Scotiabank Chile
Management Commentary
September 2023

Scotiabank

Contents

Note

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

1. NATURE OF THE BUSINESS

Brief history of Scotiabank Chile

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

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

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

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

Market positioning in the relevant segments

Scotiabank's market share in total loans as at August 2023, excluding branches and subsidiaries abroad, reached 14.46%, equivalent to CLP 32,686,413 million. It ranks fourth among its competitors, down 52 basis points compared to August 2022.

Of the aforementioned total, commercial loans (including education) reached CLP 14,899,513 million, recording market share of 12.43%. Market share in consumer loans recorded 14.23%, equivalent to CLP 3,978,628 million, whereas market share in mortgage loans recorded 17.65%, equivalent to CLP 13,808,273 million.

As at August 2023, Scotiabank's liabilities record total deposits of CLP 18,464,712 million, of which CLP 13,844,036 million correspond to term deposits and CLP 4,620,676 million to on-demand deposits. Accordingly, Scotiabank Chile's market share in total deposits, excluding branches and subsidiaries abroad, reached 11.27% as at August 2023, down 26 basis points compared to August 2022.

Significant environment features

International scenario

Globally, inflation has continued to decrease at a *headline* level, although underlying inflation has dropped more gradually. However, the international scenario is marked by greater uncertainty regarding the financial effects of the restrictive monetary policy in developed countries, as well as by the weakness of the Chinese economy and its effect on emerging economies. Activity data for Q2 2023 show a greater-than-expected slowdown in the Chinese economy, especially in the real estate sector, which has accelerated its adjustment from 2022.

Accordingly, growth outlook in global GDP for 2023 and 2024 remains weak. This adds to the recent increase in the price of oil, which in recent weeks reached trading exceeding USD 90 per barrel, and the drop in the price of copper, which is being traded at approximately its lowest level from the end of prior year. This implies impairment in terms of trade for Chile, which adds to the lower global demand, resulting in a challenging external scenario for our economy in the next few months.

In this scenario, interest rates have increased in developed countries and emerging currencies have depreciated, driven by the global appreciation of the U.S. dollar and reduced appetite for global risk. Financial conditions will remain tight in the next few quarters, whereas the uncertainty will continue to be high and a more restrictive monetary policy is expected in the main world economies, until a reduction in inflation level is consolidated.

Local political environment

The political environment in Chile is marked by the structural reforms that the Government submitted to the Congress towards the end of last year and recently by the progress in the constitution-making process. The Tax Reform was rejected in the Chamber of Deputies, and accordingly, the government has committed to send two tax reform proposals; one to be sent this year that seeks to raise approximately 1.5% of GDP by reducing tax evasion and avoidance; and another to be sent in the first quarter of 2024 that seeks to raise 1.2% of GDP through increases in personal and corporate taxes. Because of the commitments that depend on tax reform collection -mainly financing the Pension Reform-, we continue to raise upside risks on the level of gross debt projected by the Ministry of Finance for the next few years (approximately 40% of GDP).

In this regard, the Government is currently discussing with the political parties a pension reform proposal that makes feasible its approval in the Congress. The Pension Reform aims to raise the level of current and future pensions mainly through an increase in the Universal Guaranteed Pension and mandatory savings.

The cost of this reform is estimated to amount between 1.5% and 2% of GDP in regime, where the main questions come from the destination of the individual contribution payment funds and the efficiency that the new government entity will have to manage the funds. Regarding the first point, the Government has indicated its willingness to allow that at least 2% of extra contribution payments are allocated to individual accounts.

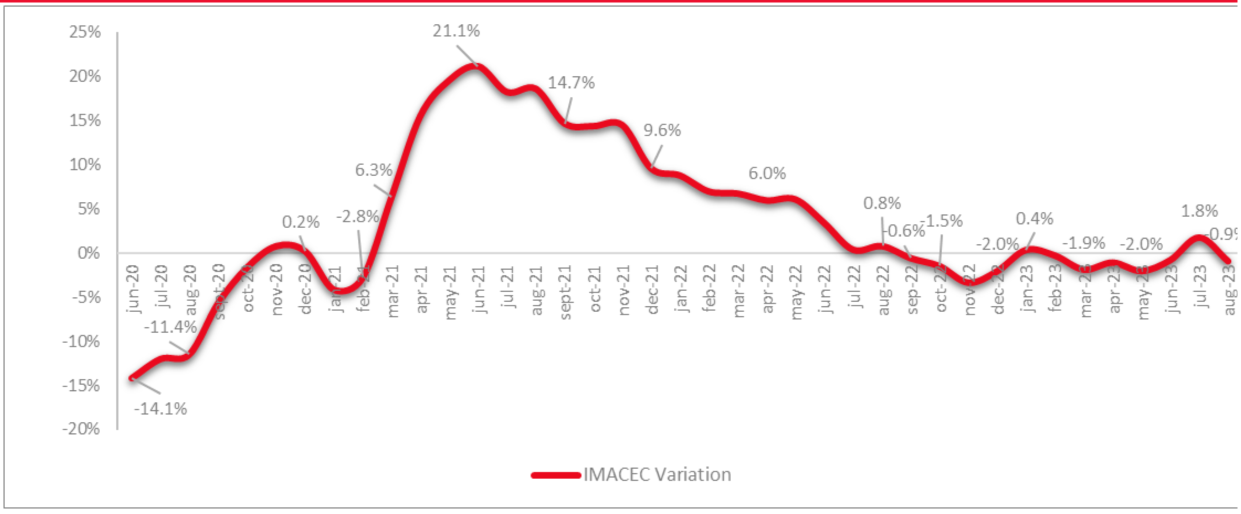
The new constitutional process began in March, where the Expert Commission took office at the beginning of that month (24 members elected by the Chilean Congress) and continued in May with the election of the constituent councillors (51 members), where the opposition to the Government obtained a large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

Economic activity level

The economy continues its adjustment process of the macro imbalances generated after the COVID-19 crisis and the extraordinary fiscal and monetary impulses. In 2022, GDP expanded 2.4%, thanks to growth in private consumption (2.9%) and investment (2.8% YoY). During the first half of 2023, GDP has accelerated its convergence, showing greater weakness in most non-mining industries, especially in commerce, which has shown significant drops from March. Services have also begun to show less dynamism, in line with the slow pace in public investment so far this year, especially in public works. In addition, large private investment projects in mining and the lack of new projects in employment-intensive sectors such as real estate are lagging behind. The Monthly Economic Activity Index (IMACEC) for August decreased 0.9% YoY, mainly due to a drop in services activity, which reached its lowest level year to date. In the next few months we would continue to note negative year-on-year growth rates for activity, in the absence of factors that contribute dynamism. Considering the above, expectations continue to be pessimistic, both for consumers and companies.

Figure No. 1

Variance in the Monthly Economic Activity Index (IMACEC)[1]
(variance % YoY)



Source: Banco Central de Chile.

Inflation

After the peaks reached in 2022, inflation continues on a downward trend towards the target of Banco Central de Chile (see Table No.1), mainly driven by the rapid drop in goods inflation, but also in the margin by a normalization in services inflation. September figures show an increase in CPI of 0.7% MoM, largely explained by higher food and energy (volatile) inflation, as underlying or non-volatile inflation remains below its historical average. In other words, the recent inflation dynamics is more due to supply factors, which, due to their transitional nature, should reverse in the next few months, and to the recent depreciation of the Chilean peso.

In this regard, in recent months Chilean peso has resumed a depreciating trend, although this is still below the levels noted in the prior year. Although we have not yet noted significant effects on goods inflation, additional currency depreciation could partly delay the convergence of inflation towards the target, especially because of their pass-through to products that are very sensitive to variations in U.S. dollar, such as fuel, air transportation and imported food.

However, the recent depreciation occurs in a context where the economy is facing negative capacity gaps, showing declines in investment and weak private consumption. In addition, the impairment in the labor market, the restrictive financing conditions, the restocking of inventories and the depletion of household liquidity remain, and would continue in the next few months, if there is no significant improvement in investments. However, inflation is forecasted to end 2023 recording a 12-month growth of 4.3%, according to Banco Central de Chile.

[1] For IMACEC purposes, data considered figures as at August 2023 because as at September no public information was available.

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

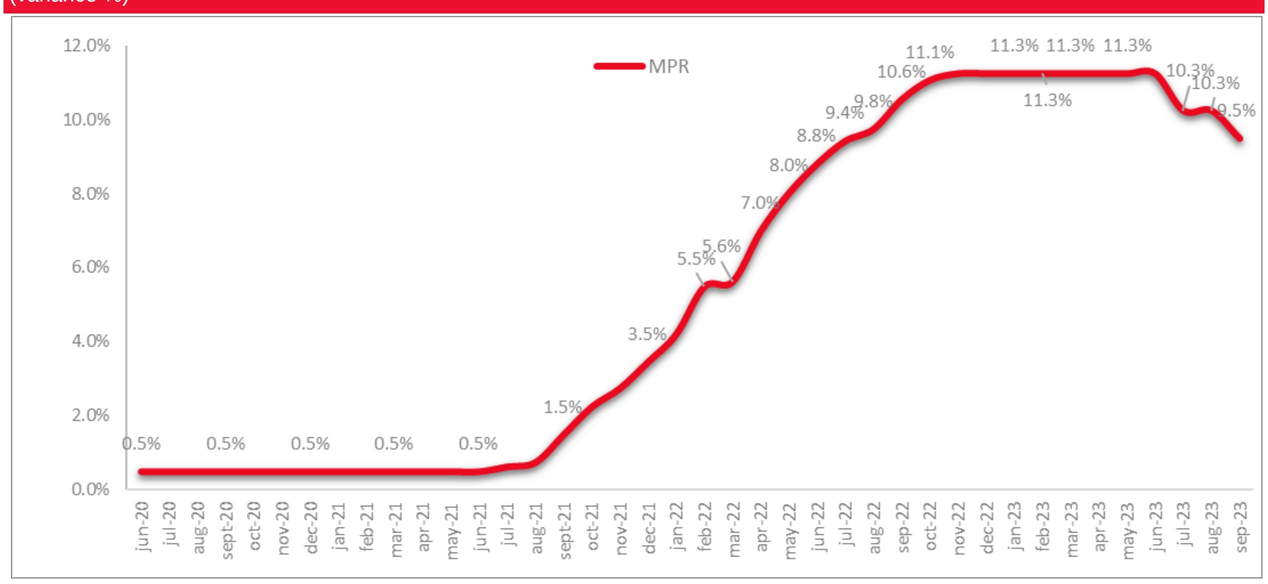
Month	Monthly	Accumulated 2022	Last 12 months
January, 2022	1.2	1.2	7.7
February, 2022	0.3	1.5	7.8
March, 2022	1.9	3.4	9.4
April, 2022	1.4	4.7	10.5
May, 2022	1.2	5.9	11.5
June, 2022	0.9	6.9	12.5
July, 2022	1.4	8.3	13.1
August, 2022	1.2	9.5	14.1
September, 2022	0.9	10.3	13.7
October, 2022	0.5	10.8	12.8
November , 2022	1.0	11.8	13.3
December, 2022	0.3	12.1	12.8
January, 2023	0.8	0.8	12.3
February, 2023	-0.1	0.7	11.9
March, 2023	1.1	1.8	11.1
April, 2023	0.3	2.1	9.9
May, 2023	0.1	2.2	8.7
June, 2023	-0.2	2.0	7.6
July, 2023	0.4	2.4	6.5
August, 2023	0.1	2.5	5.3
September	0.7	3.1	5.1

Interest rate

At its meeting held in September 2023, Banco Central de Chile decided to continue with the process of cutting the benchmark interest rate, to 9.5%, indicating that the MPR would be of approximately 8% by the end of this year. At the same time, it recognizes that inflation expectations over the policy horizon have returned to 3%, confirming its diagnosis of inflation normalization in the short-term.

Figure No. 2

Monetary Policy Rate Evaluation
(variance %)



Source: Banco Central de Chile.

Exchange rate

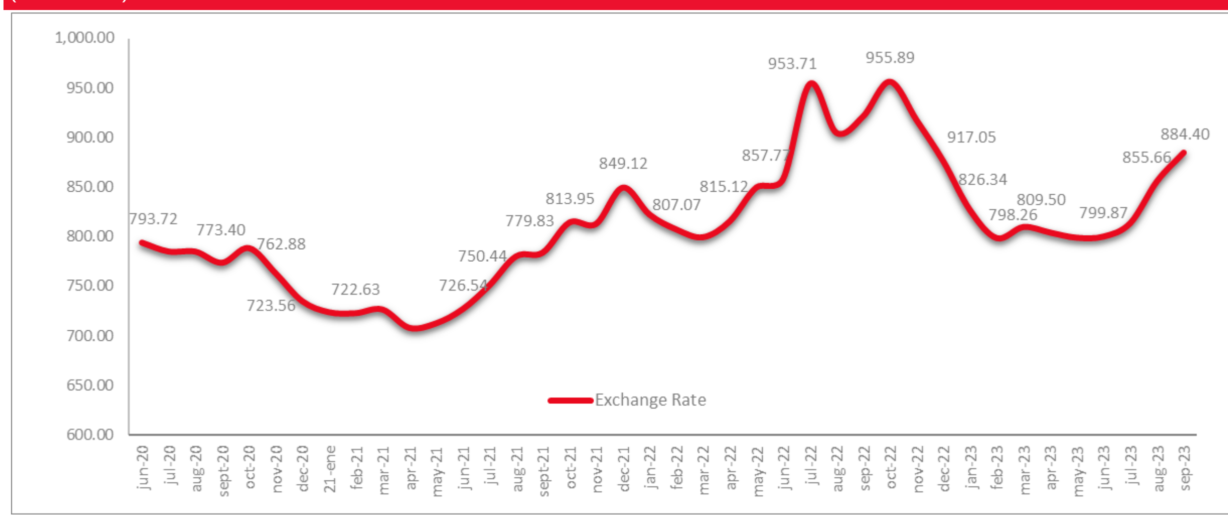
After fluctuating for several months at approximately Ch$800 per U.S. dollar, the nominal exchange rate has begun to show greater volatility and multilateral depreciation, which has led it to trade between Ch$900-Ch$910 per U.S. dollar in the last few days.

Certain elements that explain this evolution relate to global appreciation of U.S. dollar in the most recent period-due to expectations of further increases in the Fed's interest rate-as well as a drop in the price of copper because of the weakness in the Chinese economy. At local level, higher political and economic uncertainty is noted because of the difficulty of the Government and political forces to reach agreements that would allow the viability of structural reforms, such as the pension and tax reforms. In addition, the constituent process continues to move forward, but polls continue to show a majority trend towards rejection.

In addition, the Ministry of Finance announced the sale of U.S. dollars until December, whereas the Banco Central de Chile continues to reduce the pace of forward U.S. dollar sales and at the same time is rebuilding international reserves. At the closing date of this report, the exchange rate was being traded at Ch$915 per US$1.00.

Figure No. 3

Exchange rate fluctuation, CLP/USD
(variance %)



Source: Banco Central de Chile.

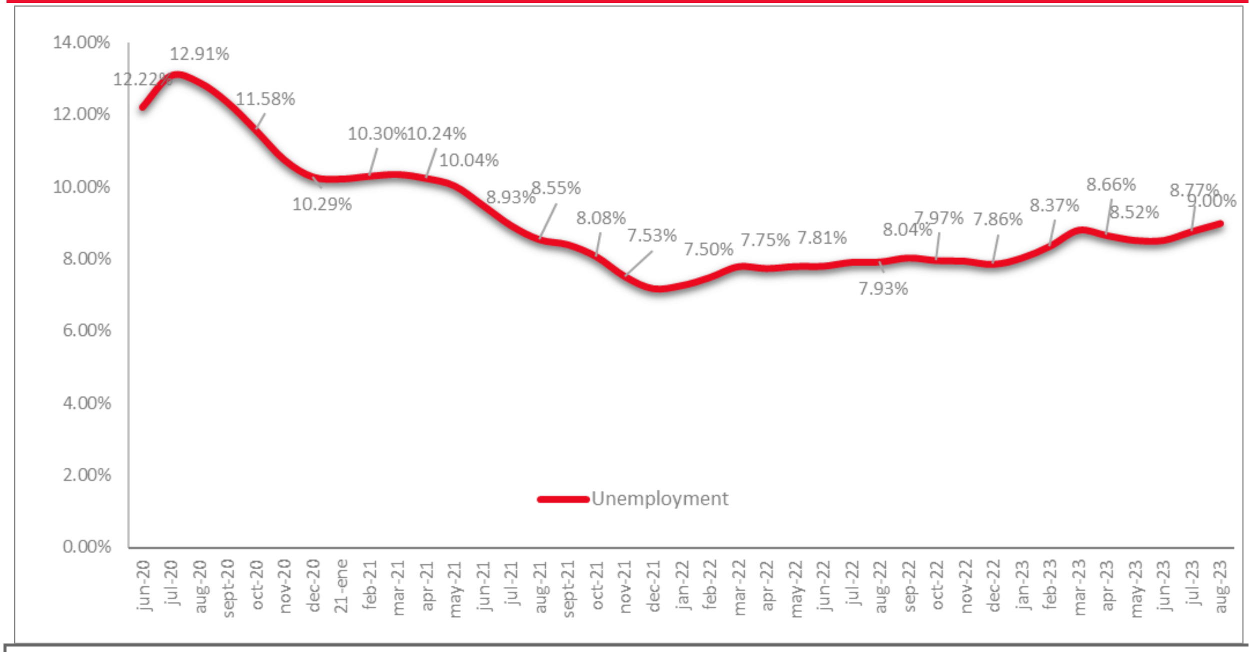
Labor market

Most recently, unemployment rate increased to 9% (for the quarter ended August 2023), in view of the weakness of employment, although favored by the low dynamism shown by the labor force. In this regard, 23 thousand jobs were destroyed, most of which were private salaried jobs, mainly in the trade industry. However, weak employment continues in labor-intensive industries such as manufacturing and construction, in line with slow investment execution.

In addition, employment in the public sector - after a significant contribution in the first quarter - continues to normalize, even with job losses in the public administration.

Figure No. 4

Unemployment rate[2]
(variance %)



Source: Banco Central de Chile.

[1] The unemployment rate considered figures as at August 2023 because as at September no public information was available

Legal and regulatory environment

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

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

The regulator examines all banks on a regular basis, usually at least once a year. Banks are also required to submit their financial statements to the CMF on a monthly basis and at least quarterly they must publish their financial statements in a newspaper circulating nationwide. In addition, banks are required to provide information on their operations to the CMF at several periodic intervals. A bank's annual financial statements and the opinion of its independent auditors must also be filed with the CMF. In addition, interim financial statements as at June 30 and December 31 must include a review report of the interim financial information issued by the independent auditors.

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

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

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and reliable operation of payment systems and means of payment. Complementarily, it has the power to safeguard the stability of the financial system, which allows it to act in the event of crisis scenarios, which it does through financial policy.

Main products, services and business processes

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

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

Retail 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 provides these customers with a complete self-service and self-management model through the web and the mobile application, which allows customers to perform a wide variety of transactions autonomously through its digital channels.

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

Wholesale 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 September 30, 2023 MCLP	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	137,970	80,204	69,621	-75,225	76	212,646
Other income	32,134	51,954	21,790	60,645	1,247	167,770
Equity in net income of investees	0	0	0	0	2,010	2,010
Total operating income	**170,104**	**132,158**	**91,411**	**-14,580**	**3,333**	**382,426**
Operating expenses	-78,519	-31,633	-31,426	-1,053	-2,184	-144,815
Depreciation and amortization	-9,092	-2,711	-3,079	-1,203	-821	-16,906
Provisions	-38,983	-18,688	-57,465	0	3,807	-111,329
Segment operating profit (loss)	**43,510**	**79,126**	**-559**	**-16,836**	**4,135**	**109,376**
Income tax expense						-16,533
Profit (loss) for the year						**92,843**
Spot volumes - MCLP						
Assets (loans)	18,702,668	11,663,532	1,595,665	0	85,087	32,046,952
Liabilities (Core and Term deposits)	6,820,703	5,718,714	0	5,662,426	415,145	18,616,988

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

Quarter ended September 30, 2022 MCh$	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	116,306	64,801	55,752	-81,706	-809	154,344
Other income	36,079	39,215	19,242	107,105	2,422	204,062
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	-26,174	-46,577	-1,656	9,282	-136,234
Depreciation and amortization	-7,885	-2,595	-2,761	-218	-1,554	-15,013
Provisions	-36,043	-31,289	-21,436	0	537	-88,230
Segment operating profit (loss)	**37,348**	**43,958**	**4,220**	**23,525**	**10,507**	**119,558**
Income tax expense						8,427
Profit (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 (Core and Term deposits)	6,078,671	6,037,905	0	6,670,388	417,124	19,204,088

9 months ended September 30, 2023 MCh$	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	401,814	234,084	205,688	-242,616	392	599,362
Other income	91,052	152,015	66,380	208,071	19,043	536,561
Equity in net income of investees	0	0	0	0	5,146	5,146
Total operating income	**492,866**	**386,099**	**272,068**	**-34,545**	**24,581**	**1,141,069**
Operating expenses	-232,235	-94,648	-95,397	-5,306	-5,970	-433,556
Depreciation and amortization	-27,138	-8,115	-8,886	-1,660	-4,231	-50,030
Provisions	-122,335	-32,682	-153,430	0	4,001	-304,446
Segment operating profit (loss)	**111,158**	**250,654**	**14,355**	**-41,511**	**18,381**	**353,037**
Income tax expense						-58,727
Profit (loss) for the year						**294,310**
Spot volumes - MCLP						
Assets (loans)	18,702,668	11,663,532	1,595,665	0	85,087	32,046,952
Liabilities (Core and Term deposits)	6,820,703	5,718,714	0	5,662,426	415,145	18,616,988

9 months ended September 30, 2022 MCh$	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	342,719	185,002	153,021	-170,944	918	510,716
Other income	95,978	94,801	58,997	295,677	1,834	547,287
Equity in net income of investees	0	0	0	0	4,725	4,725
Total operating income	**438,697**	**279,803**	**212,018**	**124,733**	**7,477**	**1,062,728**
Operating expenses	-218,526	-81,167	-82,367	-5,542	-13,410	-401,012
Depreciation and amortization	-23,154	-7,502	-8,162	-620	-5,103	-44,541
Provisions	-93,163	-39,652	-77,231	0	-1,695	-211,741
Segment operating profit (loss)	**103,854**	**151,482**	**44,258**	**118,571**	**-12,731**	**405,434**
Income tax expense						-24,003
Profit (loss) for the year						**381,431**
Spot volumes - MCLP						
Assets (loans)	18,112,846	12,900,381	1,508,900	0	93,038	32,615,165
Liabilities (Core and Term deposits)	6,078,671	6,037,905	0	6,670,388	417,124	19,204,088

Entity structure and how it creates value

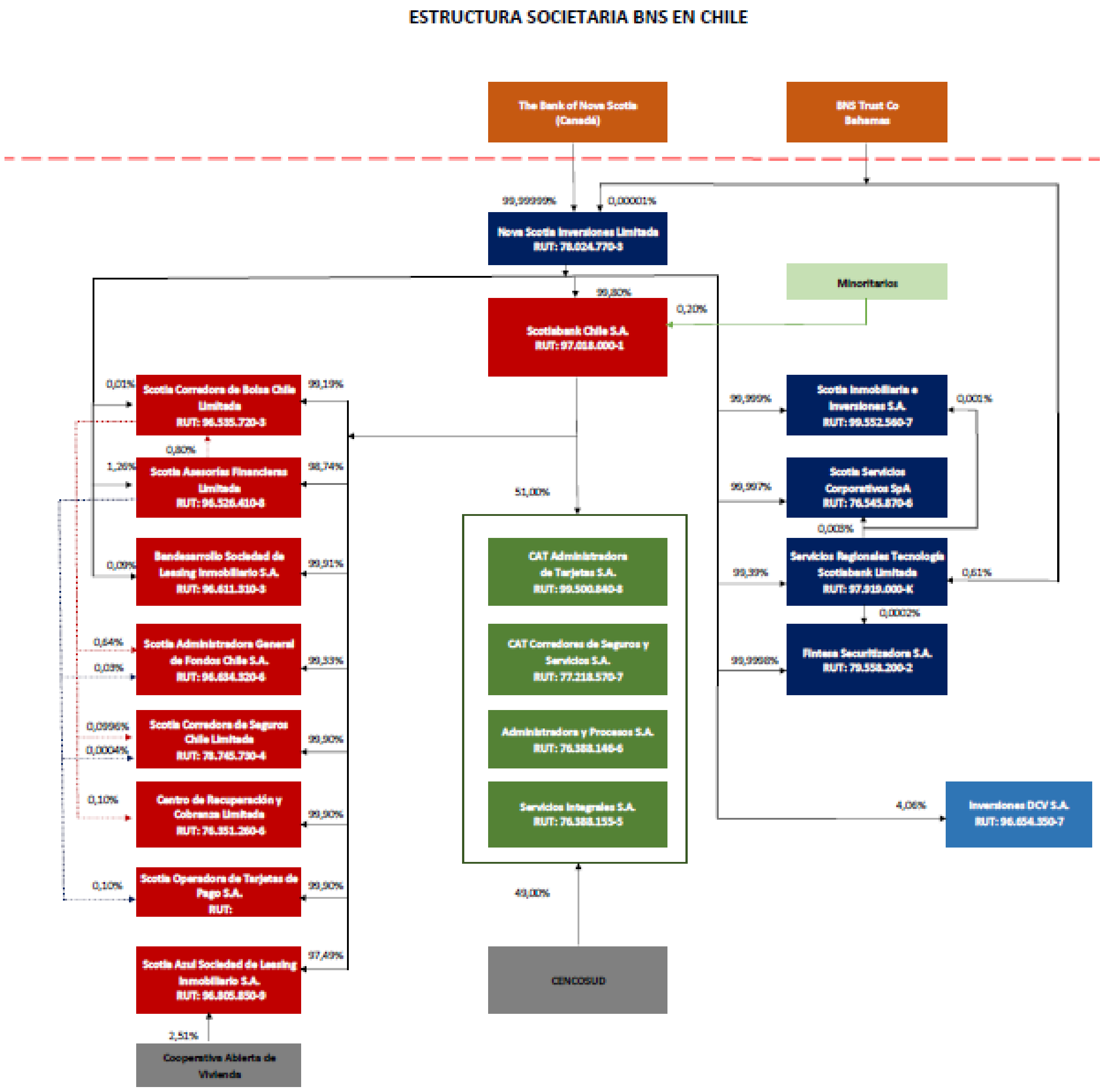
As at September 2023, Scotiabank Chile is owned by 99.80% by "Nova Scotia Inversiones Limitada", an entity owned by the *Bank of Nova* Scotia (BNS), which is the Bank's sole controlling shareholder. The remaining percentage (0.20%) corresponds to minority shareholders.

In its turn, Scotiabank Chile controls the subsidiaries Scotia Corredora de Bolsa Chile Limitada, Scotia Asesorías Financieras Limitada, Bandesarrollo Sociedad de Leasing Inmobiliario S.A., Scotia Administradora General de Fondos Chile S.A., Scotia Corredora de Seguros Chile Limitada, Centro de Recuperación y Cobranza Limitada, Scotia Azul Sociedad de *Leasing* Inmobiliario S.A., and Scotia Operadora de Tarjetas de Pago S.A.[3]

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

Figure No. 5

Corporate structure



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

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

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

3 On August 1, 2023, Scotia Operadora de Tarjetas de Pago S.A. was incorporated. This company will be exclusively engaged in the operation of credit cards, debit cards and payment cards with provision of funds, in accordance with the provisions in the standards issued by the Banco Central de Chile and the CMF.

Figure No. 6

Corporate Governance

2. OBJECTIVES AND STRATEGY

Business objectives and strategy

Scotiabank's Strategy

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

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

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

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

differentiated and personalized value proposition, with high levels of management, service and effectiveness and a wide coverage nationwide.
- ESG goals: Prioritize environmental, social support, inclusion and governance commitments.[4]

Non-financial objectives

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

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

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

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

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

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

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

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

At the environmental level, the Bank is aware that climate change is affecting natural systems and communities around the world. It is therefore committed to reducing its impact on the environment. In this context, during this period, the Bank, through Scotia Administradora General

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

de Fondos, subscribed to the UN Principles for Responsible Investment, which will help to deepen the thorough evaluation of environmental, social and corporate governance factors conducted when making investment decisions. It will also reinforce the Environmental Risk Management Framework, previously approved by the Board of Directors, to effectively address the organization's exposure to environmental risks to be effectively managed in accordance with industry standards and best practices, together with regulatory requirements.

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

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

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

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

Digital transformation for customers

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

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

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

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

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

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

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

Promoting women's leadership

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

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

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

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

Significant changes in objectives and strategy

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

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

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

Business Vision and Value Strategy

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

Vision

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

Mission

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

3. ENTITY'S RESOURCES, RISKS AND RELATIONSHIPS

Description of the main financial resources available

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

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

In this context, deposits and other on-demand liabilities are key components of the Bank's core funding, which amounted to CLP 4,746,666 million as at September 30, 2023 (CLP 4,654,010 million as at June 30, 2023 and 5,212,661 million as at September 30, 2022). Deposits and other term deposits represented CLP 13,870,322 million as at September 30, 2023 (CLP 13,601,244 million as at June 30, 2023 and 13,972,388 million as at September 30, 2022), whereas bank borrowings were CLP 5,622,683 million as at September 30, 2023 (CLP 5,303,396 million as at June 30, 2023 and 5,797,592 million as at September 30, 2022). In addition, core funding was supplemented with debt issuances of CLP 9,006,131 million as at September 30, 2023 (CLP 9,279,621 million as at June 30, 2023 and 8,327,203 as at September 30, 2022).

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 second quarter of 2022 and 2023.

Table No.3: Sources of financing

Components	September 2023 MCh$	June 2023 MCh$	December 2022 MCh$	September 2022 MCh$
Deposits and other on demand liabilities	4,746,666	4,654,010	5,076,459	5,212,661
Term and other on-demand deposits	13,870,322	13,601,244	13,972,388	13,991,457
Obligations with domestic banks	0	0	0	0
Obligations with foreign banks	2,592,657	2,273,370	2,312,187	2,767,566
Obligations with Banco Central de Chile	3,030,026	3,030,026	3,030,026	3,030,026
Letters of credit	90,736	94,460	100,235	102,139
Current bonds	7,904,265	8,183,444	7,606,930	7,242,049
Subordinated bonds	1,011,130	1,001,717	987,943	983,015
Total	**33,245,802**	**32,838,271**	**33,086,168**	**33,328,913**

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

Description of the main non-financial resources available

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

Scotia Connect

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

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

APP SCOTIABANKGO

This App is intended to have a single mobile digital channel for all customers at a click's reach, with the highest standard of information security and providing all the functionalities that a customer needs to satisfy their needs and/or requirements. As at September 2023, there were 499 thousand active mobile users, up 23% compared to the prior year. Likewise, September 2023 closed with 668 thousand active digital users and a digital adoption rate of 76%.

Scotiabankers

The entity's most important resource is its employees. As at September 2023, Scotiabank has a total of 5,873 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	September 2023	June 2023	December 2022	September 2022
Senior Management	25	24	23	23
Management	159	159	162	165
Professionals	4,047	4,021	3,890	3,795
Administrative staff	1,602	1,632	1,698	1,706
Sales force	40	41	185	191
Total	**5,873**	**5,877**	**5,958**	**5,880**

Diversity in the Board of Directors

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

Table No.5 Diversity in the Board of Directors

Women	Men	Total
4	4	8

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

Discussion on the Capital structure

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

At the end of September 2023, basic capital amounted to CLP 3,439,255 million to which is added the additional Tier 1 capital of CLP 156,960 million, which added together completes the Tier 1 capital of CLP 3,596,215 million. Tier 2 capital, which corresponds to the sum of additional provisions plus subordinated bonds, amounted to CLP 848,259 million, resulting in total effective equity of CLP 4,444,474 million.

In addition, note that regulatory limits of the Tier 2 capital components showed headroom, as subordinated bonds were using 19.89% of a maximum of 50% of the possible core capital and, for additional allowances, these reached 0.64% of a maximum of 1.25% of the Credit Risk Weighted Assets (CRWA).

In compliance with the standards issued by the CMF, note that from December 1, 2021, the RWA used for the calculation of the effective equity ratios included Market Risk Weighted Assets, which amounted to CLP 3,108,816 million for September 2023, together with the Operational Risk Weighted Assets, which amounted to CLP 2,602,271 million, and the method for the calculation of Credit Risk Weighted Assets, which amounted to CLP 25,681,010 million, was modified.

The ratio of effective equity to total RWA reached 14.16% as at September 2023, which means that the Bank shows adequate solvency and is in line with the strategic definitions of its Parent, which allows it to comply with and maintain a buffer with respect to the regulatory provisions required from the Bank, which include among others:

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

Leverage ratio, Basic Capital to Total Assets ratio, was 7.94%.

The capital structure is shown in Table No.6.

Table No.6 Capital Structure

Available Capital	September 2023 MCh$	June 2023 MCh$	December 2022 MCh$	September 2022 MCh$
Tier 1 Capital	**3,596,215**	**3,492,163**	**3,288,621**	**3,334,387**
CET 1	**3,439,255**	**3,336,997**	**3,135,979**	**3,028,445**
Capital	1,368,421	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	381,405	381,405
Retained earnings	1,638,285	1,573,264	1,436,903	1,348,488
Valuation	-10,141	-61,132	-139,638	-202,765
Minority interest	136,831	136,880	140,227	132,896
Equity adjustments	-75,546	-61,841	-51,339	
AT1	**156,960**	**155,166**	**152,642**	**305,942**
Additional tier 1 capital	156,960	155,166	152,642	305,942
Tier 2 Capital	**848,259**	**843,237**	**834,128**	**688,055**
Subordinated bonds	684,011	678,989	669,880	513,050
Additional allowances	164,248	164,248	164,248	175,005
Total effective equity	**4,444,474**	**4,335,400**	**4,122,749**	**4,022,442**

Table No.7: Capital Components

Concept	September 2023 (%)	June 2023 (%)	December 2022 (%)	Regulatory Requirements
Regulatory Capital (T1 + T2)	14.16%	13.97%	13.50%	> = 9.56%
CET1 / RWA	10.96%	10.75%	10.27%	> = 6.06%
T1 / RWA	11.46%	11.25%	10.77%	> = 7.56%
Leverage ratio	7.94%	7.76%	7.20%	> = 3%
Tier 2 / Tier 1	23.59%	24.15%	25.36%	-
Subordinated debt / CET1	19.89%	20.35%	21.36%	< 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 (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	September 2023 MCh$	June 2023 MCh$	December 2022 MCh$	September 2022 MCh$
High quality liquid assets	2,492,090	3,279,595	3,241,672	2,683,270
Net adjusted expenses	1,454,861	1,813,971	1,292,521	1,658,631
LCR%	171.29%	180.80%	250.80%	161.78%

Net Stable Funding Ratio

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

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

Table No.9: Net Stable Funding Ratio

Net Stable Funding Ratio	September 2023 MCh$	June 2023 MCh$	December 2022 MCh$	September 2022 MCh$
Available stable funding (ASF)	28,390,808	27,415,231	27,760,510	27,609,570
Required stable funding (RSF)	24,572,521	27,888,097	29,191,010	29,671,425
Net Stable Funding Ratio (%)	115.54%	98.30%	95.10%	93.05%

Action plan to manage an excess or shortfall of resources

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

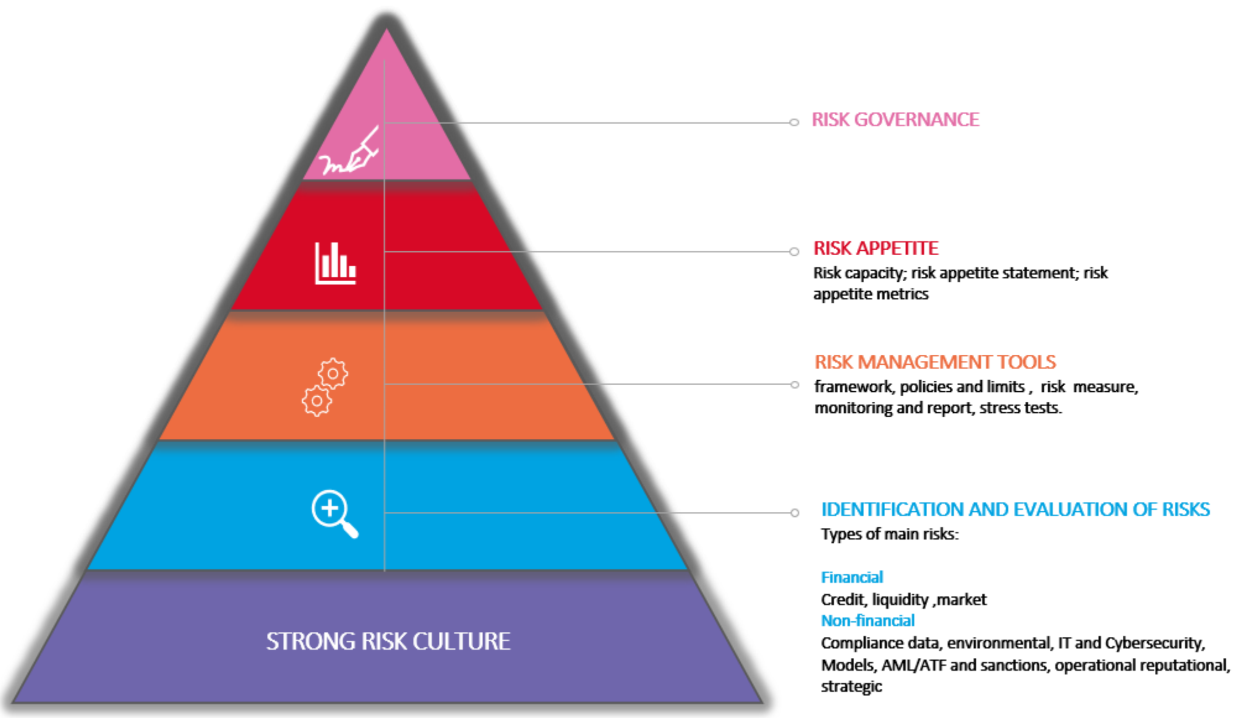
Scotiabank manages its excess financial resources within the framework established by market and liquidity risk limits.

Potential impact of identified risks and how they are managed

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

Figure No. 7

Risk culture

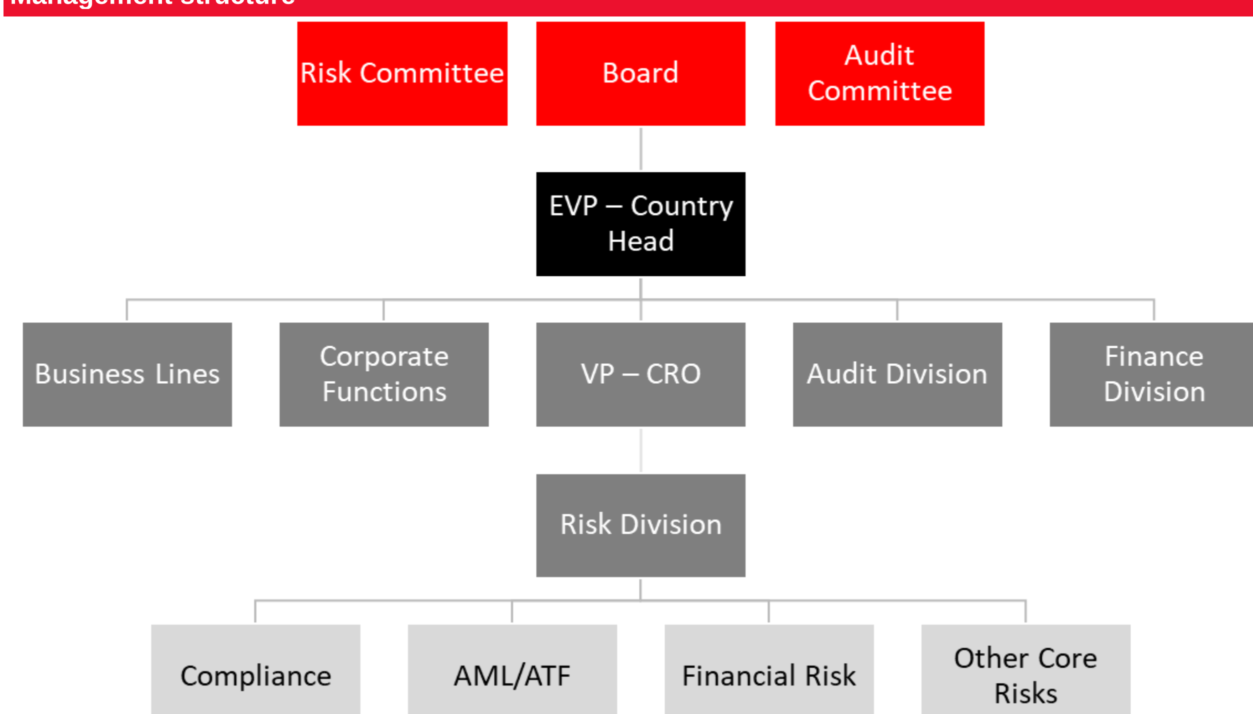


Governance structure

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

Figure No. 8

Management structure



Risk structure key components

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

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

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

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

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

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

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

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

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

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

Bank's main risks

Financial risks

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

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

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

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

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

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

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

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

Non-financial Risks

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

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

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

Reputational Risk

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

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

Compliance Risk

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

Cybersecurity and Information Technology (IT) Risk

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

Money Laundering and Terrorist Financing Risk (AML/AFT)

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

Environmental, Social and Governance Risk (ESG)

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

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

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

Model Risk

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

Data Risk

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

Changes in risk management

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

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

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

Relationships

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

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

Main relationships

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

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

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

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

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

Commitments

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

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

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

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

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

Stakeholder-related milestones

1. Awards and acknowledgments

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

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

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

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

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

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

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

3. Chile Day Sponsor

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

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

4. Top Employer Certification

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

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

5. Corporate Volunteer Program

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

6. Economic talks for customers cycle

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

7. Entrepreneur and Executive Award

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

8. Financial literacy competition for young people

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

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

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

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

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

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

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

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

11. Partnership with UTFSM

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

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

4. OPERATING PERFORMANCE AND OUTLOOK

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

The Bank's development and performance during the year

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

Table No.10: Statement of income

Statement of income	Quarter ended: September 2023 MCh$	Quarter ended: June 2023 MCh$	Quarter ended: September 2022 MCh$	9 months ended: September 2023 MCh$	9 months ended: September 2022 MCh$
Net interest and indexation income	328,155	278,923	300,439	899,635	865,117
Net fee and commission income	49,730	47,791	54,134	143,475	147,053
Net financial result	-7,606	48,552	-3,551	47,482	22,848
Other operating income	12,147	28,506	8,013	50,477	27,710
Total operating income	**382,426**	**403,772**	**359,035**	**1,141,069**	**1,062,728**
Total operating expenses	-161,721	-158,585	-151,246	-483,586	-445,553
Operating income before credit losses	**220,705**	**245,187**	**207,789**	**657,483**	**617,175**
Credit loss expense	-111,329	-89,428	-88,231	-304,446	-211,741
Profit or loss from continuing operations before taxes	**109,376**	**155,759**	**119,558**	**353,037**	**405,434**
Income tax expense	-16,533	-28,107	8,427	-58,727	-24,003
Consolidated profit (loss) for the year	**92,843**	**127,652**	**127,985**	**294,310**	**381,431**

For the quarter ended September 2023, net interest and indexation income of CLP 328,155 million was recorded, 9.2% higher than that of the same period of prior year, mainly due to higher interest earned on commercial loans (commercial loans) and consumer loans (credit card debtors in CAT).

At the end of the third quarter of 2023, net commissions amounted to CLP 49,730 million, a decrease of 8.1% compared to September 2022, explained by lower commissions earned on advisory services and credit operations.

The net financial result recorded a loss of CLP 7,606 million, lower by CLP 4,055 million compared to the prior year, which included the sale of the CAE portfolio in September 2022.

Other operating income amounted to CLP 12,147 million, up 51.6%, mainly due to the recovery of taxes associated with the Income Tax Declaration process and release of provisions for lease regularizations.

Operating expenses amounted to CLP 161,721 million, up 6.9% compared to the same quarter of prior year, mainly due to higher technology expenses, indemnity payments, and also salaries and legal bonuses (CPI).

Credit loss expenses amounted to CLP 111,329 million, up 26.2% compared to the same quarter of prior year, explained by CAT and partially offset by the Individual Commercial portfolio in the Bank.

Income tax amounted to CLP 16,533 million, with an increase in expenses of CLP 24,960 million.

Because of all these factors, net income recorded in the third quarter of 2023 was CLP 92,843 million, 27.5% lower than that recorded in the third quarter of 2022.

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

Table No.11: Statement of Financial Position

Statement of financial position	September 2023 MCh$	June 2023 MCh$	December 2022 MCh$	September 2022 MCh$
Cash and deposits in banks	624,233	1,145,975	1,268,178	983,317
Transactions pending settlement	418,407	485,611	565,421	507,753
Financial assets held for trading at fair value through profit or loss	6,931,923	6,314,895	7,328,071	9,337,294
Financial assets at fair value through other comprehensive income	3,132,686	3,049,509	2,360,643	2,381,177
Derivative instruments for accounting hedge	348,370	352,242	395,111	557,332
Financial assets at amortized cost	32,857,545	32,313,434	32,856,058	32,784,904
Investments in companies	32,080	29,206	26,093	24,332
Intangible assets	250,792	245,389	240,400	233,903
Property and equipment	84,631	86,681	90,636	90,795
Right-of-use assets under lease contracts	166,732	172,187	174,082	173,842
Current taxes	2,960	9,629	53,478	2,116
Deferred taxes	377,594	360,116	330,907	404,582
Other assets	730,394	725,172	756,372	902,414
Non-current assets and disposal groups held for sale	18,485	17,108	15,175	15,575
Total assets	**45,976,832**	**45,307,154**	**46,460,625**	**48,399,336**
Transactions pending settlement	406,932	578,349	510,643	484,276
Financial liabilities held for trading at fair value through profit or loss	5,643,664	5,200,732	6,213,012	8,137,791
Derivative instruments for accounting hedge	1,321,059	1,459,661	1,536,880	1,607,657
Financial liabilities at amortized cost	32,509,107	32,076,716	32,424,392	32,625,598
Liabilities under lease contracts	155,803	159,891	160,376	159,272
Regulatory capital financial instruments issued	1,011,130	1,001,717	987,943	983,015
Provisions for contingencies	65,096	60,640	49,891	69,249
Regulatory capital financial instruments issued	86,307	58,440	146,260	108,368
Special allowances for credit losses	195,393	197,014	191,256	197,851
Current taxes	36,041	2,225	1,724	34,877
Deferred taxes	551	609	573	413
Other liabilities	1,030,948	1,112,322	1,050,357	962,524
Total liabilities	**42,462,031**	**41,908,316**	**43,273,307**	**45,370,891**
Capital	1,368,421	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	381,405	381,405
Accumulated other comprehensive income	-10,140	-61,132	-139,638	-202,765
Retained earnings (losses) from prior years	1,436,903	1,436,903	1,095,630	1,095,630
Profit (loss) for the year	287,689	194,801	487,533	361,226
Provisions for dividends, payment of interest and repricing of issued regulatory capital financial instruments	-86,307	-58,440	-146,260	-108,368
Non-controlling interest	136,830	136,880	140,227	132,896
Total equity	**3,514,801**	**3,398,838**	**3,187,318**	**3,028,445**
Total Liabilities and Equity	**45,976,832**	**45,307,154**	**46,460,625**	**48,399,336**

Total assets decreased by 5.0% in September 2023 compared to September 2022, mainly due to Financial assets held for trading at fair value through profit or loss.

Total liabilities also dropped by 6.4% due to Financial liabilities held for trading at fair value through profit or loss.

Equity has increased by 16.1%, explained by retained earnings (losses) from prior years.

Financial position

Borrowings[5]

As shown in Table No.12, the Bank's loan portfolio (net of allowances and excluding interbank loans) reached CLP 32,046,952 million, down 1.7% compared to the same period of prior year. This decrease is explained by a drop in commercial loans of 8.6%. In addition, consumer loans grew by 6.7% (credit card debtors in CAT) and mortgage loans increased by 4.4%.

Table No.12: Loans by product

Loans by product	September 2023 MCh$	June 2023 MCh$	December 2022 MCh$	September 2022 MCh$
Commercial loans	**14,631,153**	**14,395,387**	**15,421,175**	**16,004,995**
Consumer loans	**3,663,168**	**3,620,851**	**3,606,586**	**3,432,720**
Bank	2,067,502	2,033,061	2,062,792	2,018,752
CAT	1,595,666	1,587,790	1,543,794	1,413,968
Mortgage loans	**13,752,631**	**13,821,600**	**13,544,491**	**13,177,449**
Total loans	**32,046,952**	**31,837,838**	**32,572,252**	**32,615,164**

Deposits and debt instruments issued

As shown in Table No. 13, total deposits reached CLP 18,616,988 million, a decrease of 3.1% compared to September 2022: on-demand liabilities decreased by 8.9%, whereas term deposits decreased by 0.9%.

Total bonds increased by 8.4%, mainly due to bonds denominated in UF. However, letters of credit contracted by 11.2% due to mortgage securities denominated in UF.

Table No.13: Sources of funds

Sources of funds	September 2023 MCh$	June 2023 MCh$	December 2022 MCh$	September 2022 MCh$
Deposits and other on demand liabilities	4,746,666	4,654,010	5,076,459	5,212,661
Term and other on-demand deposits	13,870,322	13,601,244	13,972,388	13,991,457
Total deposits	**18,616,988**	**18,255,254**	**19,048,847**	**19,204,118**
Current bonds	7,904,265	8,183,444	7,606,930	7,242,049
Subordinated bonds	1,011,130	1,001,717	987,943	983,015
Total bonds	**8,915,395**	**9,185,161**	**8,594,873**	**8,225,064**
Letters of credit	**90,736**	**94,460**	**100,235**	**102,139**
Total debt securities issued	**27,623,119**	**27,534,875**	**27,743,955**	**27,531,321**

Financial spread

As per Table No.14, the annualized net interest margin (NIM) increased 15 basis points to 3.52%. This increase is due to higher interest earned in commercial loans and consumer loans (credit card debtors in CAT) compared to September 2022.

Table No.14: Financial spread

	Quarter ended:			9 months ended:	
Financial spread	September 2023 MCh$	June 2023 MCh$	September 2022 MCh$	September 2023 MCh$	September 2022 MCh$
Net financial margin (interest and indexation)	328,155	278,923	300,439	899,635	865,117
Total loans	32,046,952	31,837,838	32,615,164	32,046,952	32,615,164
Earning assets (average for the period)	37,259,886	36,944,792	35,580,155	36,852,376	33,978,362
Net interest margin (NIM)	3.52%	3.02%	3.38%	3.25%	3.39%

[5] Includes the caption "Loans and accounts receivable from customers" in the Consolidated Statements of Financial Position.

Allowances and portfolio quality

During Q3 2023, net allowances totaled Ch$144,851 million, up 23% compared to the same period of 2022. This is shown in Table No.15 below.

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

	Quarter ended:			9 months ended:	
Allowances and risk expenses	September 2023 MCh$	June 2023 MCh$	September 2022 MCh$	September 2023 MCh$	September 2022 MCh$
Initial allowance stock	637,386	621,161	515,565	596,538	445,155
Write-offs	103,205	90,824	60,896	279,834	155,668
Net allowances	144,851	107,050	117,296	362,328	282,478
Final allowance stock	**679,032**	**637,386**	**571,964**	**679,032**	**571,964**
Provisions recorded	135,845	106,291	113,146	359,302	271,636
Special allowances	-2,765	5,186	-7,899	3,524	-7,693
Recoveries	-21,787	-21,978	-17,019	-58,650	-52,248
Credit risk impairment	35	-71	3	270	46
Risk expenses	**111,329**	**89,428**	**88,231**	**304,446**	**211,741**

Quality ratios	September 2023	June 2023	December 2022	September 2022
Risk ratio (1)	2.04%	1.94%	1.79%	1.72%
Coverage on +90 past due days (2)	144.35%	139.15%	166.05%	200.88%
Expense ratio (3)	0.34%	0.27%	0.26%	0.27%
Write-off ratio (4)	0.31%	0.28%	0.22%	0.19%
+90 days past due ratio (5)	1.76%	1.76%	1.38%	1.12%
Recovery ratio (6)	0.07%	0.07%	0.05%	0.05%

(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 10 bp reaching 2.04% compared to the second quarter of 2023, whereas the past due portfolio had no variance compared to the prior quarter. Coverage reached 144.35%, down 28% from the same quarter of 2022.

Operating expenses

As per Table No.16, in the September 2023 vs. 2022 quarter comparison, personnel expenses increased by 10.7% due to salaries and legal bonuses (CPI) together with higher indemnity payments. Administrative expenses increased 3.3%, mainly due to higher Technology expenses (licenses, Cloud data center, IT services), partially offset by lower expenses with Scotia Corporate Services. Other operating expenses decreased by 3.9%, mainly due to the lower adjustment of securitized bonds to fair value (UF and coupon rate).

Efficiency, understood as the ratio of operating expenses to net income, worsened 16 bp, reaching 42.29%, explained by the increase in personnel expenses this quarter.

Table No.16: Support expenses

	Quarter ended:			9 months ended:	
Operating expenses	September 2023 MCh$	June 2023 MCh$	September 2022 MCh$	September 2023 MCh$	September 2022 MCh$
Personnel expenses	74,896	76,089	67,666	228,729	203,724
Administrative expenses	61,013	57,469	59,080	178,479	170,436
Depreciation and amortization	16,906	16,604	15,013	50,030	44,541
Operating support expenses	**152,815**	**150,162**	**141,759**	**457,238**	**418,701**
Impairment	0	137	222	170	579
Other operating expenses	8,906	8,286	9,265	26,178	26,273
Operating expenses	**161,721**	**158,585**	**151,246**	**483,586**	**445,553**
Efficiency	**42.29%**	**39.28%**	**42.13%**	**42.38%**	**41.93%**

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

Key financial indicators

As shown in Table No.17, at the end of Q3 2023, net interest margin of 3.52% was reported, 15 bp higher than in the quarter of prior year. The efficiency ratio was 42.29%, 16 basis points worse.

The return on average equity (ROAE) ratio reached 10.69%, decreasing by 746 basis points compared to September 2022, due to the low profit for the period in the quarter, explained by the sustained increase in expenses in allowances for credit losses. Return on average assets (ROAA) reached 0.81%, down 28 bp.

Table No.17: Key Financial Indicators

	Quarter ended:			9 months ended:	
Profitability and Efficiency Indicators	**September 2023 MCh$**	**June 2023 MCh$**	**September 2022 MCh$**	**September 2023 MCh$**	**September 2022 MCh$**
Net interest margin (Interest and Indexation)	3.52%	3.02%	3.38%	3.25%	3.39%
Efficiency (Net Operating expenses / Net operating income)	42.29%	39.28%	42.13%	42.38%	41.93%
Return on average equity (ROAE)	10.69%	15.29%	18.15%	11.77%	18.35%
Return on average assets (ROAA)	0.81%	1.13%	1.09%	0.86%	1.16%

Table No.18, for the period September 2023 and 2022, shows that mortgage loans have increased their share in the loan mix by 234 bps and consumer loans by 111 bps, whereas commercial loans decreased by 345 bps. The loan-to-deposit ratio was 1.76, up 1.7%.

In addition, the number of 109 branches remains unchanged nationwide from September 2022. In the same period ATMs have been reduced by 26% (63 ATMs). Official background available at the CMF site as at July 2023.

Table No.18: Financial Performance

Financial performance	**September 2023 MCh$**	**June 2023 MCh$**	**December 2022 MCh$**	**September 2022 MCh$**
Loans and accounts receivable from customers	32,046,952	31,837,838	32,572,252	32,615,164
Commercial loans / Total loans	45.72%	45.27%	47.41%	49.16%
Mortgage loans / Total loans	42.16%	42.69%	40.95%	39.82%
Consumer loans / Total loans	12.12%	12.04%	11.63%	11.02%
Loans / Deposits	1.76	1.78	1.74	1.73
Structure	**July 2023 MCh$**	**June 2023 MCh$**	**December 2022 MCh$**	**September 2022 MCh$**
Total No. of branches	109	109	109	109
No. of ATMs	184	188	219	247

Indicators not derived from the financial statements

Table No.19: Environmental Performance

Energy consumption	Quarter ended: September 2023	Quarter ended: June 2023	Quarter ended: September 2022	9 months ended: September 2023	9 months ended: September 2022
Natural gas consumption (liters)	8, 502	7,874	14,969	19,994	30,111
Electricity consumption (KWh)	2,632,487	3,263,172	3,220,083	9,251,872	9,533,202

Print paper consumption	Quarter ended: September 2023	Quarter ended: June 2023	Quarter ended: September 2022	9 months ended: September 2023	9 months ended: September 2022
Number of prints (units)	9,972,686	10,222,897	10,447,810	29,730,701	31,428,514

Waste and recycling	Quarter ended: September 2023	Quarter ended: June 2023	Quarter ended: September 2022	9 months ended: September 2023	9 months ended: September 2022
Waste produced* (Kg)	14,097	17,142	20,742	47,507	74,432
Wasted recycled* (Kg)	1,219	1,357	2,881	3,853	8,201
Recycling %*	8.7%	7.9%	13.9%	8.1%	11.0%

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

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

Table No.20: Health and Safety

Employee health and safety	Quarter ended: September 2023	Quarter ended: June 2023	Quarter ended: September 2022	9 months ended: September 2023	9 months ended: September 2022
Occupational Accident Rate (annual cumulative)	0.29	0.28	0.35	0.30	0.33
Severity Rate (million hours worked)	13.65	99.23	95.14	89.16	114.65
Accident Trip Rate (annual cumulative)	0.45	0.47	0.61	0,47	0.52
Fatal Accident Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Days of absenteeism (work-related accidents and occupational illnesses)	124	504	116	796	831

Table No.21: Turnover

Turnover	Quarter ended: September 2023	Quarter ended: June 2023	Quarter ended: September 2022	9 months ended: September 2023	9 months ended: September 2022
Number of total hires	146	155	189	576	607
Number of women hires	77	72	88	264	293
Number of men hires	69	83	101	312	314
Total turnover	121	151	207	538	700
Women turnover	64	80	118	306	401
Men turnover	57	71	89	232	299
Total voluntary turnover	48	49	56	159	195
Women voluntary turnover	22	22	32	79	99
Men voluntary turnover	26	27	24	80	96

Table No.22: Training

Training	Quarter ended: September 2023	June 2023	September 2022	9 months ended: September 2023	September 2022
Total number of training hours	59,113	77,450	87,617	163,125	228,941
Total number of trained employees	5,360	5,778	5,785	6,189	6,337
Total number of trained men employees	2,632	2,767	2,675	2,926	2,897
Total number of trained women employees	2,728	3,011	3,110	3,263	3,440
Average number of training hours by male employee, organization total	10	13	15	28	39
Average number of training hours by female employee	13	15	16	29	39
Average number of training hours by employee	9	12	14	23	33

Table No.23: Employee Engagement

Employee Engagement	July 2023	July 2022	February 2022	July 2021
Overall engagement	95%	94%	94%	93%
Proud to work for Scotiabank	96%	96%	96%	95%
Her/his work makes her/him feel deeply fulfilled	93%	93%	93%	92%
Scotiabank motivates me to make an effort that is extra than expected	94%	93%	93%	93%
% of participation in the survey	67%	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. Accordingly, during the period January to September 2023, a total of 163,125 hours of training was completed for 6,189 employees.

The current level of employee engagement is 95%, with survey participation of 67%.

Changes in measures quantified or indicators reported

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

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

Additional information

Risk rating

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

Local Rating

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

Table No.25: Local Risk Rating

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

International Rating

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

Table No.26: Rating by S&P

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

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

Table No.27: Fitch Rating

Fitch	***Rating***	**Last Rating Date**
Long-term Issuer Default Rating	A+	10-05-2023
Short-term Issuer Default Rating	F1+	10-05-2023
Local Currency Long-term Issuer Default Rating	A+	10-05-2023
Local Currency Short-term Issuer Default Rating	F1+	10-05-2023
Outlook	*Stable*	10-05-2023