Scotiabank Chile
Management Commentary

December 2022

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 in relation to the Consolidated Financial Statements as at December 31, 2022.

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 190 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 present 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 and subsequently, at the beginning of 2022, The Bank of Nova Scotia increased its ownership interest in Scotiabank Chile from 83.03% to 99.79%, reflecting its long-term commitment to Chile.

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, but also through Digital Banking.

Market positioning in the relevant segments

Scotiabank's market share in total loans as at November[1] 2022, excluding branches and subsidiaries abroad, reached 14.92%, equivalent to CLP 33,076,796 million. It ranks third among its competitors and managed to grow 71 basis points above its November 2021 position.

Of the aforementioned total, commercial loans (including education) reached CLP 15,841,676 million, recording market share of 13.19%. Market shared for consumer loans recorded 13.78%, equivalent to CLP 3,791,796 million, whereas market share for mortgage loans recorded 18.15%, equivalent to CLP 13,443,324 million.

As at November 1, 2022, Scotiabank's liabilities record total deposits of CLP 18,840,783 million, of which CLP 13,845,007 million correspond to term deposits and CLP 4,995,776 million to on-demand deposits. In this regard, Scotiabank Chile's market share in total deposits, excluding branches and subsidiaries abroad, reached 11.58% as at November 2022, up 114 basis points compared to November 2021 (+203 bp in term deposits and -126 bp in on-demand deposits).

Significant environment features

International scenario

Globally, the pandemic has ever less relevance in the operation of economies, where even China has recently relaxed its restrictions, leaving behind its strict 'Zero-COVID' policy. However, the withdrawal of tax and monetary stimuli provided in 2021 continues to be a matter of concern for governments. Central banks of developed countries continue to raise interest rates, especially the U.S. Federal Reserve, in a context of high volatility and tighter financial conditions, which has deteriorated global growth prospects.

In addition, uncertainty about the evolution of the Russia-Ukraine war has continued to affect expectations about energy availability in Europe, and consequently the outlook for activity in the region. In China, potential growth expectations continue to be adjusted downward, although stimulus measures are expected to allow a soft landing of the world's main commodities

[1] For the data on loans and deposits, figures as at November 2022 are considered, as no public information is available as at December.

demander, in addition to the boost that the end of the 'Zero-COVID' policy would generate for the world economy, especially for emerging countries.

At the closing date of this report, the price of the main *commodities* has normalized towards levels similar to those recorded at the beginning of 2022. However, there is still high volatility and uncertainty regarding the medium-term effects on global activity.

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. The first of these was the Tax Reform, which has consecutively seen a reduction in expected collection from its announcement in President Boric's government program through the present date. In fact, the first estimate considered a collection level as a percentage of GDP of 5%, which was moderated to something between 4% and 5% by the Minister of Finance to finally be 4.1% of GDP at the time of the presentation of the bill. With the amendments it has undergone during its processing in the Congress, the expected collection has been reduced to 3.5% of GDP. A large part of this expected collection (1.6 percentage points) relates to measures to reduce tax evasion and avoidance, which makes us agnostic about the government's ability to achieve this expectation upon implementation of the reform. Because of the commitments that depend on tax reform collection -mainly financing the Pension Reform-, we 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 to 1.5% of the GDP in regime, where the main questions come from the efficiency that the new government entity will have to manage the funds and the high level that they promise to reach from the replacement rates, which in some cases would exceed 100%.

In addition, in January the bill was passed that will allow the constitutional process to resume, after the rejection of the constitution proposed by the constituent assembly. The new process considers the formation of a Constitutional Council -with 50 members-, a Technical Committee on Admissibility and a Commission of Experts with 24 members. The process will begin on March 6, where the experts and the technical committee will take office and will end with an exit plebiscite on December 17, 2023. In our view, the process has enough "edges" to limit the approval of extreme proposals, which is a symptom of welcome political moderation.

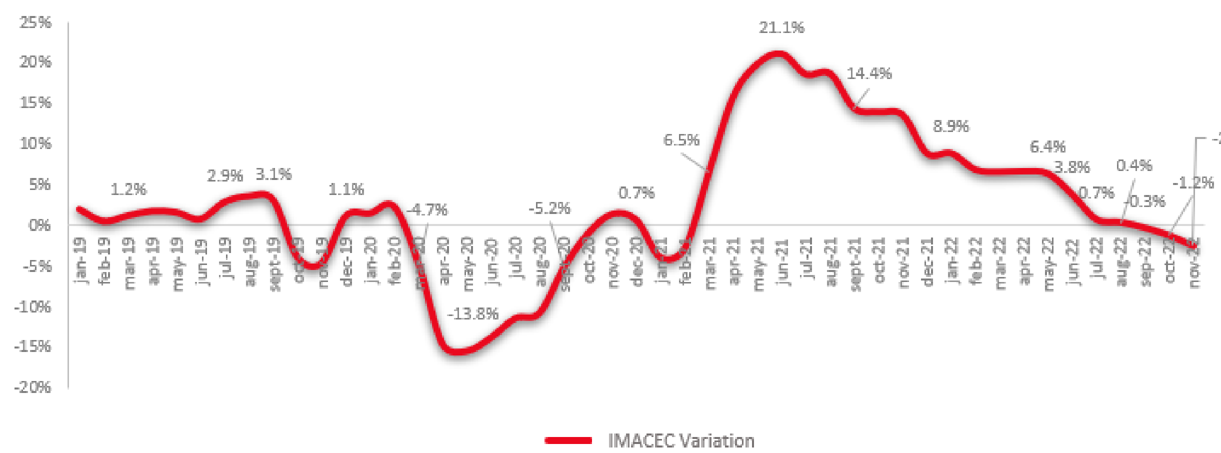
Economic activity level

During 2022, the economy continues its adjustment process of the macro imbalances generated after the COVID crisis and the extraordinary fiscal and monetary impulses. In the first half of the year, GDP expanded by an average of 6.5% YoY, thanks to growth in private consumption (10.8%) and investment (7.1% YoY). However, in the second half of the year, the economy contracted by an average close to 1% YoY, mainly due to the moderation of private consumption of goods. In the last quarter of the year, the dynamism of the sectors linked to the production of goods (mining, industry and construction) was lower, while services continued to decelerate, albeit moderately.

We estimate that the economy would have contracted by about 2.6% in 2022. This, coupled with the lower external momentum and the low dynamism expected for private investment in the year, will leave us with negative growth rates for a large part of 2023. According to the Central Bank, the economy will contract between -1.75% and -0.75% in 2023.

Figure No. 1

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



Source: Central Bank of Chile.

Inflation

After reaching its highest level in year-on-year terms in August (14.1% YoY), inflation has started to ease (see Table No. 1). Although we continue to observe higher than historical averages, we detected lower price pressures in imported goods, especially durable goods, as well as a certain deceleration in the inflation of volatile products (food and fuel).

Most recently, the significant appreciation of the Chilean peso (CLP) represents a new downside risk to local inflation, in addition to the deterioration of the labor market, the restrictive financing conditions, the recomposition of inventories and the depletion of household liquidity. However, inflation is forecasted to end 2023 recording a 12-month growth of 3.6%, according to the Central Bank of Chile.

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

Month	Monthly	Accumulated	Last 12 months
March 2021	0.4	1.3	2.9
April 2021	0.4	1.6	3.3
May 2021	0.3	1.9	3.6
June 2021	0.1	2	3.8
July 2021	0.8	2.8	4.5
August 2021	0.4	3.2	4.8
September 2021	1.2	4.4	5.3
October 2021	1.3	5.8	6.0
November 2021	0.5	6.3	6.7
December 2021	0.8	7.2	7.2
January 2022	1.2	1.2	7.7
February 2022	0.3	1.5	7.8
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

[2] For IMACEC purposes, data considered figures as at November 2022 because as at December no public information was available.

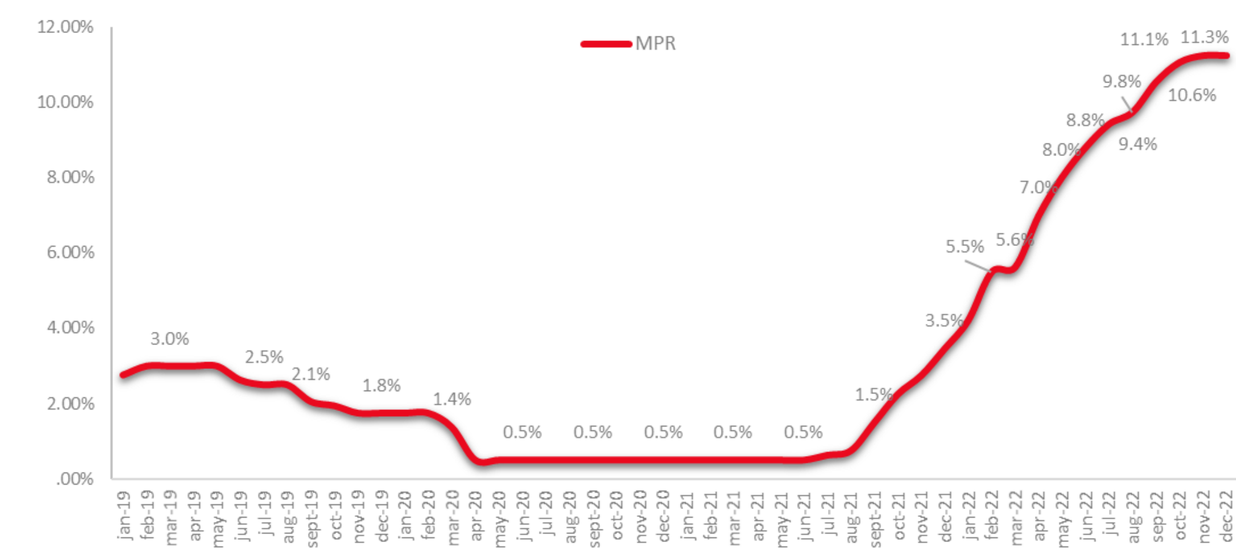
Interest rate

At its October 2022 meeting, the Central Bank decided to raise the benchmark interest rate to 11.25%, stating that it would keep it at that level for as long as necessary to ensure the convergence of inflation to the target. Subsequently, in December, the Bank confirmed the level and bias for the rate, reiterating that the risks of inflation and expectations convergence are still present.

In our view, the current context of weak economic activity, together with an adjustment in the determinants of inflation in the most recent period, ensure the convergence of inflation expectations to the target in the next few months. This will lead the Central Bank to cut the benchmark interest rate aggressively at its April meeting, initiating a process of adjustment in the monetary policy stance that is more pronounced than what the market contemplated and that assumed by the Central Bank itself in its scenario outlined in December. We forecast that the MPR will end the year at 4.5%, reaching its neutral level (3.75%) in the first part of 2024.

Figure No. 2

Monetary Policy Rate Evolution
(Variance %)



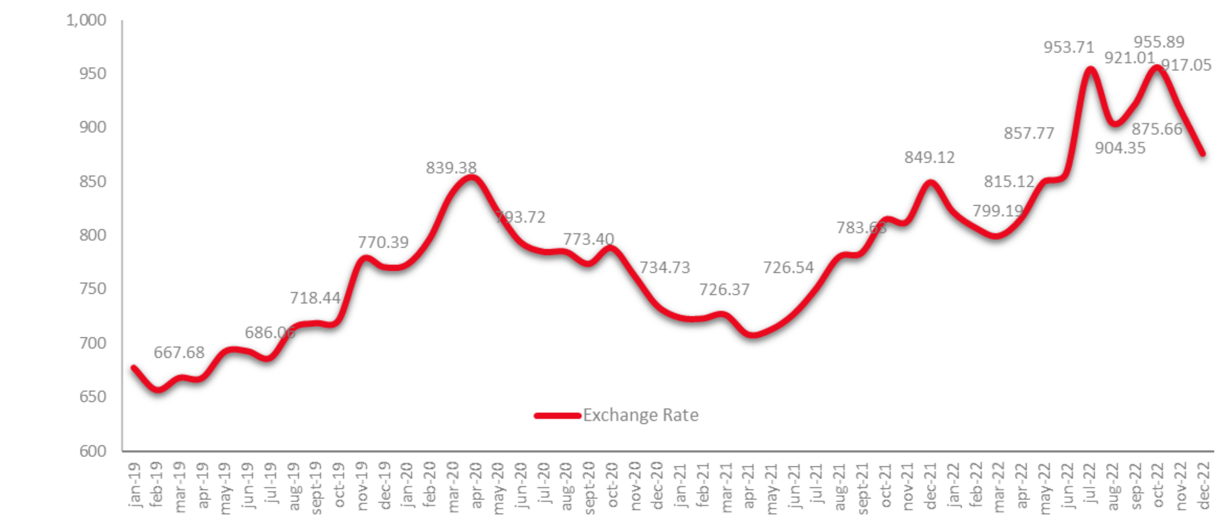
Source: Central Bank of Chile.

Exchange rate

In 2022, the nominal exchange rate ended the year at Ch$860 per U.S. dollar 1.00, continuing the appreciating trend that had been dragging on since the beginning of the fourth quarter. Behind this evolution are the global appreciation of the U.S. dollar -due to expectations of lower interest rate increases by the Federal Reserve- as well as the increase in the price of copper. However, the reduction in the level of political uncertainty has also contributed to reduce the exchange rate level, as the political punishment accumulated by the CLP has significantly reduced. At the closing date of this report, the exchange rate was being traded at Ch$820 per US$ 1.00.

Figure No. 3

Exchange rate fluctuation, CLP/USD
(Variance %)



Source: Central Bank of Chile.

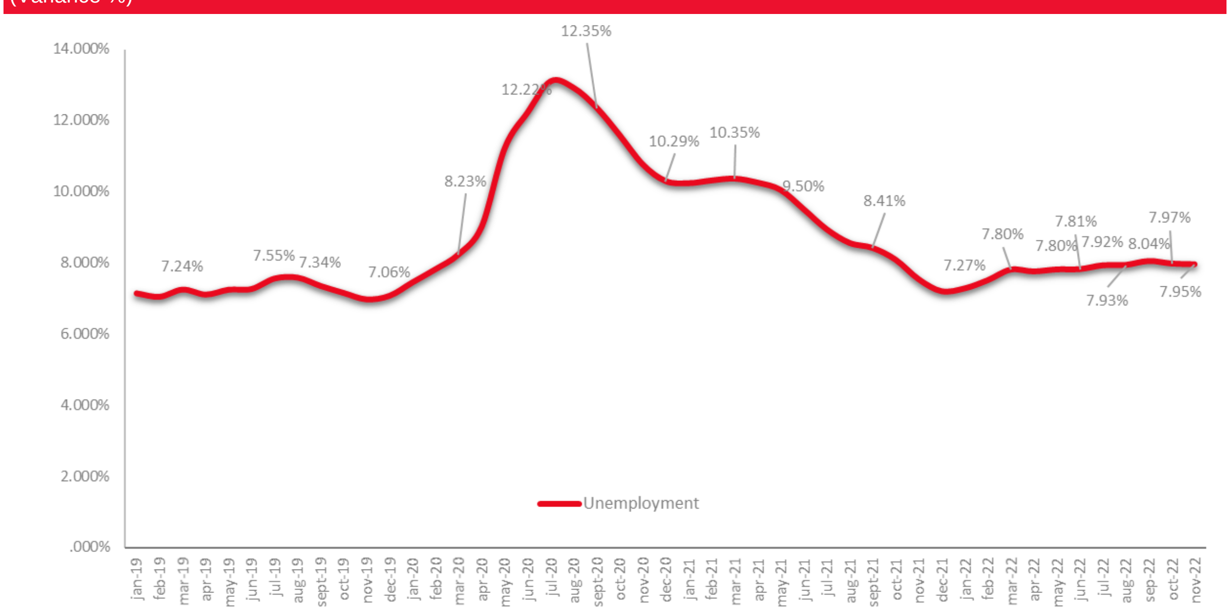
Labor market

The labor market continues to show stagnation in terms of job creation in the last months of 2022, with the unemployment rate remaining at around 8% because of the low dynamism also shown by the labor force. According to figures provided by the Chilean National Institute of Statistics (INE), in the quarter ending in November, the unemployment rate was 7.9%, with the creation of only 14 thousand jobs, well below that expected for this period of the year. In the absence of a significant improvement in investment in the next few quarters, the outlook for employment is unfavorable.

Through the present date now, employment continues to be sustained mainly by the help of Government's programs to support formal employment, recently renewed through mid-2023, offsetting only a portion of the drop in informal jobs, especially in retail and construction.

Figure No. 4

Unemployment rate[3]
(Variance %)



Source: Central Bank of Chile.

[3] The unemployment rate considered figures as at November 2022 because as at December no public information was available.

Legal and regulatory environment

Main authorities regulating financial institutions in Chile are the Financial Market Commission (CMF) and the Central Bank of Chile. Chilean banks are subject primarily to the General Banking Law and, to the extent consistent 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.

The Central Bank is an autonomous agency, of constitutional rank, of a technical nature, with legal personality, its own equity and indefinite duration. The legal purpose of the Central Bank is to maintain the stability of the Chilean peso and the orderly operation of the internal and external payment systems. The Central Bank 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 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 Banking

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 offers these customers 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 banking

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 December 31, 2022 MCLP	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	117,900	66,848	59,114	-108,749	162	135,275
Other income	30,426	62,481	23,569	123,379	-2,617	237,238
Equity in net income of investees	0	0	0	0	1,788	1,788
Total operating income	**148,326**	**129,329**	**82,683**	**14,630**	**-667**	**374,301**
Operating expenses	-76,717	-29,297	-27,925	-2,017	-3,301	-139,257
Depreciation and amortization	-8,553	-2,664	-2,841	-228	-1,756	-16,042
Credit loss expense	-45,851	-8,151	-34,145	0	228	-87,919
Segment operating profit (loss)	**17,205**	**89,216**	**17,772**	**12,385**	**-5,496**	**131,083**
Income tax expense						2,542
Profit or loss for the year						**133,625**
Spot volumes - MCLP						
Assets (loans)	18,453,225	12,335,780	1,664,943	0	118,304	32,572,252
Liabilities (demand and term deposits)	6,139,951	5,673,146	0	6,786,197	449,553	19,048,847

Quarter ended September 30, 2022 MCLP	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	116,306	64,801	55,752	-81,706	-809	154,343
Other income	36,079	39,215	19,242	107,105	2,422	204,063
Equity in net income of investees	0	0	0	0	629	629
Total operating income	**152,385**	**104,016**	**74,994**	**25,399**	**2,242**	**359,035**
Operating expenses	-71,109	-26,173	-46,577	-1,656	9,282	-136,233
Depreciation and amortization	-7,885	-2,595	-2,761	-218	-1,554	-15,013
Credit loss expense	-36,043	-31,289	-21,436	0	537	-88,231
Segment operating profit (loss)	**37,348**	**43,959**	**4,220**	**23,525**	**10,507**	**119,558**
Income tax expense						8,427
Profit or loss for the year						**127,985**
Spot volumes - MCLP						
Assets (loans)	18,112,846	12,900,381	1,508,900	0	93,038	32,615,165
Liabilities (demand and term deposits)	6,078,671	6,037,905	0	6,670,388	417,124	19,204,088

Quarter ended December 31, 2021 MCLP	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	113,468	57,842	42,860	-30,736	226	183,660
Other income	30,786	36,821	13,587	93,500	197	174,891
Equity in net income of investees	0	0	0	0	1,744	1,744
Total operating income	**144,254**	**94,663**	**56,447**	**62,764**	**2,167**	**360,295**
Operating expenses	-84,300	-29,759	-28,098	-1,938	-11,865	-155,960
Depreciation and amortization	0	0	-2,619	0	-11,853	-14,472
Credit loss expense	-22,624	-6,719	-31,902	0	-2,342	-63,587
Segment operating profit (loss)	**37,330**	**58,185**	**-6,172**	**60,826**	**-23,893**	**126,276**
Income tax expense						-3,327
Profit or loss for the year						**122,949**
Spot volumes - MCLP						
Assets (loans)	16,337,167	10,939,361	1,158,603	0	77,570	28,512,701
Liabilities (demand and term deposits)	6,146,142	5,389,137	0	4,843,291	305,173	16,683,743

Twelve-month period ended December 31, 2022 MCLP	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	460,619	251,850	212,135	-279,693	1,080	645,991
Other income	126,404	157,282	82,566	419,056	-783	784,525
Equity in net income of investees	0	0	0	0	6,513	6,513
Total operating income	**587,023**	**409,132**	**294,701**	**139,363**	**6,810**	**1,437,029**
Operating expenses	-295,243	-110,464	-110,292	-7,559	-16,711	-540,269
Depreciation and amortization	-31,707	-10,166	-11,003	-848	-6,859	-60,583
Credit loss expense	-139,014	-47,803	-111,376	0	-1,467	-299,660
Segment operating profit (loss)	**121,059**	**240,699**	**62,030**	**130,956**	**-18,227**	**536,517**
Income tax expense						-21,461
Profit or loss for the year						**515,056**

Spot volumes - MCLP						
Assets (loans)	18,453,225	12,335,780	1,664,943	0	118,304	32,572,252
Liabilities (demand and term deposits)	6,139,951	5,673,146	0	6,786,197	449,553	19,048,847

Twelve-month period ended December 31, 2021 MCLP	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	444,175	220,856	167,612	-53,039	1,419	781,023
Other income	129,808	151,169	52,199	220,422	9,906	563,504
Equity in net income of investees	0	0	0	0	-6,895	-6,895
Total operating income	**573,983**	**372,025**	**219,811**	**167,383**	**4,430**	**1,337,632**
Operating expenses	-301,533	-107,510	-101,065	-7,047	-11,196	-528,351
Depreciation and amortization	-23,681	-5,615	-9,753	-268	-17,107	-56,424
Credit loss expense	-32,799	-23,297	-44,285	0	-107,606	-207,987
Segment operating profit (loss)	**215,970**	**235,603**	**64,708**	**160,068**	**-131,479**	**544,870**
Income tax expense						-94,865
Profit or loss for the year						**450,005**

Spot volumes - MCLP						
Assets (loans)	16,337,167	10,939,361	1,158,603	0	77,570	28,512,701
Liabilities (demand and term deposits)	6,146,142	5,389,137	0	4,843,291	305,173	16,683,743

Entity structure and how it creates value

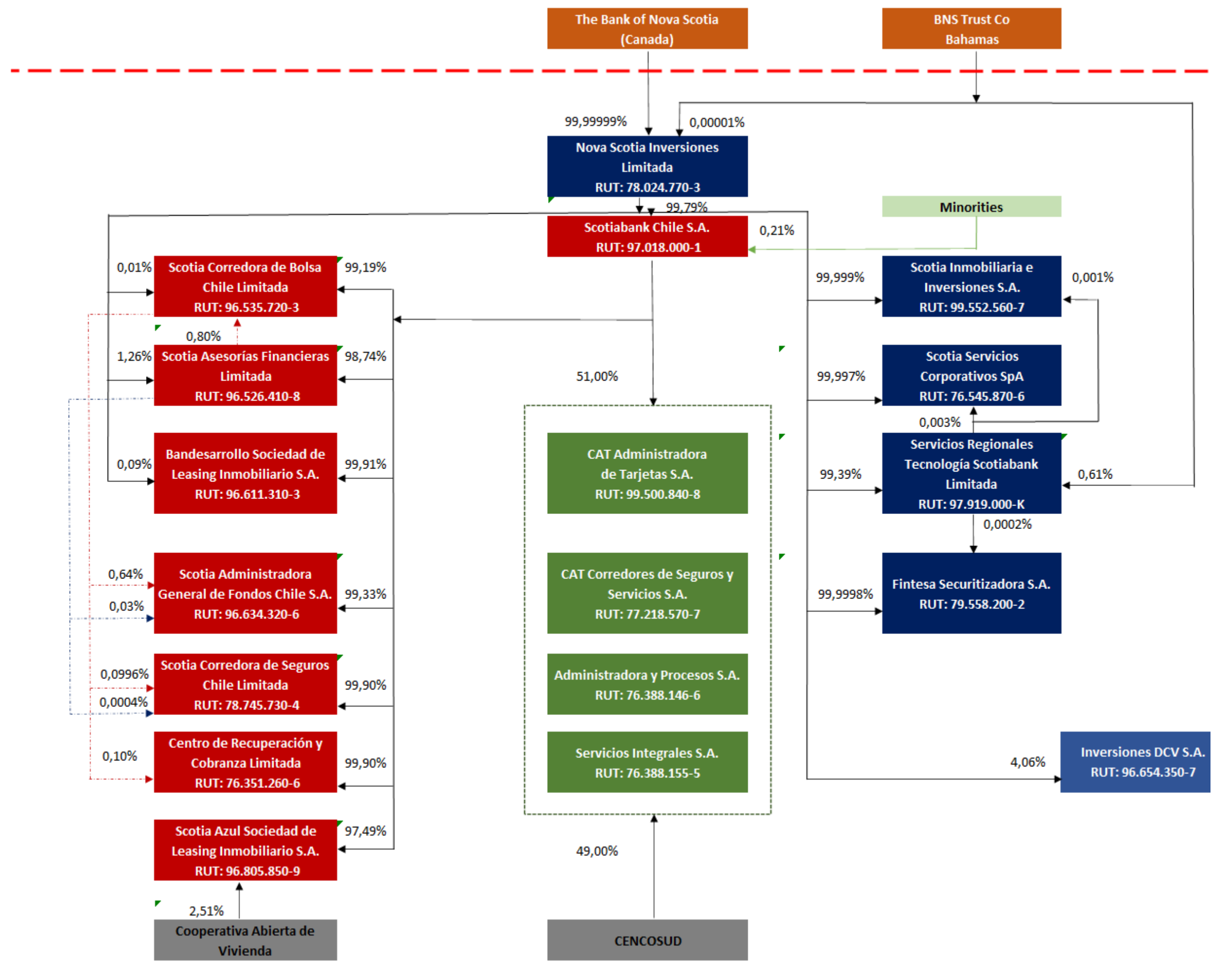
As at December 2022, Scotiabank Chile is owned by 99.79% by Nova Scotia Inversiones Limitada, an entity owned by the *Bank of Nova* Scotia (BNS), which is the Bank's sole controlling shareholder. The remaining percentage (0.21%) corresponds to minority shareholders. In April 2022, The Bank of Nova Scotia completed the announced acquisition of 16.76% of Scotiabank Chile, which was previously held by the Said family, for an estimated amount of approximately CAD 1.3 billion.

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



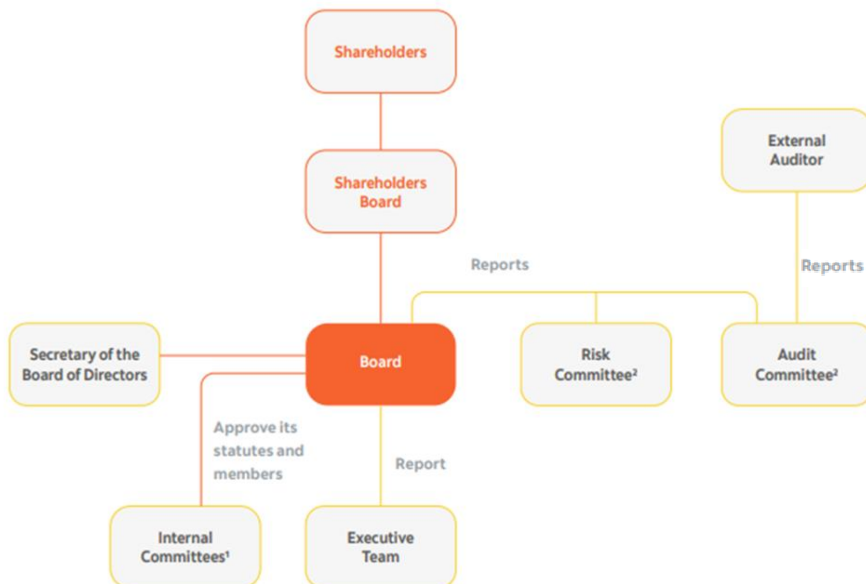
Corporate governance is a priority for Scotiabank and is an essential element for long-term success. Corporate governance policies are designed to ensure the independence of the Board of Directors and its ability to provide effective oversight of the Bank's operations by management.

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. This new structure was conditioned to the approval of the change in the Bank's bylaws by the Financial Market Commission (CMF), which was approved in January 2023.

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 is 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 become 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]

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

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 190 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 a variety of 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 15,000 people in different locations 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, 1.35% of the Bank's staff as at December corresponds to people with some type of visible and non-visible disability.

This work has allowed the Bank to be recognized by different organizations. This year and for the fourth consecutive year, Scotiabank Chile received the *Sello Equidad CL* certification awarded by Human Rights Campaign, *Fundación Iguales* and Pride Connection to those companies that have excelled in creating inclusive workspaces for these communities.

In addition to this certification, the company has received recognition in other areas of inclusion, such as first place in Chile in the 2022 version of the PAR Ranking, carried out 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*.

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, through Scotia Administradora General de Fondos, it subscribed to the UN Principles for Responsible Investment, which will help to deepen the thorough evaluation of environmental, social and corporate governance factors 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. It has employee training and development plans, as well as compensation based on principles of equity, competitiveness and emphasis on performance. Likewise, time, money and welfare benefits have been developed 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, and taking the lessons learned from the pandemic, the Bank implemented a hybrid and flexible work model, called 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 a pioneering move in the banking industry, Scotiabank Chile reduced its workday to 39 hours a week in May as a way of improving the quality of life of its employees, achieving a better work-life balance and promoting co-responsibility. All such progress -made possible thanks to the advances in productivity associated with the modernization and digital transformation agenda deployed by Scotiabank- earned it fourth place in the ranking of Large Corporations "2022 Integrating Personal Life and Work" of Fundación Chile Unido.

Scotiabank Chile was one of the ten finalists in the 2022 version of the Carlos Vial Espantoso Award, a foundation which, together with the Association of AFP, also provided the *Plenus* award to the Bank for initiatives aimed at promoting senior talent. In addition to these awards, the Bank was also ranked eighth in the Merco ranking of the best places to attract and retain talent.

Digital transformation for customers

Scotiabank Chile has consolidated its position as the best digital bank for its customers and has made significant progress in building a complete ecosystem of products and functionalities that respond efficiently to facilitate the lives of customers based on their new digital habits and needs.

With this vision in mind, over the past year, it has completed a number of developments. In the last period, it promoted new functionalities in its ScotiaPay payment ecosystem, adding the possibility of linking cards to Fitbit and Garmin devices, as well as to Google Wallet. In addition, ScotiabankGO was included in HUAWEI's App Gallery.

In addition, in October Scotiabank was one of the two banks in Chile to enable the RedGiro QR system developed by Redbanc in its ATM network, which allows withdrawals to be made by scanning a QR code with a cell phone through the Bank's mobile application.

The positive outcome of this strategy is reflected in our customers' digital adoption, which went from 54% at the end of 2019 to almost 71% today. In addition, the digital adoption rate of our chequing account customers is close to 92%.

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.

Previously, the Bank successfully launched ScotiaZero, the first 100% digital chequing account with no maintenance cost or income requirement, 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 by the Bank 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.

At the end of 2022, 54% of the workforce was female, whereas 26% of senior management positions were held by women. In addition, during the fourth quarter the Bank continued the deployment of 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 is the first country in the Pacific Alliance where it is being implemented. During this period, it organized two face-to-face meetings in the regions with female clients who are members of the program and who participated in a talk on current economic events that, in addition to being an educational and support event, was also a business networking platform.

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:

1. December 2022 marked the one year anniversary of 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 management. It celebrated the milestone for its customers in an exclusive ProAm golf tournament with the participation of the outstanding national golfer Felipe Aguilar, an activity that took place within the framework of the Scotia Wealth Management Chile Open Chile 2022, an event of the PGA Tour Latin America of which the division is the main sponsor.

2. 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's vision is inspired by the corporate 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 5,076,459 million as at December 31, 2022 (CLP 5,212,661 million as at September 30, 2022 and 7,221,177 million as at December 31, 2021). Deposits and other term deposits represented CLP 13,972,388 million as at December 31, 2022 (CLP 13,991,427 million as at September 30, 2022 and 9,462,566 million as at December 31, 2021), whereas bank borrowings amounted to CLP 5,342,213 million as at December 31, 2022 (CLP 5,797,592 million as at September 30, 2022 and 5,658,415 million as at December 31, 2021).

In addition, core funding was supplemented with debt issuances of CLP 8,695,108 million (CLP 8,327,203 million as at September 30, 2022 and 7,414,406 as at December 31, 2021).

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.

This substitution effect is expected to remain stable in the next few months, given that the Central Bank of Chile indicates that the Monetary Policy Rate (MPR) is located around the maximum level it considers for the core scenario.

The Bank holds liabilities in Chilean pesos, Unidades de Fomento (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 fourth quarter of 2021 and 2022.

Table No. 3: Sources of financing

Components	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
Deposits and other on-demand liabilities	5,076,459	5,212,661	7,221,177
Term and other on-demand deposits	13,972,388	13,991,427	9,462,566
Obligations with domestic banks	0	0	0
Obligations with foreign banks	2,312,187	2,767,566	2,628,389
Obligations with Banco Central de Chile	3,030,026	3,030,026	3,030,026
Letters of credit	100,235	102,139	104,506
Current bonds	7,606,930	7,242,049	6,553,533
Subordinated bonds	987,943	983,015	756,367
Total	**33,086,168**	**33,328,883**	**29,756,564**

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 "minipo*ol*") and the delivery of products and signing of documents is performed via delivery service.

As at December 2022, the Bank has 17 Connect branches, serving over 140 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 December 2022, there were 424 thousand active *mobile users*, up 15% compared to the prior year. Likewise, December 2022 closed with 559 thousand active digital users and a digital adoption rate of 70.1%.

Scotiabankers

The entity's most valuable resource is its employees. As at December 2022, Scotiabank has a total of 5,985 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	December 2022	September 2022	December 2021
Senior Management	23	24	25
Management	162	166	163
Professionals	3,890	3,793	3,793
Administrative personnel	1,698	1,706	1,842
Sales force	185	191	198
Total	**5,958**	**5,880**	**6,021**

Diversity in the Board of Directors

As at September 2022, the Board of Directors is composed of 2 women and 9 men, as shown in Table No. 5.

Table No. 5 Diversity in the Board of Directors

Women	Men	Total
2	9	11

It should be emphasized that, at the Extraordinary Shareholders' Meeting held on November 14, 2022, the number of members of the Board of Directors was reduced to seven members and one alternate. This new composition was conditioned to the approval of the change in the Bank's bylaws by the Comisión para el Mercado Financiero (CMF), which took place in December 2022, in order for the new Board to be installed in January 2023.

With this new composition, and in line with the bank's commitment to promote female leadership and gender equality, Scotiabank Chile becomes the first private bank in the country to have a parity board, with 4 men and 4 women.

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. 21130, which defined new requirements in line with international standards known as "Basel III."

At the end of December 2022, basic capital amounted to CLP 3,135,979 million to which is added the additional Tier 1 capital of CLP 152,642 million, which added together completes the Tier 1 capital of CLP 3,288,621 million. Tier 2 capital, which corresponds to the sum of additional provisions plus subordinated bonds, amounted to CLP 834,128 million, resulting in total effective equity of CLP 4,122,749 million.

In addition, note that regulatory limits of the Tier 2 capital components showed headroom, since subordinated bonds were using 21.36% of a maximum of 50% of the possible core capital and, for additional allowances, these amounted to 0.66% of a maximum of 1.25% of the Risk-Weighted Assets (RWA).

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 3,042,505 million for December 2022, together with the Operational Risk Weighted Assets, which amounted to CLP 2,439,484 million, and the method for the calculation of Market Risk Weighted was modified, which amounted to CLP 25,046,401 million, and from December 2022, regulatory adjustments of 15% began to be considered in the calculation of effective equity, as well as the increase of the conservation buffer from 0.625% to 1.25% and the entry into force of the 25% systemic buffer of 1.25% for the Bank, equivalent to an additional requirement of 0.31% for this concept.

The effective equity to total RWA ratio reached 13.50% as at December 2022, which shows the Bank's adequate solvency and is in line with the strategic definitions of its Parent.

Leverage ratio, Basic Capital to Total Assets ratio, was 7.20%.

The capital structure is shown in Table No. 6.

Table No. 6 Capital Structure

Available Capital	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
Tier 1 Capital	**3,288,621**	**3,334,387**	**3,079,163**
CET 1	**3,135,979**	**3,028,445**	**2,801,123**
Capital	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	374,682
Retained earnings	1,436,903	1,348,488	1,138,068
Valuation	-139,638	-202,765	-207,468
Minority interest	140,227	132,896	127,420
Equity adjustments	-51,339	0	0
AT1	**152,642**	**305,942**	**278,040**
Additional tier 1 capital	152,642	305,942	278,040
Tier 2 Capital	**834,128**	**688,055**	**528,224**
Subordinated bonds	669,880	513,050	342,463
Additional allowances	164,248	175,005	185,761
Total effective equity	**4,122,749**	**4,022,442**	**3,607,387**

Table No. 7: Capital Components

Concept	December 2022 (%)	September 2022 (%)	December 2021 (%)	Regulatory Requirements
Regulatory Capital (T1 + T2)	13.50%	13.15%	12.97%	>= 9.56%
CET1 / RWA	10.27%	9.90%	10.07%	> = 6.06%
T1 / RWA	10.77%	10.90%	11.07%	> = 7.56%
Leverage ratio	7.20%	6.97%	7.16%	> = 3%
Tier 2 / Tier 1	25.36%	20.64%	17.15%	-
Subordinated debt / CET1	21.36%	16.94%	11.12%	< 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 day-time horizon, based on a critical regulatory liquidity stress scenario defined by the regulator.

The Bank's main liquidity metric is the Liquidity Coverage Ratio (Liquidity Coverage Ratio or 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	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
High quality liquid assets	3,241,672	2,683,269	2,883,040
Net adjusted expenses	1,292,521	1,658,630	1,383,941
LCR%	250.80%	161.78%	208.32%

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, the Central Bank of 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	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
Available stable funding (ASF)	27,760,510	27,609,570	24,234,342
Required stable funding (RSF)	29,191,010	29,671,425	24,229,440
Net Stable Funding Ratio (%)	95.10%	93.05%	100.02%

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.

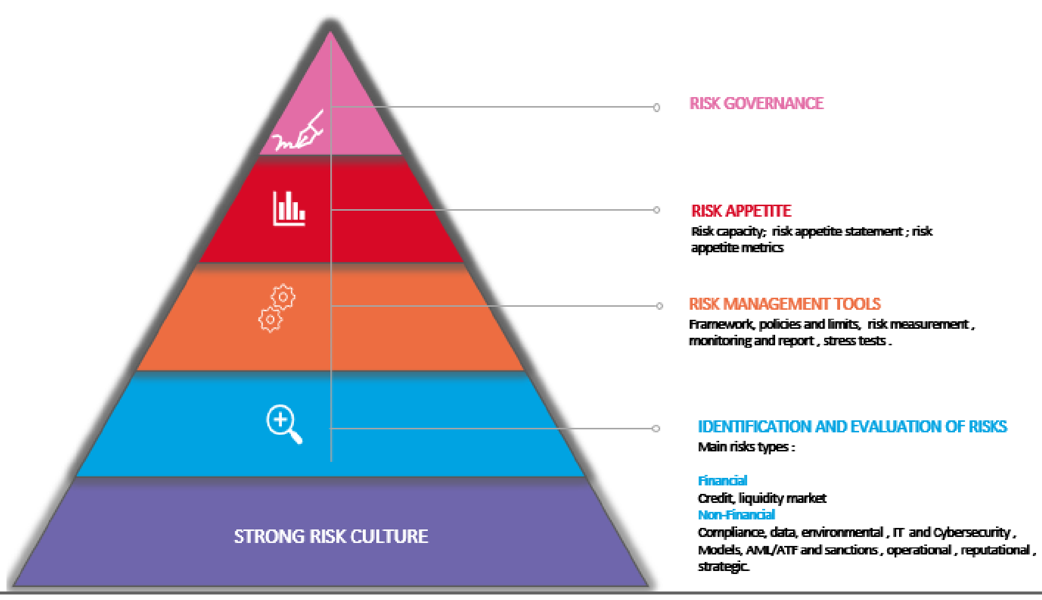
Scotiabank manages its excess financial resources within the framework established by market and liquidity risk limits.

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

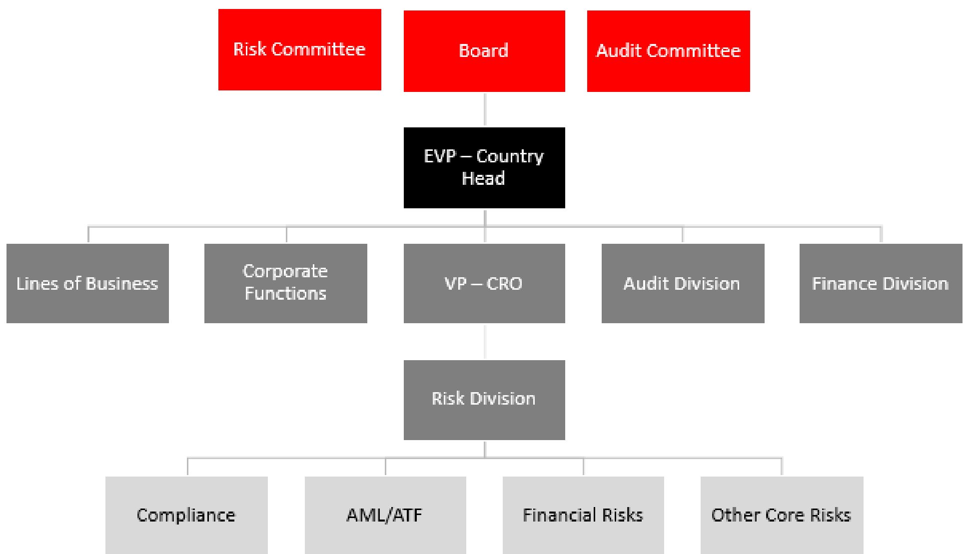


Governance structure

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 VP & *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 2022 Financial Statements 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 2022 Financial Statements 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 2022 Financial Statements 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.

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 recognitions

During the reported quarter, Scotiabank Chile was distinguished as the Digital Bank of the Year in Latin America and the Caribbean within the framework of the 2022 edition of the awards of the prestigious magazine LatinFinance, which 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. Three Chilean projects receive resources from the 2022 *Net-Zero Research Fund*

Chile obtained financing for three of the 10 projects selected worldwide in the 2022 Net-Zero Research Fund (NZRF), a global initiative that Scotiabank promotes to support research into the fight against climate change, which is one of its main environmental commitments.

The Chilean study centers and academic entities awarded were the Centro Tecnológico para la Innovación en la Construcción (CTeC) linked to Corfo; Pontificia Universidad Católica de Chile - together with Duoc UC and the University of California at Berkeley-, and the Energy and Climate Science and Resilience (CR)2 centers, which depend on Universidad de Chile. Each initiative selected will receive CAD 100k.

3. Economic talks for customers cycle

The Bank's chief economist, Jorge Selaive, conducts open talks for customers, where he provides 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 was on customers in regions other than the Metropolitan Region of Chile, where six activities were held for customers of *Wholesale Banking* and the Scotiabank Women's Initiative program. The former ones were organized together with the Chilean-Canadian Chamber of Commerce.

4. 2022 Entrepreneur and Visa *She's Next* Awards & Scotiabank Women Initiative

As part of its commitment to promote gender equality, inclusion and women's leadership, Scotiabank held the 11th version of the traditional Entrepreneur Award for which it received a record 1,200 applications, of which nine reached the final stage, winning two businesswomen from the Metropolitan Region and one from Antofagasta. From its inception in 2012, this award that highlights women's leadership in the business world has called more than 33 thousand women and awarded 81 of them.

Through the Scotiabank Women Initiative program, the Bank launched the "Visa *She's Next* Award & Scotiabank Women Initiative", aimed at Chilean women or permanent residents, owners or executives in charge of companies, to recognize women who have transformed their businesses and seek to empower them through digital adoption.

5. Financial literacy competition for young people

Financial literacy is key for young people to learn to manage their finance responsibly and to accompany them, in October and within the framework of Financial Literacy Month, the Bank supported a school competition that, through the game *Financity*, teaches concepts such as saving, debt payment and household management. A total of 120 young people from 15 private, subsidized private and municipal schools from the Metropolitan and Valparaíso regions participated in an integrated format in which students from schools in the municipalities of Cerro Navia and La Pintana were the winners.

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

The 2022 edition of the traditional National Children's Soccer Cup ended in November and this year returned to the on-site format involving over 1,600 children from 150 schools in five cities of Chile, who under strict sanitary protocols faced each other from June in a mixed U-11 category and a female U-15 category. This activity is part of the Scotiabank FC Platform, which the Bank relaunched in Chile this year, and the winners were establishments in the Coquimbo and Metropolitan regions.

In addition, the Bank sealed 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.

7. 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.

8. Partnership with UTFSM

As part of the partnership with the Computer Science Department of *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 fourth quarter Scotiabank was involved in several activities, such as the international seminar on Cybersecurity that this university organizes partnering with the *Policía de Investigaciones* (The Chilean Investigative Police).

In addition, the entity launched the call for a new preparatory version for the Technovation Girls Chile Challenge, 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 December 31, 2022. The balances in the statement of financial position are compared to December 2021. The statement of income compares profit or loss obtained in the quarter ended December 2022 to that of the quarter ended December 2021.

The Bank's development and performance during the year

Table No. 10 shows the balances of the 2021 and 2022 statement of income.

Table No. 10: Statement of income

	Quarter ended:			Twelve months ended:	
Statement of income	**December 2022 MCh$**	**September 2022 MCh$**	**December 2021 MCh$**	**December 2022 MCh$**	**December 2021 MCh$**
Net interest and indexation income	272,061	300,439	271,417	1,137,179	970,593
Net fee and commission income	53,882	54,134	45,409	200,935	175,289
Net financial result	40,717	-3,551	34,242	63,564	163,887
Other operating income[5]	7,641	8,013	9,227	35,351	27,863
Total operating income	**374,301**	**359,035**	**360,295**	**1,437,029**	**1,337,632**
Total operating expenses	-155,299	-151,246	-170,432	-600,852	-584,775
Operating income before credit losses	**219,002**	**207,789**	**189,863**	**836,177**	**752,857**
Credit loss expense	-87,919	-88,231	-63,587	-299,660	-207,987
Profit or loss from continuing operations before taxes	**131,083**	**119,558**	**126,276**	**536,517**	**544,870**
Income tax expense	2,542	8,427	-3,327	-21,461	-94,865
Consolidated profit for the period	**133,625**	**127,985**	**122,949**	**515,056**	**450,005**

[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 Consolidated Statements of Income for the year.

As at December 2022, net interest and indexation income amounted to CLP 272,061 million, similar compared to the same period of prior year (variance of only 0.2%).

At the end of the fourth half of 2022, net fees and commissions amounted to CLP 53,882 million, up 18.7% compared to December 2021, driven by the increase in insurance marketing service fees together with the increase in debit and credit card services. Net financial result recorded CLP 40,717 million, up 18.9% versus the prior year due to the better performance in Global Capital Markets.

Other operating income amounted to CLP 7,641 million, down 17.2%, mainly due to lower revenues from card brand incentives. Operating expenses amounted to CLP 155,299 million, down 8.9% compared to the prior year's quarter, due to severance indemnity payments related to the restructuring plan in October 2021.

Credit loss expense was CLP 87,919 million, up 38.3% compared to the same quarter of prior year. This was mainly due to the sustained increase in the Bank's provision in the consumer loan portfolio. Regarding income tax, the decrease in the payment with respect to the fourth quarter of prior year is 176%, due to the increase in annual inflation expectations versus the prior year and its effect on the adjustment of equity.

Because of all these factors, net income recorded in the fourth quarter of 2022 was CLP 133,625 million, up 8.7% compared to that recorded in the fourth quarter of 2021.

Table No. 11 shows the balances of the 2021 and 2022 statement of financial position.

Table No. 11: Statement of Financial Position

Statement of financial position	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
Cash and deposits in banks	1,268,178	983,317	1,459,622
Transactions pending settlement	565,421	507,753	443,080
Financial assets held for trading at fair value through profit or loss[6]	7,328,071	9,337,294	6,924,701
Financial assets at fair value through other comprehensive income[7]	2,360,643	2,381,177	1,950,500
Derivative instruments for accounting hedge	395,111	557,332	326,030
Financial assets at amortized cost[8]	32,856,058	32,784,904	28,636,488
Investments in companies	26,093	24,332	19,973
Intangible assets	240,400	233,903	222,409
Property and equipment	90,636	90,795	96,122
Right-of-use assets under lease contracts	174,082	173,842	181,672
Current taxes	53,478	2,116	5,062
Deferred tax assets	330,907	404,582	401,691
Other assets	756,372	902,414	915,007
Non-current assets and disposal groups held for sale	15,175	15,575	15,534
Total assets	**46,460,625**	**48,399,336**	**41,597,891**
Transactions pending settlement	510,643	484,276	395,878
Financial liabilities held for trading at fair value through profit or loss[9]	6,213,012	8,137,791	6,048,854
Derivative instruments for accounting hedge	1,536,880	1,607,657	831,935
Financial liabilities at amortized cost[10]	32,424,392	32,625,598	29,490,615
Lease liabilities	160,376	159,272	163,775
Regulatory capital financial instruments issued	987,943	983,015	756,367
Provisions for contingencies	49,891	69,249	56,808
Provisions for dividends, payment of interest and repricing of issued regulatory capital financial instruments	146,260	108,368	127,268
Special allowances for credit losses	191,256	197,851	216,986
Current taxes	1,724	34,877	85,595
Deferred tax liabilities	573	413	588
Other liabilities	1,050,357	962,524	622,055
Total liabilities	**43,273,307**	**45,370,891**	**38,796,724**

[6] Includes the captions "Derivative instruments", "Financial debt securities" and "Other" in the Consolidated Statements of Financial Position.
[7] Relates to the caption "Financial debt securities" of the Consolidated Statements of Financial Position.
[8] Relates to the sum of captions “Rights under resale agreements and securities lending agreements”, “Financial debt securities”, “Loans and advances to banks”, and “Loans and accounts receivable from customers” of the Consolidated Statements of Financial Position.
[9] Relates to the caption "Derivative instruments" of the 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 Consolidated Statements of Financial Position.

Capital	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	373,966
Accumulated other comprehensive income[11]	-139,638	-202,765	-206,599
Retained earnings from previous years	1,095,630	1,095,630	840,999
Profit or loss for the year	487,533	361,226	424,228
Provisions for dividends, payment of interest and repricing of issued regulatory capital financial instruments	-146,260	-108,368	-127,268
Non-controlling interest	140,227	132,896	127,420
Total equity	**3,187,318**	**3,028,445**	**2,801,167**
Total Liabilities and Equity	**46,460,625**	**48,399,336**	**41,597,891**

Total assets grew by 11.7% as at December 2022 compared to December 2021, mainly due to other loans with mortgage loans and commercial loans.

For liabilities, the increase of 11.5% is mainly explained by term and other on-demand liabilities.

Equity has increased by 13.8% versus December 2021, explained by retained earnings from previous years.

Financial position

Loans[12]

As shown in Table No. 12, the Bank's loan portfolio (net of allowances and excluding interbank loans) reached CLP 32,572 billion, up 14.2% compared to the same period of prior year. The three products driving this growth are commercial loans recording growth of 11.5%, explained by commercial loans in Chile, consumer loans grew 16.8%, mainly due to credit card receivables at CAT, whereas mortgage loans grew 16.9%, explained by other credits with mortgage loans.

Table No. 12: Loans by product

Loans by product[13]	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
Commercial loans	**15,421,175**	**16,004,995**	**13,834,313**
Consumer loans	**3,606,586**	**3,432,720**	**3,087,784**
Bank	2,062,792	2,018,752	1,929,181
CAT	1,543,794	1,413,968	1,158,603
Mortgage loans	**13,544,491**	**13,177,450**	**11,590,604**
Total loans	**32,572,252**	**32,615,165**	**28,512,701**

Deposits and debt instruments issued

As noted in Table No. 13, total deposits increased by 14.2% compared to December 2021: term deposits were up 47.7%, offsetting the drop in demand obligations, which declined by 29.7%.

Total bonds increased by 17.6%, mainly due to current bonds denominated in UF. Likewise, letters of credit contracted 4.1% due to mortgage securities denominated in UF.

Table No. 13: Sources of funds

Sources of funds	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
Deposits and other on-demand liabilities	5,076,459	5,212,661	7,221,177
Term and other on-demand deposits	13,972,388	13,991,427	9,462,566
Total deposits	**19,048,847**	**19,204,088**	**16,683,743**
Current bonds	7,606,930	7,242,049	6,553,533
Subordinated bonds	987,943	983,015	756,367
Total bonds	**8,594,873**	**8,225,064**	**7,309,900**
Letters of credit	**100,235**	**102,139**	**104,506**
Total debt securities issued	**27,743,955**	**27,531,291**	**24,098,149**

[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 Consolidated Statements of Financial Position.
[12] Includes the caption "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position.
[13] Includes the caption "Loans and accounts receivable from customers" (commercial, mortgage and consumer loans) in the Consolidated Statements of Financial Position.

Financial spread

According to Table No. 14, net financial margin - understood as net interest and indexation income - showed a similar result in the quarter December 2022 vs. 2021 (difference of only 0.2%).

Annualized net interest margin (NIM) decreased 41 basis points from 3.40% in December 2021 to 2.99% in 2022. This decrease is explained by the sustained increase in interest paid for term deposits.

Table No. 14: Financial spread

	Quarter ended:			Twelve months ended:	
Financial spread	**December 2022 MCh$**	**September 2022 MCh$**	**December 2021 MCh$**	**December 2022 MCh$**	**December 2021 MCh$**
Net financial spread[14]	272,061	300,439	271,417	1,137,179	970,593
Total loans[15]	32,572,252	32,615,165	28,512,701	32,572,252	28,512,701
Earning assets (average for the period)	36,369,917	35,580,155	31,916,482	34,576,251	30,529,585
Net interest margin (NIM)	2.99%	3.38%	3.40%	3.29%	3.18%

Allowances and portfolio quality

During Q4 2022, net allowances totaled Ch$98,473 million, up 229% compared to the same period of prior year. This is explained by the release of allowances in October 2021, in addition to an increase in write-offs in the *Retail* portfolio during 2022. The accumulated amount for the current year reached Ch$380,949 million, which is shown in Table No. 15.

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

	Quarter ended:			Twelve months ended:	
Allowances for credit losses	**December 2022 MCh$**	**September 2022 MCh$**	**December 2021 MCh$**	**December 2022 MCh$**	**December 2021 MCh$**
Initial allowance stock	571,964	515,565	455,497	445,157	506,473
Write-offs	73,900	60,896	40,304	229,568	169,503
Net allowances	98,475	117,295	29,964	380,950	108,187
Final allowance stock	**596,539**	**571,964**	**445,157**	**596,539**	**445,157**
Provisions for credit losses on loans and advances to banks and loans and accounts receivable from customers	111,073	113,146	69,638	382,709	177,137
Special allowances for credit losses	-5,427	-7,899	13,169	-13,120	102,478
Recovery of written-off loans	-17,732	-17,019	-19,276	-69,980	-71,785
Impairment due to credit risk of other financial assets	5	3	56	51	157
Credit loss expense	**87,919**	**88,231**	**63,587**	**299,660**	**207,987**

Quality ratios	**December 2022 MCh$**	**September 2022 MCh$**	**December 2021 MCh$**
Risk Ratio (1)	1.79%	1.72%	1.54%
Coverage on +90 past due days (2)	166.05%	200.88%	228.35%
Expense Ratio (3)	0.26%	0.27%	0.22%
Write-off Ratio (4)	0.22%	0.19%	0.14%
+90 days past due ratio (5)	1.38%	1.12%	0.95%
Recovery Ratio (6)	0.05%	0.05%	0.07%

(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, cost of loans increased 7 basis points to 1.79% compared to the third quarter, whereas the past due portfolio had a variance of 23% from the third quarter. Coverage reached 166.1%, down 27% from the same quarter of prior year.

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

Operating expenses

According to Table No. 15, in the December 2022 vs. 2021 quarter comparison, personnel expenses reduced by 18.7% due to severance indemnity payments for the restructuring plan in October 2021. Administrative expenses increased by 8.8%, due to an increase in IT, project and higher cash management expenses. Other operating expenses decreased by 38.1%, mainly due to prior year restructuring provisions and release of provisions in 2022.

Efficiency, understood as the ratio of operating expenses to net income, improved 581 basis points, explained by the increase in fee and commission income and the reduction in personnel expenses compared to the prior year.

Table No. 16: Support expenses

	Quarter ended:			Twelve months ended:	
Operating expenses	**December 2022 MCh$**	**September 2022 MCh$**	**December 2021 MCh$**	**December 2022 MCh$**	**December 2021 MCh$**
Expenses for employee benefit obligations	70,754	67,666	87,063	274,477	284,722
Administrative expenses	60,090	59,080	55,205	230,526	207,880
Depreciation and amortization	16,041	15,013	14,472	60,583	56,424
Operating support expenses	**146,885**	**141,759**	**156,740**	**565,586**	**549,026**
Impairment of non-financial assets	5	222	108	584	262
Other operating expenses	8,409	9,265	13,584	34,682	35,487
Total operating expenses	**155,299**	**151,246**	**170,432**	**600,852**	**584,775**
Efficiency	**41.49%**	**42.13%**	**47.30%**	**41.81%**	**43.72%**

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

Key financial indicators

As shown in Table No. 17, at the end of Q4 2022, net interest margin of 2.99% was reported, 41 bp lower than in the quarter of prior year. The efficiency ratio was 41.49%, an improvement of 581 basis points.

For the return on average equity (ROAE) ratio, it reached 17.07%, down 82 basis points compared to December 2021, due to equity increasing in greater proportion than the increase in profit for the year. Return on average assets (ROAA) reached 1.15%, down 6 basis points.

Table No. 17: Key Financial Indicators

	Quarter ended:			Twelve months ended:	
Profitability and Efficiency Indicators	**December 2022 MCh$**	**September 2022 MCh$**	**December 2021 MCh$**	**December 2022 MCh$**	**December 2021 MCh$**
Net financial margin (Interest and Indexation)	2.99%	3.38%	3.40%	3.29%	3.18%
Efficiency (Net Operating expenses / Net operating income)	41.49%	42.13%	47.30%	41.81%	43.72%
Return on average equity (ROAE)	17.07%	18.15%	17.89%	18.00%	16.96%
Return on average assets (ROAA)	1.15%	1.09%	1.21%	1.16%	1.18%

Table No. 18, for the period December 2022 versus 2021, shows that mortgage loans have increased their share in the loan mix by 81 bps and consumer loans by 42 bps, whereas commercial loans decreased by 122 bps. The loan-to-deposit ratio remained at 1.74.

Also, a 16% decrease in branches nationwide (20 branches) was evidenced from December 2021, in line with the restructuring plan that has been implemented since October 2021. In the same period ATMs have been reduced by 18% (48 ATMs).

Table No. 18: Financial Performance

Financial performance	December 2022 MCh$	September 2022 MCh$	December 2021 MCh$
Loans and accounts receivable from customers	32,572,252	32,615,165	28,512,701
Commercial loans / Total loans	47.41%	49.16%	48.64%
Mortgage loans / Total loans	40.95%	38.82%	40.15%
Consumer loans / Total loans	11.63%	11.02%	11.21%
Loans / Deposits	1.74	1.73	1.74
Structure	**December 2022 MCh$**	**September 2022 MCh$**	**December 2021 MCh$**
Total No. of branches	109	109	130
No. of ATMs	219	248	267

Indicators not derived from the financial statements

Table No. 19: Environmental Performance

Energy consumption	December 2022	December 2021
Natural gas consumption (m3)	36,910	8,110
Electricity consumption (KWh)	12,033,354	14,717,587

Print paper consumption	December 2022	September 2022	December 2021	December 2022	December 2021
Number of prints* (units)	10,313,608	10,112,845	11,211,27	41,446,689	33,528,673

CO2 emissions (tonCO2e)	December 2022	December 2021
Scope (1)	69	55
Scope (2)	6,361	9,669
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 CO_2 emissions. In relation to these, several initiatives are developed, 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:			Twelve months ended:	
Employee health and safety	**December 2022**	**September 2022**	**December 2021**	**December 2022**	**December 2021**
Occupational Accident Rate (annual cumulative)	0.36%	0.34%	0.24%	0.34%	0.28%
Severity Rate (million hours worked)	91.54	193.13	88.72	175.36	109.10
Accident Trip Rate (annual cumulative)	0.55%	0.61%	0.36%	0.53%	0.38%
Fatal Accident Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Days of absenteeism (work-related accidents and occupational illnesses)	135	236	564	1,714	1,630

Table No. 21: Turnover

Turnover	Quarter ended: December 2022	September 2022	December 2021	Twelve months ended: December 2022	December 2021
Number of total hires	**254**	**190**	**212**	**863**	**821**
Number of women hires	116	93	100	410	430
Number of men hires	138	97	112	453	391
Total turnover	**202**	**241**	**377**	**1006**	**868**
Women turnover	116	135	230	583	494
Men turnover	86	106	147	423	374
Total voluntary turnover	**28**	**56**	**55**	**223**	**226**
Women voluntary turnover	13	32	21	113	83
Men voluntary turnover	15	24	34	110	143

Table No. 22: Training

Training	Quarter ended: December 2022	September 2022	December 2021	Twelve months ended: December 2022	December 2021
Total number of training hours	59,794	81,766	76,567	318,137	293,637
Total number of trained employees	4,815	5,782	5,942	6,568	6,533
Total number of trained men employees	2,242	2,716	2,761	3,109	2,991
Total number of trained women employees	2,573	3,066	3,181	3,459	3,542
Average number of training hours by male employee, organization total	12	14	13	48	45
Average number of training hours by female employee	14	15	15	54	40
Average number of training hours by employee	10	12	10	42	49

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 318,137 training hours have been provided to 6,568 employees during 2022 year-to-date.

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 October 13, 2022 by Fitch and on June 7, 2022 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)	10-13-2022
Short-term	N1+ (cl)	10-13-2022
Bonds	AAA (cl)	10-13-2022
Subordinated bonds	AA (cl)	10-13-2022
Shares	First Class Level 3 (cl)	10-13-2022
Outlook	Stable	10-13-2022

ICR	***Rating***	**Last Rating Date**
Solvency, long-term deposits, long-term bonds	AAA	06-07-2022
Short-term deposits	N1+	06-07-2022
Subordinated bonds	AA+	06-07-2022
Shares	First Class Level 4	06-07-2022
Outlook	Stable	06-07-2022

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	08-22-2022
Long-term Local Issuer Credit	A	08-22-2022
Outlook	*Stable*	08-22-2022

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+	07-15-2022
Short-term Issuer Default Rating	F1+	07-15-2022
Local Currency Long-term Issuer Default Rating	A+	07-15-2022
Local Currency Short-term Issuer Default Rating	*F1+*	*07-15-2022*
Outlook	*Stable*	07-15-2022

6. APPENDIX

Review work performed by the independent auditor, on the Management Commentary Financial Report, covered the figures derived from the annual consolidated financial statements for the year ended December 31, 2022. Additionally, and only for purposes of reviewing the fair presentation of certain financial ratios or indicators, the auditor checked the comparative figures as at December 31, 2021 included in the 2022 consolidated financial statements. The auditor's review does not extend to quarterly information for 2022 and 2021, included in sections 1 to 5 of this report. Details of these items are presented below.

Nature of the Business

1. Market positioning in the relevant segments.

2. Significant environment features:
    a. Pages 3 and 4 “International scenario”.
    b. Page 4 “Local political environment”.
    c. Pages 4 and 5 “Economic activity level”.
    d. Page 5 “Inflation”.
    e. Pages 5 and 6 “Interest rate”.
    f. Pages 6 and 7 “Exchange rate”.
    g. Page 7 “Labor market”.

3. Main products, services and business processes:
    a. Page 10 “Table No. 2: Performance by segment”. Spot volumes - CLP MCh$ quarter ended December 31, 2022.
    b. Page 10 “Table No. 2: Performance by segment”. Spot volumes - CLP MCh$ quarter ended September 30, 2022.
    c. Page 10 “Table No. 2: Performance by segment”. Spot volumes - CLP MCh$ quarter ended December 31, 2022.

4. Entity structure and how it creates value:
    a. Page 11 “The Bank of Nova Scotia completed the announced acquisition of 16.76% of Scotiabank Chile.”
    b. Page 11 “Cencosud holds ownership interest of 49%.”
    c. Page 12 “Figure 5: Corporate structure”.

Objectives and Strategy

1. Business objectives and strategy:
    a. Pages 14, 15 and 16 “Non-financial objectives”.

Entity’s resources, Risks and Relationships

1. Description of the main financial resources available:
    a. Page 17 “Deposits and other on-demand liabilities are key components of the Bank's core funding, which amounted to (CLP 5,212,661 million as at September 30, 2022).”
    b. Page 17 “Deposits and other term deposits represented CLP 13,972,388 million as at December 31, 2022 (CLP 13,991,427 million as at September 30, 2022).”
    c. Page 17 “whereas bank borrowings amounted to (CLP 5,797,592 million as at September 30, 2022).”.
    d. Page 17 “In addition, core funding was supplemented with debt issuances of (CLP 8,327,203 million as at September 30, 2022).”
    e. Page 17 “Table No. 3: Sources of financing” MCh$ September 2022.

2. Description of the main non-financial resources available.

3. Discussion on the capital structure:
   a. Page 19 “Table No. 6: Capital Structure” Available Capital in MCh$ September 2022”.
   b. Page 20 “Table No. 7: Capital components”. Available Capital % September 2022”.

4. Description of the Bank’s liquidity and cash flows:
   a. Page 20 “Table No. 8: Liquidity coverage ratio”
   b. Page 21 “Table No. 9: Stable Funding Ratio”

Operating Performance and Outlook

1. The Bank’s development and performance during the year:
   a. Page 28 “Table No. 10: Statement of Income” for the quarter ended December 2022, September 2022 and December 2021.
   b. Page 29 “As at December 2022, net interest and indexation income amounted to CLP 272,061 million.”
   c. Page 29 “At the end of the fourth half of 2022, net fees and commissions amounted to CLP 53,882 million.”
   d. Page 29 “Net financial result recorded CLP 40,717 million.”
   e. Page 29 “Other operating income amounted to CLP 7,641 million.”
   f. Page 29 “Operating expenses amounted to CLP 155,299 million.”
   g. Page 29 “Credit loss expense was CLP 87,919 million.”
   h. Page 29 “Regarding income tax, the decrease in the payment with respect to the fourth quarter of prior year is 176%.”
   i. Page 29 “net income recorded in the fourth quarter of 2022 was CLP 133,625 million, up 8.7% compared to that recorded in the fourth quarter of 2021.”
   j. Pages 20-30 “Table No. 11: Statement of Financial Position” MCh$ September 2022.

2. Financial position:
   a. Page 30 “Table No. 12: Loans by product” in MCh$ September 2022.
   b. Page 30 “Table No. 13: Sources of funds” financing of Scotiabank in MCh$ September 2022.
   c. Page 31 “Table No. 14: Financial Spread” in MCh$ for the quarter ended December 2022, September 2022 and December 2021.
   d. Page 31 “Table No. 14: Financial spread” in MCh$ twelve months ended to “performing assets (average for the period).”
   e. Page 31 Allowances and portfolio quality: “During Q4 2022, net allowances totaled Ch$98,473 million.”
   f. Page 31 Allowances and portfolio quality: “The accumulated amount for the current year reached Ch$380,949 million.”
   g. Page 31 “Table No. 15: Allowances for credit losses and portfolio quality” in MCh$ for the quarter ended December 2022, September 2022 and December 2021.
   h. Page 31 “Table No. 15: Quality ratios.”
   i. Page 32 “Table No. 16: Support expenses” in MCh$ for the quarter ended December 2022, September 2022 and December 2021.

Performance measures and indicators for evaluating the Entity's performance

1. Key financial indicators:
    a. Page 32 "Table No. 17: Key financial indicators."
    b. Page 33 "Table No. 18: Financial performance" in MCh$ September 2022.
    c. Page 33 "Table No. 18: Structure."

2. Indicators not derived from the financial statements:
    a. Page 33 "Table No. 19: Environmental performance."
    b. Page 33 "Table No. 20: Health and safety."
    c. Page 34 "Table No. 21: Turnover."
    d. Page 34 "Table No. 22: Training."
    e. Page 34 "Table No. 23: Employee Engagement."
    f. Page 34 "Table No. 24: Salary gap."