224,081	18,255,254

Six months ended June 30, 2022 (in millions of CLP (MCLP))	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	226,413	120,201	97,269	-89,238	1,727	356,372
Other income	59,899	55,586	39,755	188,572	-588	343,224
Equity in net income of investees	0	0	0	0	4,096	4,096
Total operating income	**286,312**	**175,787**	**137,024**	**99,334**	**5,235**	**703,692**
Operating expenses	-147,417	-54,993	-35,790	-3,886	-22,692	-264,778
Depreciation and amortization	-15,269	-4,907	-5,401	-402	-3,549	-29,528
Provisions	-57,120	-8,363	-55,795	0	-2,232	-123,511
Segment operating profit (loss)	**66,506**	**107,524**	**40,038**	**95,046**	**-23,238**	**285,876**
Income tax expense						-32,430
Profit (loss) for the year						**253,446**
Spot volumes - MCLP						
Assets (loans)	17,469,284	12,072,735	1,435,245	0	173,746	31,151,010
Liabilities (Core and Term deposits)	6,131,932	5,286,055	0	6,936,642	354,043	18,708,672

Entity structure and how it creates value

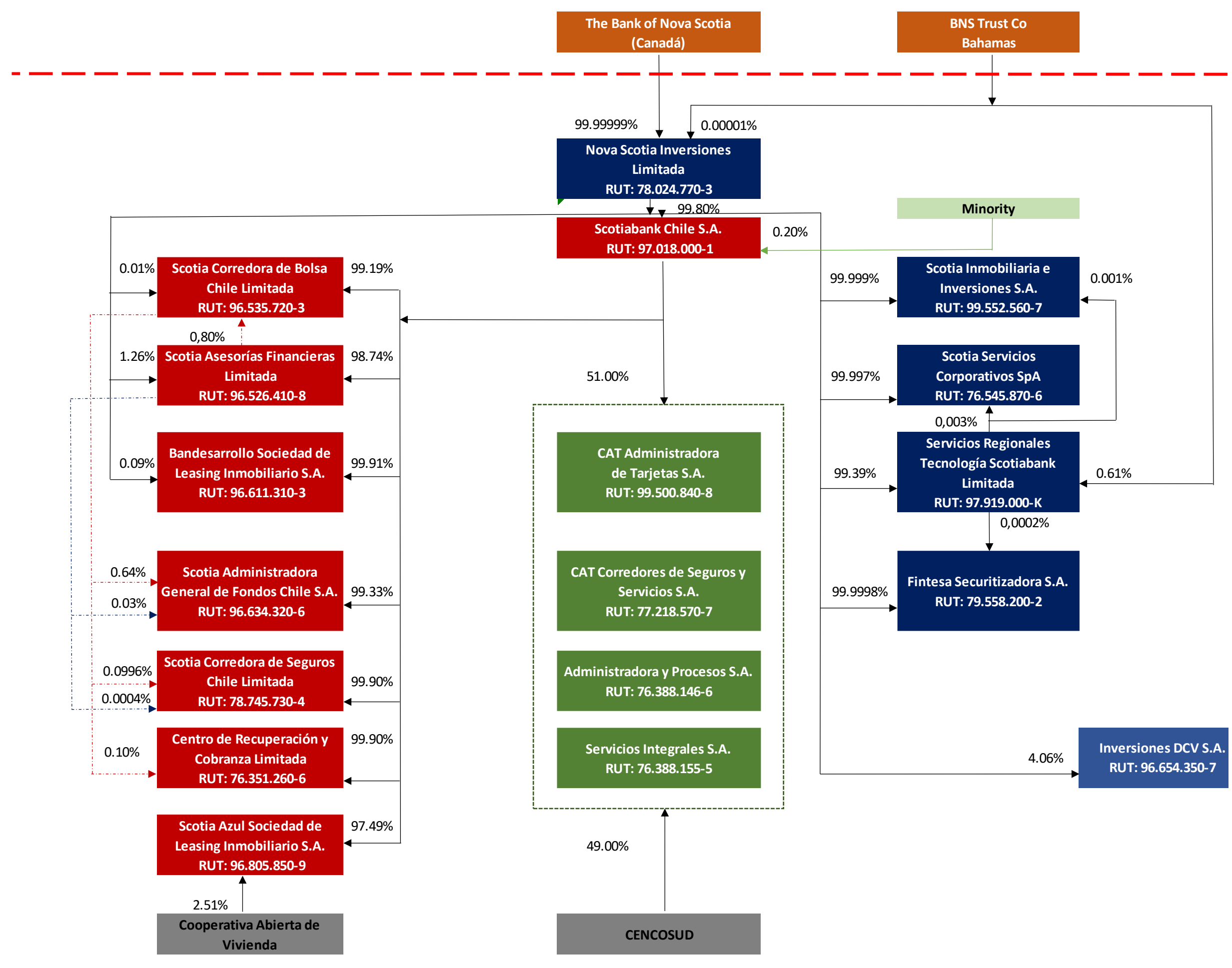
As at June 2023, Scotiabank Chile is owned by 99.80% by "Nova Scotia Inversiones Limitada", an entity owned by the "Bank of Nova Scotia" (BNS), which is the Bank's sole controlling shareholder. The remaining percentage (0.21%) corresponds to minority shareholders.

In its turn, Scotiabank Chile controls the subsidiaries Scotia Corredora de Bolsa Chile Limitada, Scotia Asesorías Financieras Limitada, Bandesarrollo Sociedad de Leasing Inmobiliario S.A., Scotia Administradora General de Fondos Chile S.A., Scotia Corredora de Seguros Chile Limitada, Centro de Recuperación y Cobranza Limitada and Scotia Azul Sociedad de Leasing Inmobiliario S.A.

It also controls the companies comprising CAT, which are Administradora de Tarjetas S.A., CAT Corredores de Seguros y Servicios S.A., Administradora y Procesos S.A. and Servicios Integrales S.A. In all these companies, Cencosud holds ownership interest of 49%.

Figure No. 5

Corporate structure



Corporate governance is a priority for Scotiabank and is an essential element for long-term success. Corporate governance policies are designed to ensure the independence of the Board of Directors and its ability to provide effective oversight of the Bank's operations by management.

It is composed of the shareholders, who through their meeting appoint the Board of Directors. The various committees that control the different areas of management, such as the Risk Committee, the Audit Committee, together with the other internal committees, report to this body. This is completed by the external auditors, who report directly to the Audit Committee.

At the Extraordinary Shareholders' Meeting held on November 14, 2022, the number of members of the Board of Directors was reduced to 7 regular members and 1 alternate director. In January 2023, the Financial Market Commission (CMF) approved this change in the bylaws and in such month the first meeting of the board was held, which was made up of four men and four women. Accordingly, Scotiabank Chile became the first private bank in Chile to have a board having parity of representation.

Figure No. 6

Corporate Governance

2. OBJECTIVES AND STRATEGY

Business objectives and strategy

Scotiabank's Strategy

The strategy is based on three corporate pillars: Customer First, A Winning Team and Leading in the Americas.

- Customer First is not something that is simply said, but is a way of thinking. It's about improving the ease of customer transactions, thanks to investments in employees, digital capabilities and process improvements, while generating consistent returns for the shareholders.
- Scotiabank is extremely proud of the Winning Team it has forged by attracting, retaining and investing in the right leadership that focuses on higher performance. The team is made up of people who are attracted to the inclusive culture and high performance and want to make a contribution to future success.
- Leading in the Americas means leveraging Scotiabank's global footprint in some of the strongest and most stable growth markets in the Americas. The entity is focused on outperforming the competition in these key markets over the long term.

To achieve these objectives, the following strategic focuses have been defined as follows:

- Funding structure : Consider initiatives focused on increasing On-demand/ Term Deposit Balances to continue closing the *mix* funding gap with the market. This will improve the Bank's profitability through a cheap, stable and diversified source of financing.
- Modernization and Continuous Improvement: Cross-cutting initiative, focused on developing plans to increase productivity, improving the end customer experience and promoting a digital culture within the organization. The ultimate goal is to consolidate its position as the best digital bank in Chile.
- Strengthen our footprint in the corporate world: Enhance the SME and Large Corporate segment, strengthening the team of relationship executives and products, continue with digitalization, supported by adjusted credit policies aligned with the Bank's risk appetite.
- Enhance High Net Worth - People: Position the Bank among the best players in the market to serve *Affluent* and *Wealth* segments. The project focuses on offering a differentiated and personalized value proposition, with high levels of management, service and effectiveness and a wide coverage nationwide.

- **ESG goals:** Prioritize environmental, social support, inclusion and governance commitments.[4]

Non-financial objectives

Scotiabank is committed to generating a positive impact in the communities where it operates, which is part of the vocation that has characterized it since its incorporation in Canada 191 years ago. The Bank creates jobs, invests in businesses, in communities, promotes its values and is part of the society in which it participates. In its quest to build a stronger Bank, it is also building stronger societies. It is also a financial solutions provider and supports its customers, their families and communities, seeking to achieve success through a wide range of advice.

In addition to its financial strategy, Scotiabank is committed to creating value for its key stakeholders - customers, communities, employees and suppliers - through strong corporate governance and sustainable practices, as well as environmental care.

Accordingly, the Bank is convinced that economic growth goes hand in hand with social inclusion and respect for the environment, identifying and mitigating risks and enhancing development opportunities, both for the organization and for the society.

These cross-cutting efforts allowed the Bank to consolidate its position among the 30 companies with the best corporate reputation in Chile, after climbing five places and ranked 26th in the 2022 version of the Company Monitor on Corporate Reputation (Merco), a prestigious measurement that each year considers the 100 companies showing the highest valuation in this aspect.

At the community and social investment level, the Bank's efforts are focused on further developing the ScotiaINSPIRA program, whose purpose is to strengthen economic resilience in the communities where it operates, understanding this concept as the capacity of individuals, families, businesses and communities to thrive in different circumstances and actively participate in local economies. Through a platform of competitive funds, a total of USD 245,000 has been allocated to nine social projects that have benefited more than 20,000 people throughout Chile.

Scotiabank has also defined itself as an organization that values every voice, so diversity, equity, inclusion and respect are part of its culture. Its Diversity, Equity and Inclusion policy, formalized in 2018, and updated in 2021 defines four pillars of work in these areas: gender equity, multiculturalism, LGBT+ community and disability. In this last aspect, 1.3% of the Bank's staff as at June corresponds to people with some type of visible and non-visible disability and more than 90% has an indefinite employment contract.

This work has allowed the Bank to be recognized by different organizations. This year, we were considered among the ten companies that are examples of labour inclusion of people with disabilities, based on compliance with the practices that Sofofa's Inclusive Companies Network (ReIN) measures through the Measuring Inclusion in the Workplace (MILE) instrument.

In addition to this recognition and certifications obtained previously, the Bank has received awards such as the second place in Chile in the 2022 version of the Latam PAR Ranking, performed by the consulting firm Aequales to measure the performance in gender equity and diversity of private companies, public entities and SMEs in Latin America, and the seal of Diverse and Intercultural Companies, awarded by the Jesuit Migrant Service (SJM), the Red de Empresas Interculturales (Intercultural Companies Network) and the Universidad de Chile. In addition, for the fifth consecutive year, the Bank obtained the Equidad CL Seal, awarded by Fundación Iguales and Human Rights Campaigning to distinguish the best places to attract and retain talent from the LGBT+ community.

At the environmental level, the Bank is aware that climate change is affecting natural systems and communities around the world. It is therefore committed to reducing its impact on the environment. In this context, during this period, the Bank, through Scotia Administradora General de Fondos, subscribed to the UN Principles for Responsible Investment, which will help to deepen the thorough evaluation of environmental, social and corporate governance factors conducted

[4] Further detail on this focus is provided in the next section.

when making investment decisions. It will also reinforce the Environmental Risk Management Framework, previously approved by the Board of Directors, to effectively address the organization's exposure to environmental risks to be effectively managed in accordance with industry standards and best practices, together with regulatory requirements.

With regard to employees, being a great place to work is one of our goals. We are concerned that employees can develop in a culture that is safe, inclusive and committed to doing the right thing. To achieve this, the Bank has training and development plans, such as a women's leadership program that debuted in 2023 to promote the development of their careers, which is why the call for applications, launched in March, was open to all women working at the Bank, who represent 52% of the headcount, achieving a high degree of adherence.

In addition, the Bank has developed a robust compensation system based on principles of fairness, competitiveness and emphasis on performance. Likewise, time, money and welfare benefits are offered thinking about the diversity of employees, so that they are able to choose among some of its modalities, according to their priorities, needs and interests.

In this context, the Bank is also committed to flexibility and the permanent implementation of the hybrid and flexible work model, referred to as W4 or "The Way We Work and Where", which combines face-to-face and remote work based on differentiated schemes for each area of the Bank according to its objectives, business needs and the needs of its teams.

In addition, in 2023 a year elapsed from the Bank's pioneering implementation in the banking industry of the reduction of the workday to 39 hours a week as a way of improving the quality of life of its employees, achieving a better work-life balance and promoting co-responsibility. All such milestones -made possible thanks to the advances in productivity associated with the modernization and digital transformation agenda deployed by Scotiabank- have been recognized in different instances such as the ranking of Large Corporations "2022 Integrating Personal Life and Work" of Fundación Chile Unido and the Top Employer certification.

Digital transformation for customers

Scotiabank Chile has consolidated its position as the best digital bank for its customers, which was recognized by the prestigious international magazine LatinFinance, naming the Bank as the Best Digital Bank in Latin America and the Caribbean. This recognition is supported by the significant advances made in the conformation of a complete ecosystem of products and functionalities that respond efficiently to simplify people's lives by accompanying them in their new habits and digital needs.

With this vision in mind, the Bank has implemented a number of new developments. During the reporting period, new functionalities were added, such as the digital investment advisor Invierte Smart, the launch of the ScotiaZero Empresas account and the Scotia Store, a platform with 100% digital products and services for Corporate Banking customers.

In addition, during the first half of the year, the Bank's mobile application, ScotiaGo, was renewed and the digital transaction authorization system, Keypass, was updated.

The positive outcome of this strategy is reflected in our customers' digital adoption, which went from 54% at the end of 2019 to 72% today. In addition, the digital adoption rate among chequing account customers is higher than 90%.

In Corporate Banking, the rate of use of digital channels is 80% and is due to advances such as the digitalization of more than 70% of the products and services offered by the Bank, having among its latest milestones the 100% online implementation of the process of contracting massive payments to suppliers and payroll, among others. A pioneer system in the industry that simplifies and reduces to just minutes a process that in other entities can take several days.

In line with the strategy of supporting its customers, in January, the Bank signed a strategic alliance with Fintechile, the association that brings together and represents technology finance companies in Chile, and became a sponsor of Fintech Partners, a program that seeks to generate visibility and instances of collaboration for the more than 130 companies that are part of the association and the Bank's corporate clients with the aim of accompanying them in their own digitization processes.

Previously, the Bank successfully launched ScotiaZero, the first 100% digital chequing account with no maintenance cost, which also includes, for the first time in the industry, a chequing account in U.S. dollars and a digital debit card. This product represents the gateway to the first "financial supermarket" in the market and is part of a full digital ecosystem developed with the aim of empowering its customers through technology and making available to them, through digital channels and telephones, all products and services so they can decide and choose what they need. These developments are part of the modernization and digital transformation process that the Bank is promoting to enable its teams to focus on providing the best service while increasing productivity.

Promoting women's leadership

Scotiabank believes in the transformative power of women and in the leading role they play in society and in the development in Chile, which is why promoting gender equity, equal opportunities and female empowerment is one of the fundamental pillars of the Bank and for this reason, it promotes internally and externally several initiatives to strengthen the role of women, empowering them and enhancing their leadership.

As at June, 52% of the workforce was female, whereas 25% of senior management positions were held by women. In addition, we continue to develop the Scotiabank Women's Initiative in Chile, a global program created to enhance the professional and financial development of women entrepreneurs and executives, helping these customers to break down the barriers that limit their growth and increasing opportunities to reach their greatest potential both today and in the future.

The Women's Initiative began three years ago in Canada and Chile was the first country in the Pacific Alliance where it was implemented. From its launch, in August 2022, it has organized four face-to-face meetings in the capital city and in the regions, where it brought together customers who are members of the program, who had access to current economic content and an opportunity for business networking.

During this period, the Bank supported the Executive Award, a distinction given by Mujeres Empresarias and Diario Financiero, which this year focused on female company general managers.

Significant changes in objectives and strategy

The medium-term strategy and objectives remain in line with last year, i.e., without significant changes; however, two changes in structure support the previously mentioned objectives:

In December 2022, a year elapsed from the official launch in Chile of the Wealth Management division, which globally provides services to more than 2 million customers and manages close to USD 500 billion in assets, and which locally recorded positive levels of performance in terms of customer acquisition and assets under administration. It celebrated the milestone with its customers in an exclusive ProAm Golf tournament that had the participation of the outstanding national golfer Felipe Aguilar, an activity that took place within the framework of the Scotia Wealth Management Chile Open 2022, an event of the PGA Tour Latin America of which the division is the main sponsor.

During the period, changes were made in the Retail Banking and Technology & Operations divisions, to which Scotiabank's Digital Factory capabilities were integrated. This adjustment is part of the transformation that seeks to continue growing at the pace of customer needs, placing digitalization at the center of the strategy to improve the supply of products and services.

Business Vision and Value Strategy

Scotiabank has a strategic plan, in which it has described its Vision and Mission:

Vision

Scotiabank Chile is inspired by the Parent's vision, "For Every Future", which seeks to reflect the motivation and purpose as a financial institution to help customers, their families and their communities achieve success by offering them a full range of products and advice.

Mission

Scotiabank's mission is based on three basic pillars: the customer is first, having a winning team and leading in the Americas. Scotiabank is confident that by performing its mission will deliver consistent results for its shareholders over the long-term.

3. ENTITY'S RESOURCES, RISKS AND RELATIONSHIPS

Description of the main financial resources available

In order to perform its short and long-term strategy, Scotiabank actively manages its liquidity so that its sources of funding are well diversified, a key element of its funding strategy, which aims to achieve an appropriate balance between the cost and stability of funding.

Funding concentration is regularly monitored and analyzed for each type of source. Specifically, these sources correspond to capital, on-demand balances, term deposits for individuals and institutions, bank borrowings banks and debt instruments issued, among others.

In this context, deposits and other on-demand liabilities are key components of the Bank's core funding, which amounted to CLP 4,654,010 million as at June 30, 2023 (CLP 4,946,042 million as at March 31, 2023 and 5,909,686 million as at June 30, 2022). Deposits and other term deposits represented CLP 13,601,244 million as at June 30, 2023 (CLP 13,902,249 million as at March 31, 2023 and 12,798,986 million as at June 30, 2022), whereas bank borrowings were CLP 5,303,396 million as at June 30, 2023 (CLP 5,186,289 million as at March 31, 2023 and 5,745,164 million as at June 30, 2022). In addition, core funding was supplemented with debt issuances of CLP 9,279,620 million as at June 30, 2023 (CLP 8,919,695 million as at March 31, 2023 and CLP 7,942,432 million as at June 30, 2022).

It should be noted that in the last quarter and also in year-on-year terms the substitution effect has maintained between demand deposits and term deposits due to the higher cost timing of the increases in the monetary policy rate.

The Bank holds liabilities in Chilean pesos, UF (inflation-adjusted units) and in foreign currency, mainly in U.S. dollars. Currency mismatches are monitored on an ongoing basis and transactions are within the extent of the liquidity risk appetite defined.

Table No. 3 shows the main sources of financing for the second quarter of 2022 and 2023.

Table No.3: Sources of financing

Components	June 2023 MCh$	March 2023 MCh$	December 2022 MCh$	June 2022 MCh$
Deposits and other on demand liabilities	4,654,010	4,946,042	5,076,459	5,909,686
Term and other on-demand deposits	13,601,244	13,902,249	13,972,388	12,798,986
Obligations with domestic banks	0	0	0	-
Obligations with foreign banks	2,273,370	2,156,263	2,312,187	2,715,138
Obligations with Banco Central de Chile	3,030,026	3,030,026	3,030,026	3,030,026
Letters of credit	94,460	97,086	100,235	102,649
Current bonds	8,183,443	7,815,312	7,606,930	7,044,390
Subordinated bonds	1,001,717	1,007,297	987,943	795,393
Total	**32,838,271**	**32,954,275**	**33,086,168**	**32,396,268**

In terms of capital, Scotiabank Chile has not recorded any capital increases since March 2020. Because of the Bank's stable and healthy funding structure, currently it has no funding shortfalls or difficulties in its sources of funding.

Description of the main non-financial resources available

Scotiabank has developed several resources and initiatives to improve the quality of life of its communities, stakeholders, the environment, its partners and customers, which are detailed below:

Scotia Connect

It is a group of remote branches, composed of a team of commercial and operational executives, who serve customers through a remote service model (email and/or telephone only). Note that they do not have a face-to-face service, but rather under a semi-portfolio model (the customer is managed by their team of executives "minipool") and the delivery of products and signing of documents is performed via delivery service.

As at June 2023, the Bank has 19 Connect branches, serving over 300 thousand customers.

APP SCOTIABANKGO

This App is intended to have a single mobile digital channel for all customers at a click's reach, with the highest standard of information security and providing all the functionalities that a customer needs to satisfy their needs and/or requirements. As at June 2023, there were 479 thousand active mobile users, up 18% compared to the prior year. Likewise, June 2023 closed with 622 thousand active digital users and a digital adoption rate of 73%.

Scotiabankers

The entity's most important resource is its employees. As at June 2023, Scotiabank has a total of 5,877 employees, distributed among the Bank and its subsidiaries. Scotiabank strongly believes the success of its activities is based on a sound performance culture, under a process concept that is ever growing. This has allowed it to enhance the development of its employees and identify learning opportunities to strengthen their growth and maintain a high level of commitment to the organization. The breakdown of employees can be seen in Table No.4.

Table No.4 Detail of employees

Total headcount	June 2023	March 2023	December 2022	June 2022
Senior Management	24	25	23	25
Management	159	163	162	163
Professionals	4,021	4,009	3,890	3,795
Administrative staff	1,632	1,686	1,698	1,765
Sales force	41	152	185	192
Total	**5,877**	**6,035**	**5,958**	**5,940**

Diversity in the Board of Directors

As at June 2023, the Board of Directors is composed of 4 women and 4 men, as shown in Table No. 5.

Table No.5 Diversity in the Board of Directors

Women	Men	Total
4	4	8

Note that at the Extraordinary Shareholders' Meeting held on November 14, 2022, the number of members of the Board of Directors was reduced to 7 regular members and 1 alternate director. In January 2023, the Financial Market Commission (CMF) approved this change in the bylaws and in such month the first meeting of the board was held, which was made up of four men and four women. Accordingly, Scotiabank Chile became the first private bank in Chile to have a board having parity of representation.

Discussion on the Capital Structure

Scotiabank's capital structure complies with the minimum capital requirements established by the Financial Market Commission (CMF) under Law No. 21.130, which defined new requirements in line with international standards known as "Basel III."

At the end of June 2023, basic capital amounted to CLP 3,336,997 million to which is added the additional Tier 1 capital of CLP 155,166 million, which added together completes the Tier 1 capital of CLP 3,492,163 million. Tier 2 capital, which corresponds to the sum of additional provisions plus subordinated bonds, amounted to CLP 843,237 million, resulting in total effective equity of CLP 4,335,400 million.

In addition, note that regulatory limits of the Tier 2 capital components showed headroom, as subordinated bonds were using 20.35% of a maximum of 50% of the possible core capital and, for additional allowances, these amounted to 0.65% of a maximum of 1.25% of the Credit Risk Weighted Assets (CRWA).

In compliance with the standards issued by the CMF, note that from December 1, 2021, the RWA used for the calculation of the effective equity ratios included Market Risk Weighted Assets, which amounted to CLP 3,139,249 million for June 2023, together with the Operational Risk Weighted Assets, which amounted to CLP 2,579,391 million, and the method for the calculation of Credit Risk Weighted Assets, which amounted to CLP 25,314,647 million, was modified.

The ratio of effective equity to total RWA reached 13.97% as at June 2023, which means that the Bank shows adequate solvency and is in line with the strategic definitions of its Parent, which allows it to comply with and maintain a buffer with respect to the regulatory provisions required from the Bank, which include among others:

- In March 2023, the CMF reported that Scotiabank maintains its rating as a systemically important bank, confirming the 1.25% systemic buffer already required from the Bank.
- In addition, during May, Banco Central de Chile informed that its Board decided to activate the countercyclical capital requirement (CCR) of 0.5% of RWA, which will be enforceable beginning in May 2024.

Leverage ratio, Basic Capital to Total Assets ratio, was 7.76%.

The capital structure is shown in Table No.6.

Table No.6 Capital Structure

Available Capital	June 2023 MCh$	December 2022 MCh$	June 2022 MCh$
Tier 1 Capital	**3,492,163**	**3,288,621**	**3,037,286**
CET 1	**3,336,997**	**3,135,979**	**2,741,344**
Capital	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	381,405
Retained earnings	1,573,264	1,436,903	1,265,581
Valuation	-61,132	-139,638	-397,425
Minority interest	136,880	140,227	123,362
Equity adjustments	-61,841	-51,339	0
AT1	**155,166**	**152,642**	**295,942**
Additional tier 1 capital	155,166	152,642	295,942
Tier 2 Capital	**843,237**	**834,128**	**541,619**
Subordinated bonds	678,989	669,880	355,857
Additional allowances	164,248	164,248	185,762
Total effective equity	**4,335,400**	**4,122,749**	**3,578,905**

Table No.7: Capital Components

Concept	June 2023 (%)	December 2022 (%)	June 2022 (%)	Regulatory Requirements
Regulatory Capital (T1 + T2)	13.97%	13.50%	12.09%	> = 9.56%
CET1 / RWA	10.75%	10.27%	9.26%	> = 6.06%
T1 / RWA	11.25%	10.77%	10.26%	> = 7.56%
Leverage ratio	7.76%	7.20%	6.48%	> = 3%
Tier 2 / Tier 1	24.15%	25.36%	17.83%	-
Subordinated debt / CET1	20.35%	21.36%	12.98%	< 50%

Financial agreements

In the normal course of business, the Bank has entered into contractual agreements with third parties. Depending on the nature of the agreements, they could have a current or future impact on the Bank's financial performance. Among the most significant agreements is Scotiabank's strategic partnership with Cencosud, effective since 2015.

In recent periods, the Bank has entered into contracts with third parties in the areas of means of payment, insurance, outsourcing of services, among others.

Description of the Bank's liquidity and cash flows

Liquid assets are a key component of liquidity management, and the Bank holds sufficient liquid assets to meet potential liquidity management needs.

Liquid assets can be used to generate cash, either through sale, repurchase or other transactions where such assets can be used as collateral to generate cash or by allowing the asset to mature. Liquid assets include deposits with central banks, deposits with financial institutions, demand and other short-term loans, marketable securities and securities received as collateral for securities financing and derivative instruments.

The Board of Directors is responsible for periodically defining the Bank's liquidity risk tolerance level, understood as the level of liquidity risk that the Bank is willing to assume. Scotiabank Chile has a Liquidity Management Policy aimed at ensuring timely compliance with obligations, safeguarding adequate liquidity risk management.

The Bank conducts stress tests at least quarterly to analyze the potential impact of adverse scenarios on the liquidity position, considering idiosyncratic and systemic scenarios.

Liquidity coverage ratio

This indicator is intended to ensure that the Bank maintains a minimum level of unencumbered, high quality liquid assets that can be readily converted into cash to meet cash outflows over a 30-calendar daytime horizon, based on a critical regulatory liquidity stress scenario defined by the regulator.

The Bank's main liquidity metric is the Liquidity Coverage Ratio (LCR). The LCR amounts achieved by the Bank at the consolidated level are shown in Table No.8.

Table No.8: Liquidity Coverage Ratio

Liquidity coverage ratio	June 2023 MCh$	March 2023 MCh$	December 2022 MCh$	June 2022 MCh$
High quality liquid assets	3,279,595	3,413,313	3,241,672	3,048,391
Net adjusted expenses	1,813,971	1,638,109	1,292,521	1,931,939
LCR%	180.80%	208.37%	250.80%	157.79%

Net Stable Funding Ratio

Additional to the LCR, and in accordance with current regulations, the Bank also monitors the Net Stable Funding Ratio (NFSR). This indicator consists of a structural liquidity metric, aimed at ensuring that the Bank maintains a stable funding profile in relation to the composition of assets and off-balance sheet activities.

In March 2022, Banco Central de Chile published a new regulation on liquidity risk management in the banking system. In accordance with such regulation, a minimum limit of 60% would be established beginning on January 1, 2022, considering a gradual implementation period that would finish in January 2026, with a limit of 100%. Amounts achieved by the Bank in this metric are shown in Table No.9.

Table No.9: Net Stable Funding Ratio

Net Stable Funding Ratio	June 2023 MCh$	March 2023 MCh$	December 2022 MCh$	June 2022 MCh$
Available stable funding (ASF)	27,415,231	26,738,670	27,760,510	27,191,431
Required stable funding (RSF)	27,888,097	27,979,645	29,191,010	25,347,936
Net Stable Funding Ratio (%)	98.30%	95.56%	95.10%	107.27%

Action plan to manage an excess or shortfall of resources

The Bank has a liquidity contingency plan, which specifies an approach to analyze and respond to potential liquidity events. The plan describes an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication and identifies possible countermeasures to be considered at several stages of a liquidity event. A contingency plan is established both at the Bank level and for the main subsidiaries.

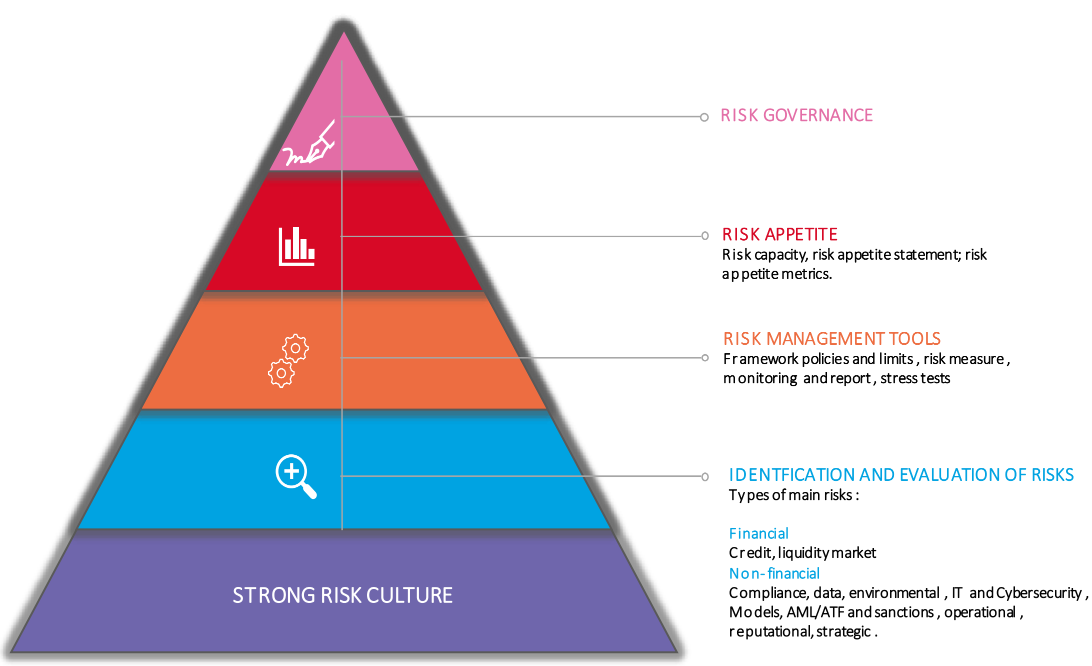
Scotiabank manages its excess financial resources within the framework established by market and liquidity risk limits.

Potential impact of identified risks and how they are managed

Efficient and effective risk management is pivotal to Scotiabank Chile's success and is a key part of both the Bank's risk management approach and the overall approach to strategy management. Scotiabank has a strong risk culture model, which involves all Bank's employees in managing risks. It considers policies, processes, control management and auditing as key elements, which are critical components for creating a strong risk culture. The components of risk culture can be observed in Figure No. 7.

Figure No. 7

Risk culture

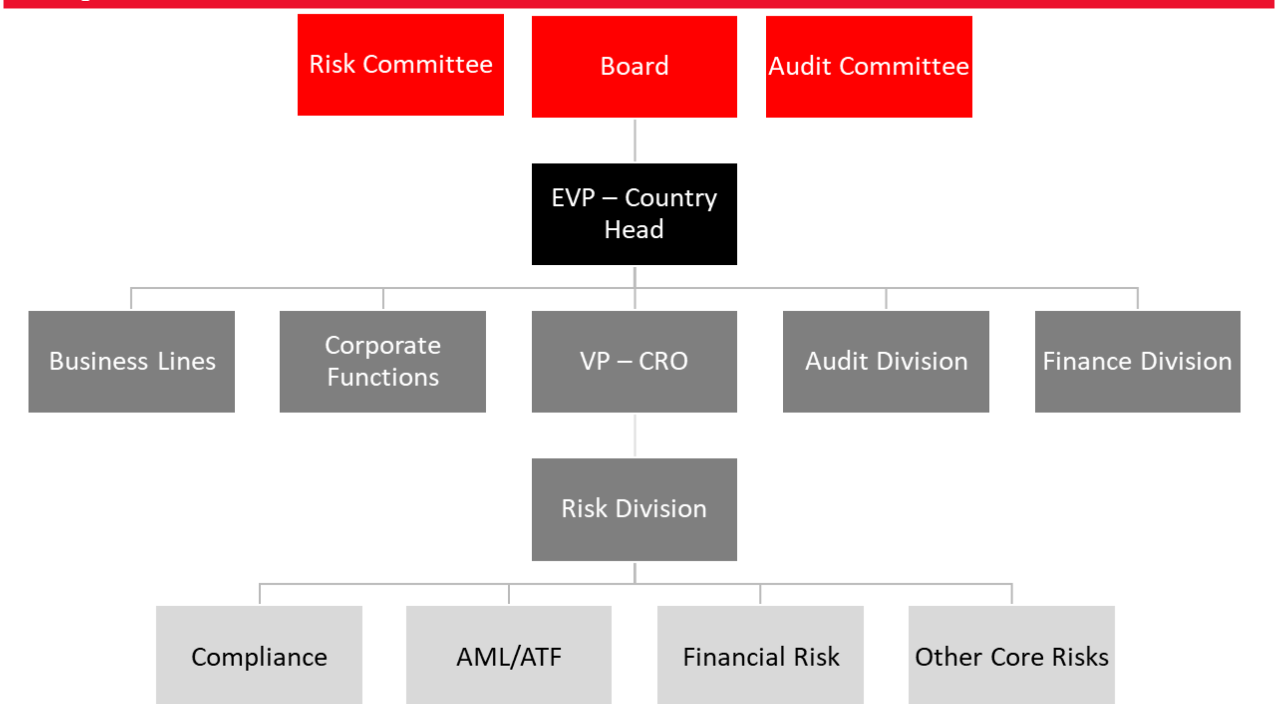


Governance structure

The Board of Directors and its committees are responsible for the Bank's oversight and risk management activities and are organized as shown in Figure No. 8.

Figure No. 8

Management structure



Risk structure key components

Board of Directors
Because it is the Bank's highest governance body, it provides oversight, either directly or through its committees, to ensure that decision-making is consistent with the Bank's strategies and risk appetite. In addition, the Board of Directors receives regular updates on key risks, including a summary of the Bank's risk profile and the performance of the portfolio compared to the limits established. Approves key risk policies, limits and risk appetite framework.

Risk Committee
Provides assistance to the Board of Directors in meeting its responsibilities of identifying and monitoring key financial and non-financial risks. The Committee supports the Board by overseeing risk management functions including credit risk, market risk and operational risk. This also includes periodically reviewing and approving key risk management policies, frameworks and limits and ensuring that all Bank management is operating within the risk appetite framework. The Committee also monitors the independence of each of these control functions, including the effectiveness of those in charge of such duties and the functions themselves.

Audit Committee
It is intended to be responsible for the different aspects that involve efficiency, maintenance, application and operation of the internal control systems of the Bank and its Subsidiaries; carefully monitor compliance with the standards and procedures that govern their practice; have a clear understanding of the risks that the business performed may mean for the institution; reinforce and support the function of the Comptroller's Office, as well as its independence from management and serve as a link and coordinator of tasks between the internal audit and the external auditors, also acting as a link between them and the Bank's Board of Directors.

Executive Vice President - Country Head
Directly responsible for defining, communicating and implementing Scotiabank Chile's strategic direction, goals and core values that maximize long-term shareholder value. Oversees the implementation of the Bank's risk appetite collaborating with the SVP *Chief Risk Officer* of the Risk Division and the SVP & *Chief Financial Officer* of the Finance Division, which is consistent with the Bank's short and long-term strategy, business and capital plans.

SVP *Chief Risk Officer*
Ranks under the direct supervision of the Executive Vice President - *Country Head* and reports to the Risk Committee. He has overall responsibility for Scotiabank Chile's AML/ATF risk management, compliance and prevention of money laundering and terrorist financing. The SVP *Chief Risk Officer*, as well as the Compliance Manager and the AML/ATF Manager, have unrestricted access to certain Directors' committees to ensure their independence. As a Senior Member of the Bank's Senior Management, the *Senior* Risk Vice President participates in strategic decisions related to where and when the Bank will use its several sources of capital resources to achieve the Bank's business line performance goals and overall objectives.

Risk Management Department
The Risk Management Department reports to the Head Office's international management of the Risk Management Department. This management has operational, credit and market risk divisions, which also report to Scotiabank Canada through their related risk units.

Management model
The risk management model is structured in three lines of defense:

1. The first line is composed of the business units, which are basically the business units that incur and own the risks.

2. The second line of defense is composed of the control functions (Risk Management and Compliance) and provides the guidelines and governance framework for risk management, along with monitoring and controlling risks.

3. The Internal Audit area is the third line of defense, independently verifying the performance of the business areas and the risk management control functions.

Bank's main risks

Financial risks

These are risks that are directly associated with the Bank's core business and revenue-generating activities. In turn, these are risks that the Bank understands well and assumes in order to generate sustainable, consistent and predictable earnings. Financial risks are generally quantifiable and relatively predictable.

The Bank is willing to assume these types of risks, as they are considered to be a critical part of business activities. This is provided they are well understood, are within the limits that have been established and meet the desired risk or return profile.

Credit risk
The risk of loss resulting from the failure of a customer or counterparty to meet its financial or contractual obligations to the Bank. Credit risk arises in the Bank's direct lending operations and in its financing, investing and trading activities, where counterparties have repayment or other obligations to the Bank.

The Bank manages credit loss through a number of tools that include procedures, models, validation, controls, behavioral monitoring, etc. This is part of a global strategy. Different limits and models are established based on the features of the customers and the environment in which they operate. See Note 47 to the Interim Financial Statements as at June 2023 for further details regarding specific management and exposure to Credit Risk.

Market risk
The risk of loss from changes in market prices and rates (including interest rates, credit spreads, exchange rates and the prices of commodities), the correlations between them and their volatility levels. Market risk includes trading risk, investment risk, interest rate risk, foreign currency risk and indexation risk.

See Note 47 to the Interim Financial Statements as at June 2023 for further details regarding specific management and exposure to Market Risk.

Liquidity risk

This is the risk that the Bank will not be able to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due under derivative contracts, settlement of securities lending and repurchase transactions, and lending and investment commitments.

See Note 47 to the Interim Financial Statements as at June 2023 for further details regarding specific Liquidity Risk management.

Non-financial Risks

These risks are inherent to the Bank's business and may have negative strategic, business, financial or reputational consequences if not managed. Compared to financial risks, these risks are less predictable and more difficult to define and measure. The Bank states it assumes low levels of non-financial risks and works to ensure that they are adequately controlled.

Operational Risk

This is the risk of loss resulting from inadequate or failed people, processes and systems, or from external events. Operational Risk includes third party risk and legal risk but excludes strategic risk and reputational risk. Operational Risk exists, in a certain way, in each of the business and support activities of the Bank and its Subsidiaries, and could give rise to financial losses, sanctions by regulatory authorities or damage to the reputation of the institution.

Strategic Risk

It is the risk that the Bank, its business lines or corporate functions, make ineffective strategic decisions or are not sufficiently resilient to changes in the business environment or that such strategies are deficiently performed.

Reputational Risk

The risk that negative publicity regarding Scotiabank's conduct, business practices or associations, whether true or not, will have an adverse effect on its revenues, operations or customers, or will require litigation or other costly defensive measures.

Thanks to the Bank's reputation management and proactive communication with its *stakeholders,* Scotiabank increased 22 points in the latest edition of the Reputation Index conducted by the Reputation Observatory (IPSOS).

Compliance Risk

This is the risk that an activity will not be conducted complying with applicable laws, rules, regulations and prescribed practices, as well as with the internal policies, procedures and ethical standards expected by regulators, customers, investors, employees and other stakeholders. Compliance risk comprises regulatory compliance risk, conduct risk and privacy risk.

Cybersecurity and Information Technology (IT) Risk

Information Technology (IT) Risk relates to the risk of financial loss, disruption or reputational damage due to some type of failure in IT systems. Cybersecurity risks are a subset of the unique IT risks that the Bank faces as a result of the use of interconnected systems and digital technologies.

Money Laundering and Terrorist Financing Risk (AML/AFT)

Money Laundering and Terrorist Financing Risk is the susceptibility of Scotiabank Chile to be used by individuals or organizations in the crime of money laundering, terrorist financing or violations of economic sanctions. This also includes the risk that the Bank does not comply with applicable anti-money laundering (AML)/anti-terrorist financing (ATF) legislation, sanctions legislation or fails to implement controls reasonably designed to deter, detect and report AML/AFT.

Environmental, Social and Governance Risk (ESG)

This is the risk that environmental, social and corporate governance factors related to Scotiabank's conduct, business practices or relationships may have an adverse impact on the Bank's performance.

The Bank is directly and indirectly exposed to ESG risks due to its business activities and internal operations. Because of their very nature, ESG risks can increase many of the Bank's other major risks, such as credit, compliance, operational and reputational risks. Consequently, ESG risk management is also integrated into the governance structures and risk management elements of the other main risks they may affect.

ESG risk encompasses environmental risk, the potential negative impacts of potential damage to the natural environment from the Bank's direct and indirect practices, social risk, the potential negative impacts to a business that may arise due to improper management of social considerations that may cause real or perceived negative impacts on individuals and communities, and governance risk, which covers the Bank's processes and policies, how decisions are made, and how the Bank addresses the diverse interests and relationships with its many stakeholders, including shareholders, customers, employees, and the community in general.

Model Risk

Model risk is that type of risk that produces adverse financial results (e.g., capital, loss, income) and reputational consequences arising from the design, development, implementation or use of the model. This can originate from inadequate specifications, incorrect parameter assumptions, false assumptions or presumptions, mathematical computation errors, inaccurate, inadequate, or missing information, improper use, and lack of monitoring or controls.

Data Risk

This is the direct or indirect risk from data used to support the Bank's ability to make informed decisions and produce accurate reports and analysis for the Bank, including the Board of Directors, Senior Management and regulators, or for customers and/or for marketing purposes. Risks to which the Bank is exposed include data management, data taxonomy, metadata, breaches or incomplete, inaccurate, invalid, untimely or inaccessible data.

Changes in risk management

The risk committee is in charge of managing and recommending to the Board of Directors the necessary changes to obtain adequate risk management and monitoring.

Scotiabank Chile's risk management framework is reviewed and updated at least annually or as material changes are required by the Enterprise Management Risk Management (ERM), which is responsible for the RAF (*Risk Appetite Framework*). These updates go through an *Advice & Counsel* process at the Head Office, to be finally presented to the Risk Committee and Local Board of Directors for approval.

After being approved by the Risk Committee and the local Board of Directors, it is distributed among the Managers who are members of the Executive Committee. The document is published on one or more web sites, including the Bank's intranet. Likewise, the RAF is distributed to the Senior Management of the Bank's subsidiaries for their respective adoption.

Relationships

The purpose of Sustainability is to create value for the society and for Scotiabank, through the commitments that the Bank makes to its main stakeholders through sound corporate governance and good Corporate Social Responsibility practices. Scotiabank understands Sustainability and Social Responsibility as a way of doing business in which the economic growth goes hand in hand with social inclusion and respect for the environment, identifying and mitigating risks and enhancing development opportunities, both for the Bank and for the society.

For the first time, in 2022 the Bank measured its sustainability performance at the level of its different stakeholders through the SSIndex tool.

Main relationships

Scotiabankers

Scotiabank helps employees build their future, so that work and family life can be balanced. Your health care is an issue of vital importance to the Bank. Scotiabank Chile has built a culture of significant benefits thought for all the diversity of employees, so that they are able to choose among some of its modalities, according to their priorities, needs and interests.

Customers

Customers are at the heart of the Bank's management and the purpose of its existence, and Scotiabank works to provide services to them in the best possible way. This means ensuring the confidentiality and security of information, complying with responsible sales practices, and resolving your requests and complaints as quickly as possible. Scotiabank is concerned with providing products, services and experiences that enable customers to project a better future through a broad portfolio of financial services and solutions. The Bank has more than 1,200,000 customers, including personal, commercial, SME and retail banking, and treasury.

Shareholders

Scotiabank's guidelines for the information provided to shareholders include maintaining continuous and fluid communication, facilitating shareholder participation in meetings and holding the *Investor Day.*

Community

Scotiabank is concerned with establishing a link with the community and society in which it operates.

Environment

Scotiabank understands that climate change is affecting natural systems and communities, posing a risk to the global economy and society, in order to take action to accelerate climate solutions and promote sustainable economic growth. Scotiabank has made five corporate-level climate commitments:

Commitments

1. Mobilize CAD 350 billion by 2030 to reduce the impacts of climate change.

2. Ensure strong climate-related governance and transparency in the Bank's climate-related reporting.

3. Decarbonize operations and seek innovative solutions to reduce the Bank's impact on climate change.

4. Establish a Climate Change Center of Excellence to mobilize internal and external collaboration and coordinate discussion and information exchanges on such subject matter.

5. Optimize the integration of climate risk assessments in operations such as lending, financing and investments.

Stakeholder-related milestones

1. Awards and acknowledgments

During this period, the Bank was the only domestic entity to receive recognition as Best Digital Bank in Chile and Best Investment Bank in Chile, in the 2023 version of the awards given annually by International Business Magazine.

These awards are in addition to the distinctions previously awarded to Scotiabank Chile by the prestigious magazine LatinFinance in the categories Digital Bank of the Year in Latin America and the Caribbean, in which it highlighted initiatives such as the implementation of the digital self-service model and the development of disruptive products, such as the first free and 100% digital chequing account in Chile and the unprecedented financial supermarket model. The publication also endorsed the leadership position built at the corporate level by awarding it the prize for Investment Bank of the Year in Chile.

This recognition is in addition to that previously awarded by The Banker magazine, linked to the Financial Times, which recognized Scotiabank as the best Investment Bank of the Year for the Americas, acknowledging its excellent service to Global Banking and Markets customers in the countries where it operates in the continent, including Chile.

In addition, the Scotia Wealth Management division, which has been present in Chile since 2021, received four awards in the 2022 edition of the Global Finance and PWM/The Banker Global Private Banking Awards. The first publication distinguished it as Best Private Bank for customers whose net worth was between US$ 1 million and US$ 24.9 million, and Best Private Bank for female customers. PWM/The Banker, meanwhile, singled out the division as Best Branding in Private Banking in North America, Best Private Bank for Wealthy Women and gave it a mention as Best Private Bank in Canada.

2. Placement of the first green bond in the international market

As part of its sustainable business strategy, Scotiabank Chile issued its first bond linked to ESG (environmental, social and corporate governance) criteria in the international market, through a placement in Japan of 5 billion yens, equivalent to US$35 million. Such resources will be used to finance assets, businesses or projects in the categories of renewable energy, energy efficiency, pollution prevention and control, among others.

The operation took place in the context of the Sustainable Financing Framework that the Bank maintains at a global level and Chile was the first subsidiary of the Bank to make such a placement. The issuance is also in line with the leadership Scotiabank has built as an advisor on sustainable financing or linked to sustainability objectives. In 2022, the Bank participated in credit transactions and green and social bonds for more than US$ 8 billion for its customers in Chile.

3. Chile Day Sponsor

Scotiabank Chile became the main sponsor of Chile Day, a public-private initiative with almost 15 years of history, organized by InBest in partnership with the Ministry of Finance, which seeks to position Chile as an attractive place for investment.

Thanks to Scotiabank's support -which will be effective for three years- this event was held for the first time in the city of Toronto, in addition to New York, which marked a milestone and was key to the success of this meeting that, in its two days in the financial capital of Canada, brought together more than 300 senior executives from companies, investment funds, banks and Chilean and foreign authorities, who participated in panels on mining, financial innovation, ESG and infrastructure, as well as presentations on the Chilean economy and the constituent process, in addition to holding a number of bilateral meetings.

4. Top Employer Certification

In January, the bank received for the first time the international Top Employers certification, which distinguishes companies for the excellence of their people management practices.

Among the differentiating attributes that allowed us to obtain this seal, the aspects that stand out is that we were the first bank in Chile to reduce our working hours to 39 hours a week, and also for our solid diversity and inclusion policies.

5. Corporate Volunteer Program

In January, the Bank launched a new version of its Corporate Volunteer Program, which in 2023 will return completely to face-to-face work, through a plan of activities that will be developed throughout the year and will be linked to the Diversity and Inclusion pillars. The Bank is supported in this program by Fundación Trascender.

6. Economic talks for customers cycle

During 2023, the Bank will replicate the open talk for customers cycle to provide them with background on the global and local economic context and related forecasts, which are transmitted via streaming and broadcast on the Bank's networks and channels. This year the focus will be on customers in regions other than the Metropolitan Region of Chile, where activities will be performed focused on the Wholesale Banking and the Scotiabank Women's Initiative program.

7. Entrepreneur and Executive Award

As part of its commitment to promote gender equity, inclusion and women's leadership, Scotiabank has been developing for more than a decade the traditional Entrepreneur Award, which highlights women's leadership in the business world and from its inception has attracted more than 33 thousand women and awarded 81 of them. It also supports the Executive Award, a joint initiative of Mujeres Empresarias and Diario Financiero, which highlights the contribution of women in leadership positions in the private sector and this year was aimed at general managers.

8. Financial literacy competition for young people

Financial education is key for young people to learn to manage their finances responsibly and to accompany them, in 2022 the first version of the school tournament "Creamos Futuro" was held, which through the game Financity, teaches concepts such as savings, debt payment and household management, which in 2023 will be held again on a larger scale, as the bank became part of a project funded by the Regional Government that will allow this initiative to be extended to 150 schools in the Metropolitan Region.

9. Children's National Soccer Cup and sponsor of Latam Olimpiadas Especiales

The 2023 edition of the traditional National Children's Soccer Championship began in May, which maintained the in person modality, with the participation of almost 1,300 children from schools in five cities of Chile in the U11 mixed and U15 female categories. This activity is part of the Scotiabank FC Platform that the bank relaunched in Chile in 2022.

In line with its commitment to reduce gaps and provide tools for good financial health from an early stage, this time this tournament incorporated a playful, simple and didactic educational instance through which it provides young participants with basic notions of personal finance management. This is "La Liga de la Vida" (The League of Life), a board game in which children pretend to be professional soccer players and manage their resources, expenses, debts, investments, among others, in order to achieve their dreams and goals.

In addition, the Bank has a partnership as Latin American sponsor of the soccer activities of Olimpiadas Especiales, an entity that supports athletes with intellectual disabilities. The participation of 16 teams in a tournament held in La Reina borough marked the beginning of this long-term joint work, which is also part of the Scotiabank FC platform.

10. Launch of Affinity Groups (ERG) and certification of Inclusion Managers

To deepen its Diversity, Inclusion and Respect strategy, Scotiabank launched in Chile its program of affinity groups on Gender, Disability, Multiculturalism and LGBT+ Community topics, supported by the Bank's Diversity, Equity and Inclusion Committee to share experiences, interests and goals on these topics and operate from a structure of sponsors, ambassadors and allies.

Also as part of this active promotion of diversity and inclusion, during this period the Bank certified its first eight Inclusion Managers, a figure that is contemplated in the Disability Law, which requires each company to have at least one professional with these competencies that seek to facilitate the incorporation of employees with disabilities into the organizations under equal opportunity conditions.

11. Partnership with UTFSM

In the framework of the alliance with the Computer Science Department of the Universidad Técnica Federico Santa María to promote digital transformation, innovation and female and vocational participation in STEM (science, technology, engineering and mathematics) careers, during the first half of 2023, Scotiabank was involved in several activities, such as the call for a new preparatory version for the Challenge Technovation Girls Chile, which seeks to develop early vocations of girls and young women in careers related to science and technology. The goal is to replicate the success achieved in 2022 when one of the teams trained under this partnership won the Climate Prize in the international finals of this UN SDG-related app development competition.

This five-year partnership began in 2020 and includes a total budget of USD 1.2 million, which is expected to benefit more than 6,000 students.

4. OPERATING PERFORMANCE AND OUTLOOK

The following discussion relates to the Consolidated Financial Statements of Scotiabank Chile as at June 30, 2023. The balances in the statement of financial position are compared to June 2022. The statement of income compares profit or loss obtained in the quarter ended June 2023 to that of the quarter ended June 2022.

The Bank's development and performance during the year

Table No.10 shows the balances of the 2022 and 2023 statements of income.

Table No.10: Statement of income

	Quarter ended:			Six months ended:	
Statement of income	**June 2023 MCh$**	**March 2023 MCh$**	**June 2022 MCh$**	**June 2023 MCh$**	**June 2022 MCh$**
Net interest and indexation income	278,923	292,555	295,279	571,480	564,679
Net fee and commission income	47,791	45,954	44,828	93,745	92,918
Net financial result	48,552	6,537	29,441	55,088	26,398
Other operating income[5]	28,506	9,825	8,330	38,330	19,697
Total operating income	**403,772**	**354,871**	**377,878**	**758,643**	**703,692**
Total operating expenses	-158,585	-163,280	-153,372	-321,865	-294,306
Operating income before credit losses	**245,187**	**191,591**	**224,506**	**436,778**	**409,386**
Credit loss expense	-89,428	-103,689	-78,369	-193,117	-123,510
Profit or loss from continuing operations before taxes	**155,759**	**87,902**	**146,137**	**243,661**	**285,876**
Income tax expense	-28,107	-14,088	-12,485	-42,194	-32,430
Consolidated profit (loss) for the period	**127,652**	**73,814**	**133,652**	**201,467**	**253,446**

For the quarter ended June 2023, net interest and indexation income of CLP 278,923 million was recorded, 5.5% lower than in the same period of prior year, mainly due to lower indexation income in mortgage loans and higher interest paid on term deposits.

At the end of the first quarter of 2023, net commissions amounted to CLP 47,791 million, up by 6.6% compared to June 2022, explained by higher credit card, collection and foreign trade fees.

Net financial result recorded CLP 48,552 million, higher by 64.9% compared to the prior year due to the better performance in Global Capital Markets.

Other operating income amounted to CLP 28,506 million, an increase of 242%, due to other income from CAT.

[5] Includes the captions "Equity in net income of investees", "Gain or loss from non-current assets and disposal groups not qualifying as discontinued operations", and "Other operating income" in the Interim Consolidated Statements of Income.

Likewise, operating expenses amounted to CLP 158,585 million, up 3.4% compared to the prior year's quarter, mainly due to salaries and bonuses (CPI), collection expenses in CAT, together with higher depreciation and amortization.

Credit loss expenses were CLP 89,428 million, up 14.1% compared to the same quarter of prior year. This is mainly due to the sustained increase in provisions in CAT.

Income tax amounted to CLP 28,107 million, up 125% compared to the prior year.

Because of all these factors, net income recorded in the second quarter of 2023 was CLP 127,652 million, 4.5% lower than that recorded in the second quarter of 2022.

Table No.11 shows the balances of the 2022 and 2023 statements of financial position.

Table No.11: Statement of Financial Position

Statement of financial position	June 2023 MCh$	March 2023 MCh$	December 2022 MCh$	June 2022 MCh$
Cash and deposits in banks	1,145,975	903,616	1,268,178	1,205,215
Transactions pending settlement	485,611	475,721	565,421	659,793
Financial assets held for trading at fair value through profit or loss[6]	6,314,895	6,634,437	7,328,071	8,299,131
Financial assets at fair value through other comprehensive income[7]	3,049,509	3,181,863	2,360,643	2,411,014
Derivative instruments for accounting hedge	352,242	357,290	395,111	533,141
Financial assets at amortized cost[8]	32,313,434	32,454,705	32,856,058	31,636,278
Investments in companies	29,206	27,850	26,093	23,749
Intangible assets	245,389	241,150	240,400	227,757
Property and equipment	86,681	88,912	90,636	93,094
Right-of-use assets under lease contracts	172,187	172,811	174,082	172,049
Current taxes	9,629	87,671	53,478	68,657
Deferred taxes	360,116	342,799	330,907	358,148
Other assets	725,172	739,306	756,372	943,230
Non-current assets and disposal groups held for sale	17,108	16,461	15,175	16,282
Total assets	**45,307,154**	**45,724,592**	**46,460,625**	**46,647,538**
Transactions pending settlement	578,349	419,109	510,643	826,092
Financial liabilities held for trading at fair value through profit or loss[9]	5,200,732	5,728,103	6,213,012	7,416,715
Derivative instruments for accounting hedge	1,459,661	1,599,139	1,536,880	1,610,474
Financial liabilities at amortized cost[10]	32,076,716	32,193,906	32,424,392	31,915,218
Liabilities under lease contracts	159,891	159,623	160,376	156,514
Regulatory capital financial instruments issued	1,001,717	1,007,297	987,943	795,393
Provisions for contingencies	60,640	54,466	49,891	66,555
Regulatory capital financial instruments issued	58,440	21,504	146,260	72,836
Special allowances for credit losses	197,014	191,762	191,256	205,332
Current taxes	2,225	2,862	1,724	2,088
Deferred taxes	609	530	573	475
Other liabilities	1,112,322	1,164,433	1,050,357	838,502
Total liabilities	**41,908,316**	**42,542,734**	**43,273,307**	**43,906,194**
Capital	1,368,421	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	381,405	381,405
Accumulated other comprehensive income[11]	-61,132	-187,573	-139,638	-397,425
Retained earnings (losses) from prior years	1,436,903	1,436,903	1,095,630	1,095,630
Profit (loss) for the year	194,801	71,681	487,533	242,787
Provisions for dividends, payment of interest and repricing of issued regulatory capital financial instruments	-58,440	-21,504	-146,260	-72,836
Non-controlling interest	136,880	132,525	140,227	123,362
Total equity	**3,398,838**	**3,181,858**	**3,187,318**	**2,741,344**
Total Liabilities and Equity	**45,307,154**	**45,724,592**	**46,460,625**	**46,647,538**

[6] Includes the captions "Derivative instruments", "Debt financial securities" and "Other" in the Interim Consolidated Statements of Financial Position.
[7] Relates to the caption "Debt financial securities" of the Interim Consolidated Statements of Financial Position.
[8] Relates to the addition of captions “Rights under resale agreements and securities lending agreements”, “Financial debt securities”, “Loans and advances to banks”, and “Loans and advances to customers” of the Interim Consolidated Statements of Financial Position.
[9] Relates to the caption "Derivative financial instruments" of the Interim Consolidated Statements of Financial Position.
[10] Includes the captions "Deposits and other on-demand liabilities", "Term and other on-demand deposits", "Liabilities under repurchase agreements and securities lending", "Bank borrowings", "Debt financial instruments issued" and "Other financial liabilities" of the Interim Consolidated Statements of Financial Position.
[11] Includes the captions "Items that will not be reclassified to profit or loss" and "Items that can be reclassified to profit or loss" of the Interim Consolidated Statements of Financial Position.

Total assets decreased by 2.9% in June 2023 compared to June 2022, mainly due to financial derivative contracts.

Total liabilities also dropped by 4.6% due to financial liabilities held for trading at fair value through profit or loss.

Equity has increased by 24.0%, explained by retained earnings from prior years.

Financial position

Borrowings[12]

As shown in Table No.12, the Bank's loan portfolio (net of allowances and excluding interbank loans) reached CLP 31,837,838 million, up 2.2% compared to the same period of prior year. This growth is driven by mortgage loans, which increased by 9.3%; consumer loans grew by 7.5% (mainly due to credit card debtors in CAT); whereas commercial loans decreased by 4.9% (commercial loans).

Table No.12: Loans by product

Loans by product[13]	June 2023 MCh$	March 2023 MCh$	December 2022 MCh$	June 2022 MCh$
Commercial loans	**14,395,387**	**14,797,755**	**15,421,175**	**15,139,375**
Consumer loans	**3,620,851**	**3,588,078**	**3,606,586**	**3,367,964**
Bank	2,033,061	2,038,423	2,062,792	2,007,273
CAT	1,587,790	1,549,655	1,543,794	1,360,691
Mortgage loans	**13,821,600**	**13,715,134**	**13,544,491**	**12,643,671**
Total loans	**31,837,838**	**32,100,967**	**32,572,252**	**31,151,010**

Deposits and debt instruments issued

As shown in Table No. 13, total deposits reached CLP 18,255,254 million, a decrease of 2.4% compared to June 2022: on-demand liabilities decreased by 21.2%, whereas term deposits grew by 6.3%.

Total bonds increased by 17.2% between June 2023 and June 2022, mainly due to current bonds in UF. However, letters of credit contracted 8.0% due to mortgage securities denominated in UF.

Table No.13: Sources of funds

Sources of funds	June 2023 MCh$	March 2023 MCh$	December 2022 MCh$	June 2022 MCh$
Deposits and other on demand liabilities	4,654,010	4,946,042	5,076,459	5,909,686
Term and other on-demand deposits	13,601,244	13,902,249	13,972,388	12,798,986
Total deposits	**18,255,254**	**18,848,291**	**19,048,847**	**18,708,672**
Current bonds	8,183,444	7,815,312	7,606,930	7,044,390
Subordinated bonds	1,001,717	1,007,297	987,943	795,393
Total bonds	**9,185,161**	**8,822,609**	**8,594,873**	**7,839,783**
Letters of credit	**94,460**	**97,086**	**100,235**	**102,649**
Total debt securities issued	**27,534,875**	**27,767,986**	**27,743,955**	**26,651,104**

[12] Includes the caption "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position.
[13] Includes the caption "Loans and advances to customers" (commercial, mortgage and consumption loans), net of allowances in the Interim Consolidated Statements of Financial Position.

Financial spread

As per Table No.14, the annualized net interest margin (NIM) decreased 46 basis points to 3.02%. This decrease is explained by lower indexation income in mortgage loans and higher interest paid in term deposits.

Table No.14: Financial spread

	Quarter ended:			Six months ended:	
Financial spread	June 2023 MCh$	March 2023 MCh$	June 2022 MCh$	June 2023 MCh$	June 2022 MCh$
Net financial spread[14]	278,923	292,555	295,279	571,480	564,679
Total loans[15]	31,837,838	32,100,967	31,151,010	31,837,838	31,151,010
Earning assets (average for the period)	36,944,792	36,352,450	33,979,299	36,648,621	33,177,465
Net interest margin (NIM)	3.02%	3.22%	3.48%	3.12%	3.40%

Allowances and portfolio quality

During Q2 2023, net allowances totaled MCh$107,050, down 1% compared to the same period of prior year. The flow of special allowances increased compared to the prior quarter, which is mainly explained by income from a committed line and the reclassification of a customer, both cases related to corporate banking. This is shown in Table No.15 below.

Table No.15: Allowances for credit losses and portfolio quality

	Quarter ended:			Six months ended:	
Allowances and risk expenses	June 2023 MCh$	March 2022 MCh$	June 2022 MCh$	June 2023 MCh$	June 2022 MCh$
Initial allowance stock	621,161	596,538	456,717	596,538	445,155
Write-offs	90,824	85,805	49,213	176,629	94,772
Net allowances	107,050	110,428	108,061	217,477	165,182
Final allowance stock	**637,386**	**621,161**	**515,565**	**637,386**	**515,565**
Allowances accrued	106,291	117,166	95,828	223,457	158,490
Special allowances	5,186	1,103	-60	6,289	207
Recoveries	-21,978	-14,885	-17,454	-36,863	-35,230
Credit risk impairment	-71	306	55	234	43
Risk expenses	**89,428**	**103,689**	**78,369**	**193,117**	**123,510**

Quality ratios	June 2023	March 2023	December 2022	June 2022
Risk ratio (1)	1.94%	1.88%	1.79%	1.61%
Coverage on +90 past due days (2)	139.15%	147.76%	166.05%	222.28%
Expense ratio (3)	0.27%	0.32%	0.26%	0.25%
Write-off ratio (4)	0.28%	0.26%	0.22%	0.16%
+90 days past due ratio (5)	1.76%	1.61%	1.38%	0.99%
Recovery ratio (6)	0.07%	0.05%	0.05%	0.06%

(1) Allowance / loan stock. (2) Allowance stock / +90 days past due stock. (3) Risk expenses / loan average. (4) Write-offs / loan average. (5) +90 days past due stock / loans. (6) Recoveries / loan average.

As noted, the risk ratio increased 6 bps to 1.94% compared to the first quarter of 2023, whereas the past due portfolio had a variance of 9% compared to the prior quarter. Coverage reached 139.15%, down 37% from the same quarter of 2022.

Operating expenses

As per Table No.16, in the June 2023 vs. 2022 quarter comparison, personnel expenses increased by 6.1% due to salaries and legal bonuses (CPI). Administrative expenses are in line (-0.3%): there was an increase in collection expenses in CAT and in marketing in Retail, offset by lower expenses in Technology. Other operating expenses decreased by 6.4%, mainly due to the adjustment of securitized bonds (UF and coupon rate).

[14] Relates to the sum of "Interest income" and "Indexation income", less the sum of "Interest expense" and "Indexation expense" of the Interim Consolidated Statements of Income.
[15] Includes the caption "Loans and advances to customers" (commercial, mortgage and consumption loans) net of allowances of the Interim Consolidated Statements of Financial Position.

Efficiency, understood as the ratio of operating expenses to net income, improved 131 bps to 39.28%, explained by a better performance in Global Capital Markets in the quarter and due to other income from CAT.

Table No.16: Support expenses

	Quarter ended:			Six months ended:	
Operating expenses	**June 2023 MCh$**	**March 2023 MCh$**	**June 2022 MCh$**	**June 2023 MCh$**	**June 2022 MCh$**
Personnel expenses	76,089	77,745	71,685	153,833	136,058
Administrative expenses	57,469	59,997	57,624	117,466	111,356
Depreciation and amortization	16,604	16,520	14,858	33,124	29,528
Operating support expenses	**150,162**	**154,262**	**144,167**	**304,423**	**276,942**
Impairment	137	33	357	170	357
Other operating expenses	8,286	8,985	8,848	17,272	17,007
Operating expenses	**158,585**	**163,280**	**153,372**	**321,865**	**294,306**
Efficiency	**39.28%**	**46.01%**	**40.59%**	**42.43%**	**41.82%**

5. PERFORMANCE MEASURES AND INDICATORS FOR EVALUATING THE ENTITY'S PERFORMANCE

Key financial indicators

As shown in Table No.17, at the end of Q2 2023, net interest margin of 3.02% was reported, 46 bps lower than in the quarter of prior year. The efficiency ratio was 39.28%, an improvement of 131 basis points.

The return on average equity (ROAE) ratio reached 15.29% and decreased by 426 basis points compared to June 2022, due to the low profit for the period in the quarter, explained by the increase in income taxes and credit loss expense. Return on average assets (ROAA) reached 1.13%, down 9 basis points.

Table No.17: Key Financial Indicators

	Quarter ended:			Six months ended:	
Profitability and Efficiency Indicators	**June 2023 MCh$**	**March 2023 MCh$**	**June 2022 MCh$**	**June 2023 MCh$**	**June 2022 MCh$**
Net financial margin (Interest and Indexation)	3.02%	3.22%	3.48%	3.12%	3.40%
Efficiency (Net Operating expenses / Net operating income)	39.28%	46.01%	40.59%	42.43%	41.82%
Return on average equity (ROAE)	15.29%	9.25%	19.55%	12.34%	18.45%
Return on average assets (ROAA)	1.13%	0.64%	1.22%	0.88%	1.20%

Table No.18, for the period June 2023 and 2022, shows that mortgage loans have increased their share in the loan mix by 264 bps and consumer loans by 75 bps, whereas commercial loans decreased by 340 bps. The loan-to-deposit ratio was 1.78, up 5.1%.

In addition, the number of branches nationwide remains at 109 from June 2022. In the same period ATMs have been reduced by 24% (60 ATMs). Official information available in the CMF as at April 2023.

Table No.18: Financial Performance

Financial performance	**June 2023 MCh$**	**March 2023 MCh$**	**December 2022 MCh$**	**June 2022 MCh$**
Loans and accounts receivable from customers	31,837,838	32,100,967	32,572,252	31,151,010
Commercial loans / Total loans	45.27%	46.15%	47.41%	48.67%
Mortgage loans / Total loans	42.69%	42.04%	40.95%	40.04%
Consumer loans / Total loans	12.04%	11.82%	11.63%	11.29%
Loans / Deposits	1.78	1.74	1.74	1.69
Structure	**April 2023 MCh$**	**March 2023 MCh$**	**December 2022 MCh$**	**June 2022 MCh$**
Total No. of branches	109	109	109	109
No. of ATMs	188	187	219	248

Indicators not derived from the financial statements

Table No.19: Environmental Performance

	Quarter ended:			Six months ended:	
Energy consumption	**May 2023**[16]	**March 2023**	**June 2022**	**June 2023 (*)**	**June 2022**
Natural gas consumption (liters)	4,409	3,618	11,515	8,027	15,142
Electricity consumption (KWh)	3,224,745	3,175,413	3,076,163	6,400,158	6,313,119

	Quarter ended:			Six months ended:	
Print paper consumption	**May 2023**[17]	**March 2023**	**June 2022**	**June 2023 (*)**	**June 2022**
Number of prints (units)	7,201,127	9,535,118	10,975,896	16,736,245	17,787,999

	Quarter ended:			Six months ended:	
Waste and recycling	**June 2023**	**March 2023**	**June 2022**	**June 2023**	**June 2022**
Waste produced* (Kg)	17,142	16,267	23,562	33,410	39,729
Wasted recycled* (Kg)	2,377	1,846	3,153	4,223	4,868
Recycling %*	13.8%	11%	13.4%	12.6%	12.2%

CO2 emissions (tonCO2e)	December 2022	December 2021
Scope 1	69	54.6
Scope 2	6,361	9,669.8
Total	6,430	9,724

Scotiabank is committed to the environment, which is why its metrics include the reduction of energy consumption, initiatives to reduce the amount of waste produced, an increase in recycled waste and a reduction in CO2 emissions. In relation to these, several initiatives are performed, such as the *Paperless* program, the delivery of ecological *Welcome Kits* for customers and the collection and recycling of electronic waste.

Table No.20: Health and Safety

	Quarter ended:			Six months ended:	
Employee health and safety	**June 2023 (*)**	**March 2023**	**June 2022**	**June 2023 (*)**	**June 2022**
Occupational Accident Rate (annual cumulative)	0.30	0.33	0.34	0.32	0.32
Severity Rate (million hours worked)	80.35	44.80	129.0	59.02	125.12
Accident Trip Rate (annual cumulative)	0.47	0.49	0.54	0.48	0.47
Fatal Accident Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Days of absenteeism (work-related accidents and occupational illnesses)	365	116	373	481	740

(*) Data as at May

Table No.21: Turnover

	Quarter ended:			Six months ended:	
Turnover	**June 2023**	**March 2023**	**June 2022**	**June 2023**	**June 2022**
Number of total hires	155	275	226	430	418
Number of women hires	72	115	109	187	205
Number of men hires	83	160	117	243	213
Total turnover	151	266	252	417	492
Women turnover	80	162	139	242	283
Men turnover	71	104	113	175	210
Total voluntary turnover	49	62	66	111	139
Women voluntary turnover	22	35	32	57	67
Men voluntary turnover	27	27	34	54	72

[16] Data for April and May 2023
[17] Data for April and May 2023

Table No.22: Training

Training	Quarter ended: June 2023	March 2023	June 2022	Six months ended: June 2023	June 2022
Total number of training hours	53,930	20,915	116,200	78,845	141,294
Total number of trained employees	5,776	5,278	5,849	6,063	6,079
Total number of trained men employees	2,803	2,526	2,724	2,914	2,817
Total number of trained women employees	2,973	2,752	3,125	3,149	3,232
Average number of training hours by male employee, organization total	9	4	20	12	23
Average number of training hours by female employee	10	4	22	13	25
Average number of training hours by employee	8	4	18	11	22

Table No.23: Employee Engagement

Employee Engagement	July 2022	February 2022	July 2021
Overall engagement	94%	94%	93%
Proud to work for Scotiabank	96%	96%	95%
Her/his work makes her/him feel deeply fulfilled	93%	93%	92%
Scotiabank motivates me to make an effort that is extra than expected	93%	93%	93%
No plans to look for a job outside Scotiabank	nd	nd	nd
% of participation in the survey	76%	69%	80%

Table No.24: Salary Gap

Salary gap	December 2022	December 2021
Salary gap by gender	1.71%	2.61%

Scotiabank Chile seeks to promote a culture of learning and proactivity of all employees. As a result, a total of 78,845 training hours have been provided to 6,063 employees during the period from January through June 2023.

The current level of employee engagement is 94%, with survey participation of 76%.

Changes in measures quantified or indicators reported

Scotiabank's key financial and non-financial indicators are evaluated and analyzed periodically by the related management, which recommends to the Board of Directors whether a change in the indicators is necessary.

As at the date of preparation of this report, there are no indications of significant changes related to key financial and non-financial indicators.

Additional information

Risk rating

Scotiabank has risk ratings granted by international and local rating agencies. In this last period, it is worth highlighting the improvement in the outlook of the international risk rating according to S&P and Fitch, which improved from negative to stable, also confirming the A and A+ ratings, respectively. The most recent risk ratings obtained are detailed as follows:

Local Rating

Local financial rating was AAA, the best possible rating, on June 1, 2023 by Fitch and on June 5, 2023 by ICR, as shown in Table No.25. This rating is based on sound and diversified financing structure, the financial support and knowledge of the business provided by BNS, and the profitability that Scotiabank has achieved over the last few years.

Table No.25: Local Risk Rating

Fitch	***Rating***	**Last Rating Date**
Long-term	AAA (cl)	06-01-2023
Short-term	N1+ (cl)	06-01-2023
Bonds	AAA (cl)	06-01-2023
Subordinated Bonds	AA (cl)	06-01-2023
Shares	First Class Level 3 (cl)	06-01-2023
Outlook	Stable	06-01-2023
ICR	***Rating***	**Last Rating Date**
Solvency, long-term deposits, long-term bonds	AAA	06-05-2023
Short-term deposits	N1+	06-05-2023
Subordinated Bonds	AA+	06-05-2023
Shares	First Class Level 4	06-05-2023
Outlook	Stable	06-05-2023

International Rating

Scotiabank has obtained A rating from S&P, a rating that is supported by sound business position in the Chilean financial sector, broad diversification among sectors, segments and customers, in addition to the strengthening of the business resulting from the merger with BBVA Chile. The detail is shown in Table No.26.

Table No.26: Rating by S&P

Standard & Poor's	***Rating***	**Last Rating Date**
Long-term Foreign Issuer Credit	A	07-12-2023
Long-term Local Issuer Credit	A	07-12-2023
Outlook	*Stable*	07-12-2023

On the other hand, Scotiabank obtained A+ rating from Fitch Ratings, which is shown in Table No.27 and is based on an adequate capital structure -which showed improvements compared to 2020-, the strong quality of its assets and the improvement in profitability ratios.

Table No.27: Fitch Rating

Fitch	***Rating***	**Last Rating Date**
Long-term Issuer Default Rating	A+	10-13-2022
Short-term Issuer Default Rating	F1+	10-13-2022
Local Currency Long-term Issuer Default Rating	A+	10-13-2022
Local Currency Short-term Issuer Default Rating	F1+	10-13-2022
Outlook	*Stable*	10-13-2022