Scotiabank Chile

Management Commentary

December 2023

Scotiabank

Independent Accountant's Review Report

To the Shareholders and Directors of
Scotiabank Chile:

We have reviewed the accompanying "Management Commentary" financial report of Scotiabank Chile for fiscal year 2023, taken as a whole. In conjunction with such review, we conducted an audit, in accordance with Auditing Standards Generally Accepted in Chile, of the annual consolidated financial statements of Scotiabank Chile as at December 31, 2023 and for the years then ended and the related notes to the annual consolidated financial statements. We expressed an unmodified opinion on the annual consolidated financial statements in our auditor's report dated January 25, 2024.

Management's Responsibility

Management is responsible for the preparation and presentation of the "Management Commentary" of Scotiabank Chile in accordance with the standards and instructions issued by the Chilean Financial Market Commission (CMF), established in Chapter C-1 of the Compendium of Accounting Standards for Banks.

Accountant's Responsibility

Our review was conducted in accordance with the Attestation Standards established by Colegio de Contadores de Chile A.G.. A review consists, mainly, of applying analytical procedures, making inquiries of those individuals responsible for financial and accounting matters. This review is significantly less in scope than that of an examination, the objective of which would be to express an opinion on the "Management Commentary." Accordingly, we express no such opinion.

"Management Commentary" include such non-financial information as operational, commercial information, sustainability ratios, macroeconomic forecasts, management and other information. Although such information may provide certain additional elements for the analysis of the financial position and results of operations of Scotiabank Chile, our review does not cover such information.

The preparation and presentation of "Management Commentary" of Scotiabank Chile as at December 31, 2023 requires that the Management of Scotiabank Chile interpret certain criteria, determines the appropriateness of the information to be included and make estimates and assumptions that affect the information presented. The "Management Commentary" of Scotiabank Chile as at December 31, 2023 includes current and forward-looking information that estimates the future impact of transactions and events that have occurred or are expected to occur, estimates expected future sources of liquidity and financial resources, and estimates operating and macroeconomic trends and commitments and uncertainties. Future results may differ significantly from the current assessment of this information presented by the Management of Scotiabank Chile because events and circumstances frequently do not occur as expected. Our review has considered such information only to the extent that it has been used for the preparation and presentation of the financial information contained in the "Management Commentary" financial report and not for the purpose of expressing a conclusion on such information.

Santiago
Av. Presidente Riesco 5685,
piso 15, Las Condes

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the presentation of Management Commentary of Scotiabank Chile for such presentation to: (i) be in accordance with the elements required by the standards and instructions issued by the CMF; ii) the historical financial amounts included in the presentation have been properly derived from the annual consolidated financial statements of Scotiabank Chile as at December 31, 2023 and (iii) the information, determinations, estimates and underlying assumptions of Scotiabank Chile are consistent with the basis used for the preparation of the financial information contained in such presentation.

Jorge Maldonado G. KPMG Ltda.

Santiago, January 25, 2024

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Note

Scotiabank Chile has prepared this document following the guidelines of IFRS Practice Statement No. 1 "Management Commentary", presenting useful information for investors, financiers and other creditors that contribute to the understanding of the entity's financial position in relation to the Consolidated Financial Statements as at December 31, 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 108 branches from Arica to Punta Arenas and 23 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 November 2023, excluding branches and subsidiaries abroad, reached 14.07%, equivalent to CLP 32,099,666 million. It ranks fourth among its competitors, down 85 basis points compared to November 2022.

Of the aforementioned total, commercial loans (including education) reached CLP 14,169,456 million, recording market share of 11.80%. Market share in consumer loans recorded 14.43%, equivalent to CLP 4,083,607 million, whereas market share in mortgage loans recorded 17.37%, equivalent to CLP 13,846,603 million.

As at November 2023, Scotiabank's liabilities record total deposits of CLP 18,024,966 million, of which CLP 12,841,031 million correspond to term deposits and CLP 5,183,935 million to on-demand deposits. Accordingly, Scotiabank Chile's market share in total deposits, excluding branches and subsidiaries abroad, reached 10.88% as at November 2023, down 70 basis points compared to November 2022.

Significant environment features

International scenario

At the global level, inflation has continued to decline at both the headline and underlying levels. The international scenario continues to be marked by restrictive financing conditions for emerging countries, although with signs of easing recently, particularly in the United States. In this scenario, interest rates have stopped rising in developed countries and emerging currencies have appreciated, driven by the global depreciation of the dollar and a higher appetite for global risk. Although the weakness of the Chinese economy and its effect on Latin American economies remains a concern, the acceleration of the Chinese economy's GDP in Q3 2023 is noteworthy, which improves the global growth outlook for 2024.

Despite the above, global GDP growth outlook for 2024 remains below the 2023 forecast. As per the OECD's update of global growth outlook, GDP will expand 2.9% in 2023 and only 2.7% in 2024. The recent increase in the price of copper, which in recent weeks traded at levels of US$ 380 cents per pound, together with the fall in the price of oil, imply an improvement in Chile's terms of trade. This, together with still-tight financial conditions and a global demand with incipient signs of recovery, sets a challenging external scenario for our economy in the next few months.

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 2022 and which are stagnant today. The Tax Reform was rejected in the Chamber of Deputies in early 2023, and accordingly, the government has committed to send two tax reform proposals; one to be sent in January 2024 that seeks to raise about 1.5% of GDP by reducing tax evasion and avoidance; and another to be sent in March 2024 that seeks to raise about half a point of GDP through increases in personal taxes. In addition, the Government believes economic growth and the efficiency of the State will allow it to collect 0.7% of GDP in the next few years. Because of the commitments that depend on tax reform collection -mainly financing the Pension Reform and the reduction of the waiting list in healthcare-, we expect upside risks on the level of gross debt projected by the Ministry of Finance for the next few years (approximately 40% of GDP through the present date).

With respect to the new Constitution, the victory of the "Against" option by 56% meant a broad political consensus on the final closure of the process. In this sense, a new constitutional consultation does not seem likely, at least during Gabriel Boric's remaining presidential term. Subsequently, the reopening of the process will depend on the recomposition of political forces after the 2024 municipal elections and, mainly, after the 2025 parliamentary and presidential elections. For the time being, the citizens have already rejected two constitutional proposals in a row.

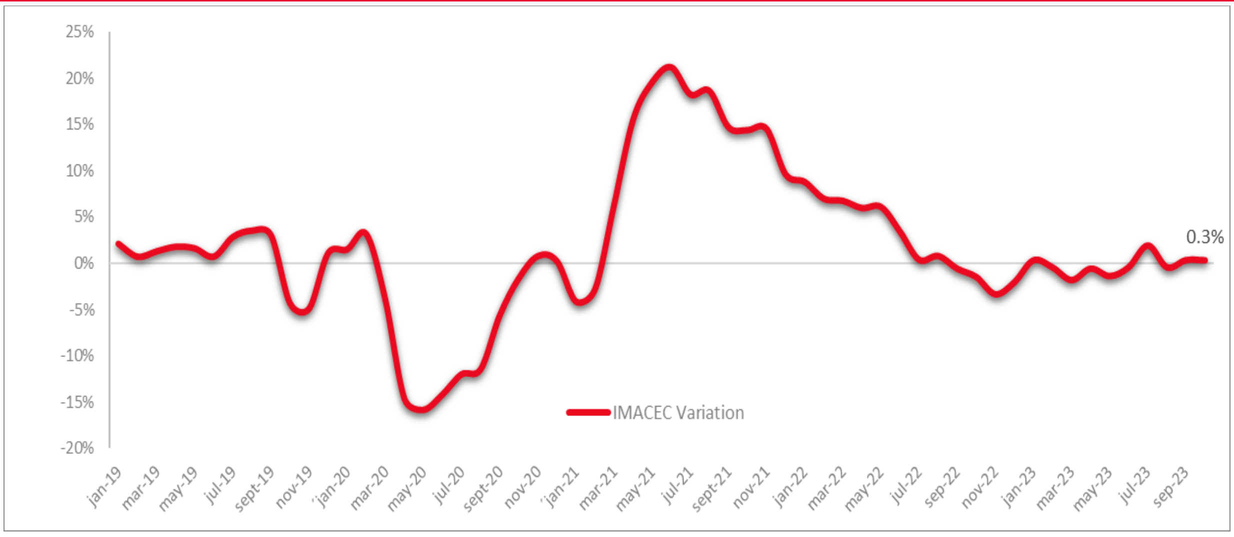
Economic activity level

In 2023, the economy continued its adjustment process of the macro imbalances generated after the COVID-19 crisis and the extraordinary fiscal and monetary impulses. After an expansion of 2.4% in 2022, GDP showed no dynamism in 2023, accumulating a contraction of 0.3% YoY to the third quarter of that year. By economic sector, the GDP from non-mining activities fell 0.5% YoY accumulated as at the third quarter, recording a 3.9% YoY drop in commercial activities. However, services have remained resilient, accumulating an expansion of 1%as at the third quarter. The dynamics in other economic sectors have been mixed. While electricity generation added value thanks to heavy winter rains, construction activity contracted due to the lack of new projects in employment-intensive sectors, such as real estate. The mining sector expanded slightly, highlighting the unblocking of some private investment projects thanks to the progress of the mining royalty in Congress by mid-2023. Most recently, the IMACEC for October grew 0.3% YoY, mainly due to the increase in services GDP, which was not offset by the drop in the mining activity. In the next few months, we would continue to note slightly positive year-on-year growth rates for the activity, due to the absence of factors that contribute dynamism. Considering the above, expectations continue to be pessimistic, both for consumers and companies.

We forecast a 0.2% drop in GDP for 2023, slightly below the expectation from Banco Central de Chile (0%). For 2024, we forecast GDP expansion of 2% thanks to the expansion of investment and private consumption, which will benefit from lower short-term interest rates. According to the Banco Central de Chile, the GDP growth range for 2024 fluctuates between 1.25% and 2.25%.

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 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 from several months to the present date by a normalization in services inflation. In November, year-on-year inflation fell to 4.8%, and is expected to continue to decline until reaching the target of 3% established by Banco Central de Chile in 2024. Part of this dynamic has been thanks to the appreciation of the Chilean peso that has been noted from October, which has provided price stability mainly to goods. This stability has also been reflected in the prices of services, especially indexed services, as the second-round effects on inflation have been lower in the second half of 2023.

November's figures surprised on the upside, with CPI going up 0.7% MoM largely explained by higher volatile inflation, as underlying (non-volatile) inflation remained subdued. While there were widespread price increases in the basket, our analysis suggests that these could reverse rapidly in the next few months, partly driven by the recent appreciation of Chilean peso. Considering this, our forecast includes delimited inflation records for the first quarter of 2024.

The economy continues to have negative capacity gaps, recording drops in investment and weakness in 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 this would continue in the next few months, if there is no significant improvement in investments. However, Banco Central de Chile forecasts inflation will return to 3% in the second half of 2024.

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

Table No.1: Variance in CPI over the last 12 months (%)[2]

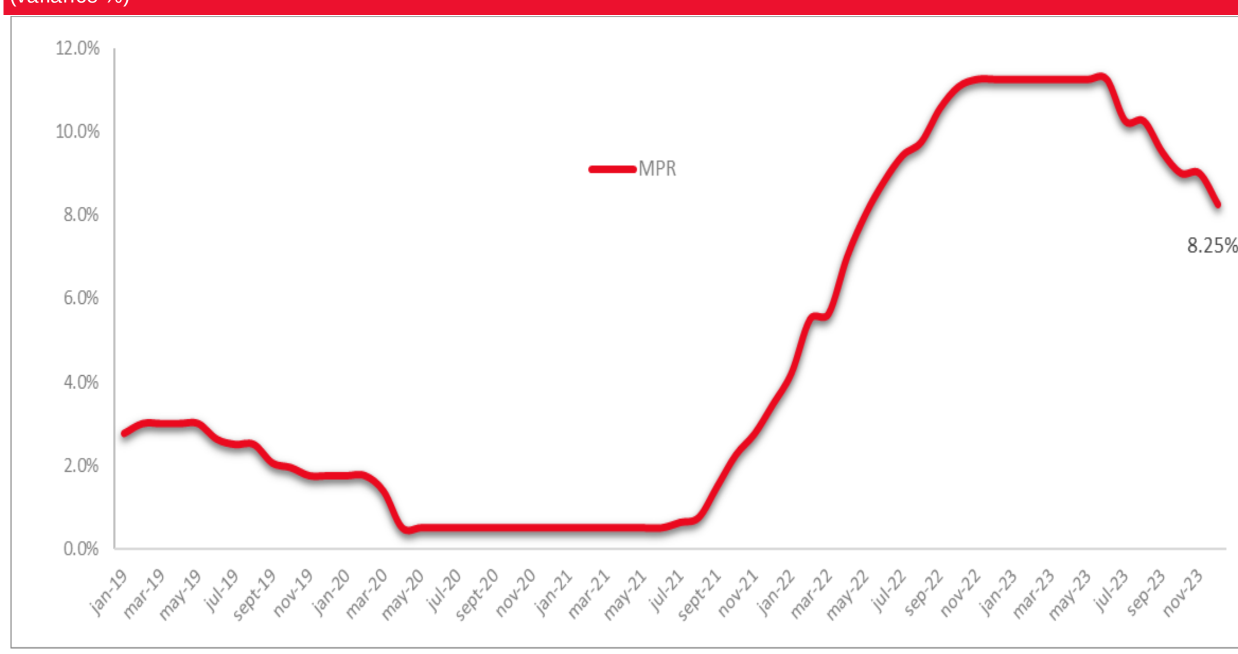
Month	Monthly	Accumulated	Last 12 months
March 2022	1.9	3.4	9.4
April 2022	1.4	4.7	10.5
May 2022	1.2	5.9	11.5
June 2022	0.9	6.9	12.5
July 2022	1.4	8.3	13.1
August 2022	1.2	9.5	14.1
September 2022	0.9	10.3	13.7
October 2022	0.5	10.8	12.8
November 2022	1.0	11.8	13.3
December 2022	0.3	12.1	12.8
January 2023	0.8	0.8	12.3
February 2023	-0.1	0.7	11.9
March 2023	1.1	1.8	11.1
April 2023	0.3	2.1	9.9
June 2023	0.1	2.2	8.7
July 2023	-0.2	2.0	7.6
August 2023	0.1	2.6	5.3
September 2023	0.7	3.2	5.1
October 2023	0.4	3.7	5.0
November 2023	0.7	4.4	4.8

Interest rate

At its December 2023 meeting, Banco Central de Chile decided to continue with the process of cutting the benchmark interest rate, leaving it at 8.25%, stating that the convergence of inflation to the target will require further cuts in the MPR. At the same time, the Board acknowledged the downward surprises it noted with respect to its underlying inflation forecast, thereby bringing forward the forecasted convergence of this inflation component the first part of 2024.

Figure No. 2

Monetary Policy Rate Evaluation
(variance %)



Source: Banco Central de Chile.

Exchange rate

After trading at levels close to Ch$945 per US$ 1, the exchange rate has reduced its level from mid-October to the closing date of this report. Part of this appreciation of Chilean peso related to the concern expressed by the Board of Banco Central de Chile regarding the level of the exchange rate, which in actual terms was

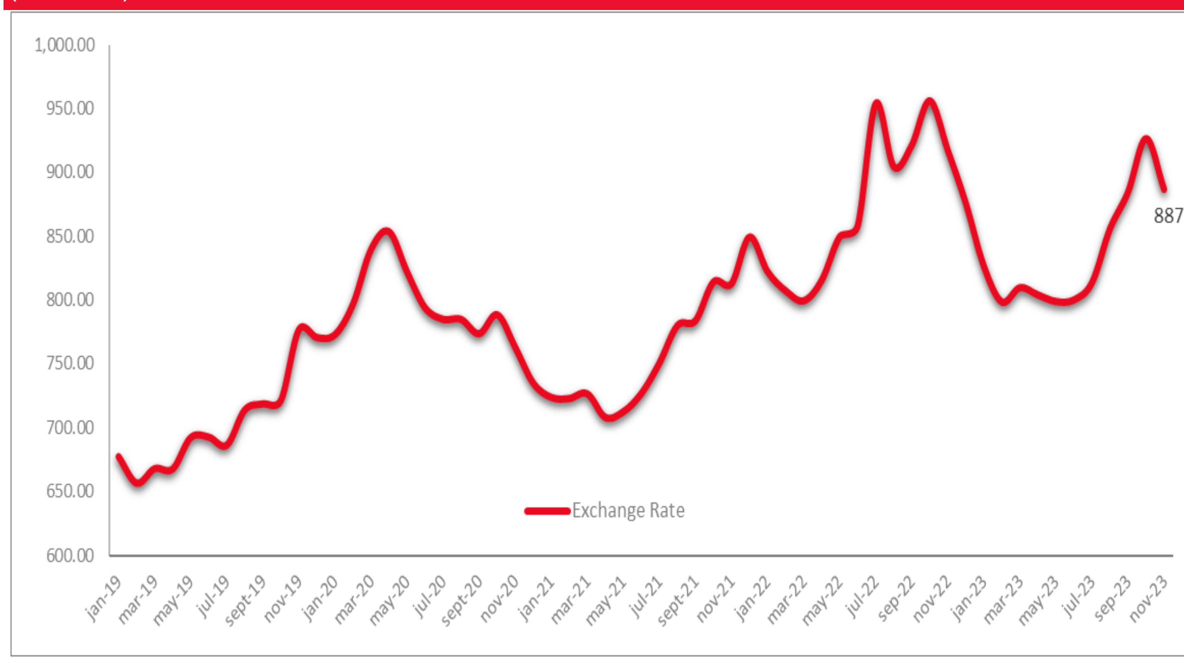
[2]For CPI purposes, data considered figures as at November 2023 because as at December no public information was available.

at the high end of its estimated long-term value. This was shown through a lower cut in the MPR in October (50 basis points) and the suspension of the international reserve accumulation program. At the same time, the price of copper has increased 7% from mid-October, whereas the global dollar (DXY) has fallen 5% in the same period.

This is partly explained by a less aggressive tone from the Fed, which has been keeping the MPR stable from certain months and has indicated that no further increases are foreseen if inflation convergence consolidates. This dovish message from the Fed together with the increase in copper prices allowed for an appreciation of emerging currencies, among them, Chilean peso. Additionally, the Ministry of Finance announced the sale of U.S. dollars until December, although it reduced the pace of sales to US$ 1.25 billion per month in November and December, from the US$ 2 billion announced previously. At the closing date of this report, the exchange rate was being traded at Ch$890 per US$1.

Figure No. 3

Exchange rate fluctuation, CLP/USD
(variance %)



Source: Banco Central de Chile.

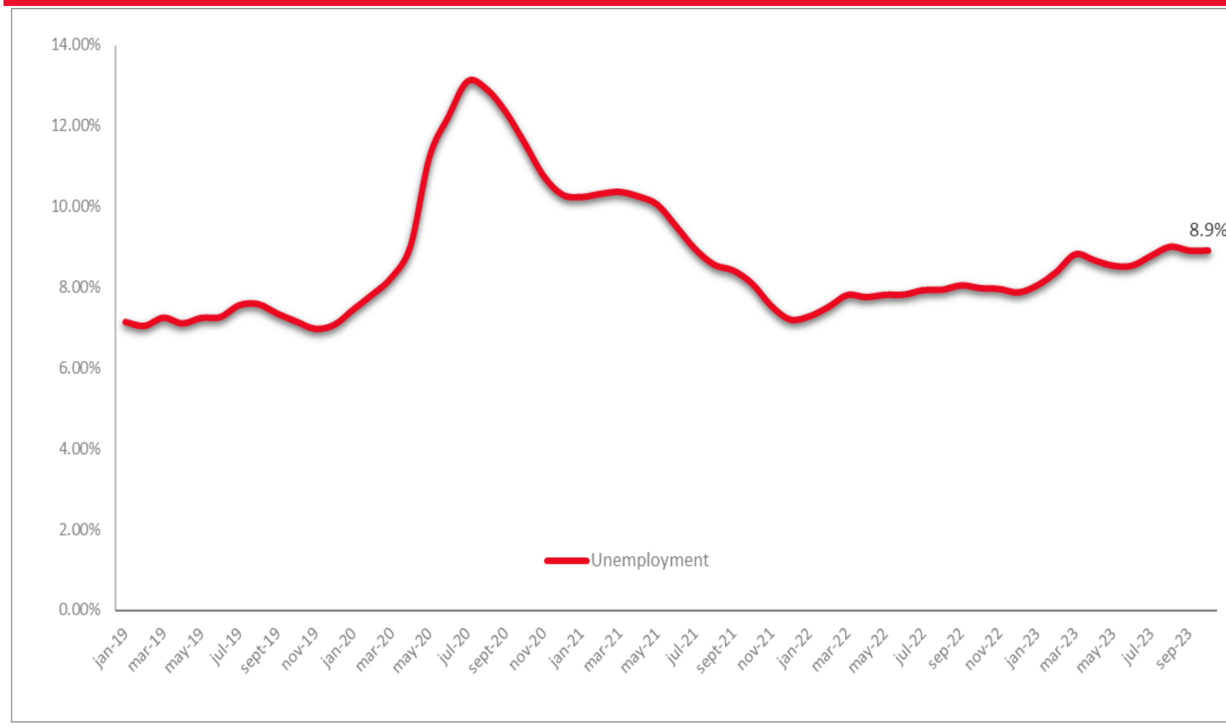
Labor market

Most recently, unemployment rate remained at 8.9% (quarter ended October 2023), in view of the low dynamism of employment and a somewhat better performance of the workforce. In this regard, 30 thousand jobs were created, most of which were informal and favored by the peak season in such industries as commerce and agriculture. However, employment weakness continues in such labor-intensive as construction, which lost 29,000 jobs during the quarter.

The labor market continues to look weak when analyzing a broad set of indicators. Unemployment rate remains near its highest levels since 2010, as does the number of unemployment insurance contribution paying members and beneficiaries. At the same time, job advertisements are at minimal levels, while employment outlook for the main industries remain pessimistic.

Figure No. 4

Unemployment rate[3]
(variance %)



Source: Banco Central de Chile.

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

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

systems. Banco Central de Chile also has powers to regulate the financial system and capital markets, which are aimed at ensuring that banks and other financial institutions perform their activities in a safe and orderly manner, and to promote the efficient and reliable operation of payment systems and means of payment. Complementarily, it has the power to safeguard the stability of the financial system, which allows it to act in the event of crisis scenarios, which it does through financial policy.

Main products, services and business processes

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

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

Retail 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 December 31, 2023 (in millions of CLP (MCLP))	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	138,828	78,124	73,194	-38,660	113	251,599
Other income	34,492	63,257	23,637	65,167	-2,212	184,341
Equity in net income of investees	0	0	0	0	1,216	1,216
Total operating income	**173,320**	**141,381**	**96,831**	**26,507**	**-883**	**437,156**
Operating expenses	-82,584	-29,236	-31,540	1,156	-22,448	-164,652
Depreciation and amortization	-9,124	-2,685	-3,151	-3,156	1,232	-16,884
Provisions	-44,159	-12,463	-58,687	0	-2,171	-117,480
Segment operating profit (loss)	**37,453**	**96,997**	**3,453**	**24,507**	**-24,270**	**138,140**
Income tax expense						-15,885
Profit (loss) for the year						**122,255**
Spot volumes - MCLP						
Assets (loans)	18,779,138	10,923,353	1,662,208	0	35,108	31,399,807
Liabilities (Core and Term deposits)	6,920,590	5,472,610	0	3,459,397	2,179,467	18,032,064

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 December 31, 2022 MCh$	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	117,900	66,848	59,114	-108,749	162	135,275
Other income	30,426	62,481	23,569	123,379	-2,617	237,238
Equity in net income of investees	0	0	0	0	1,788	1,788

Total operating income	**148,326**	**129,329**	**82,683**	**14,630**	**-667**	**374,301**
Operating expenses	-76,717	-29,297	-27,925	-2,017	-3,301	-139,257
Depreciation and amortization	-8,553	-2,664	-2,841	-228	-1,756	-16,042
Provisions	-45,851	-8,151	-34,145	0	228	-87,919
Segment operating profit (loss)	**17,205**	**89,216**	**17,772**	**12,385**	**-5,496**	**131,083**
Income tax expense						2,542
Profit (loss) for the year						**133,625**
Spot volumes - MCLP						
Assets (loans)	18,453,225	12,335,780	1,664,943	0	118,304	32,572,252
Liabilities (Core and Term deposits)	6,139,951	5,673,146	0	6,786,197	449,553	19,048,847

12 months ended December 31, 2023 MCh$	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	540,642	312,208	278,882	-281,276	505	850,961
Other income	125,544	215,272	90,017	273,238	16,831	720,902
Equity in net income of investees	0	0	0	0	6,362	6,362
Total operating income	**666,186**	**527,480**	**368,899**	**-8,038**	**23,698**	**1,578,225**
Operating expenses	-314,819	-123,884	-126,937	-4,150	-28,418	-598,208
Depreciation and amortization	-36,262	-10,800	-12,037	-4,816	-2,999	-66,914
Provisions	-166,494	-45,145	-212,117	0	1,830	-421,926
Segment operating profit (loss)	**148,611**	**347,651**	**17,808**	**-17,004**	**-5,889**	**491,177**
Income tax expense						-74,612
Profit (loss) for the year						**416,565**
Spot volumes - MCLP						
Assets (loans)	18,779,138	10,923,353	1,662,208	0	35,108	31,399,807
Liabilities (Core and Term deposits)	6,920,590	5,472,610	0	3,459,397	2,179,467	18,032,064

12 months ended December 31, 2022 MCh$	Retail	Wholesale	CAT	Treasury	Other	Accounting total
Net interest income	460,619	251,850	212,135	-279,693	1,080	645,991
Other income	126,404	157,282	82,566	419,056	-783	784,525
Equity in net income of investees	0	0	0	0	6,513	6,513
Total operating income	**587,023**	**409,132**	**294,701**	**139,363**	**6,810**	**1,437,029**
Operating expenses	-295,243	-110,464	-110,292	-7,559	-16,711	-540,269
Depreciation and amortization	-31,707	-10,166	-11,003	-848	-6,859	-60,583
Provisions	-139,014	-47,803	-111,376	0	-1,467	-299,660
Segment operating profit (loss)	**121,059**	**240,699**	**62,030**	**130,956**	**-18,227**	**536,517**
Income tax expense						-21,461
Profit (loss) for the year						**515,056**
Spot volumes - MCLP						
Assets (loans)	18,453,225	12,335,780	1,664,943	0	118,304	32,572,252
Liabilities (Core and Term deposits)	6,139,951	5,673,146	0	6,786,197	449,553	19,048,847

Entity structure and how it creates value

As at December 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.

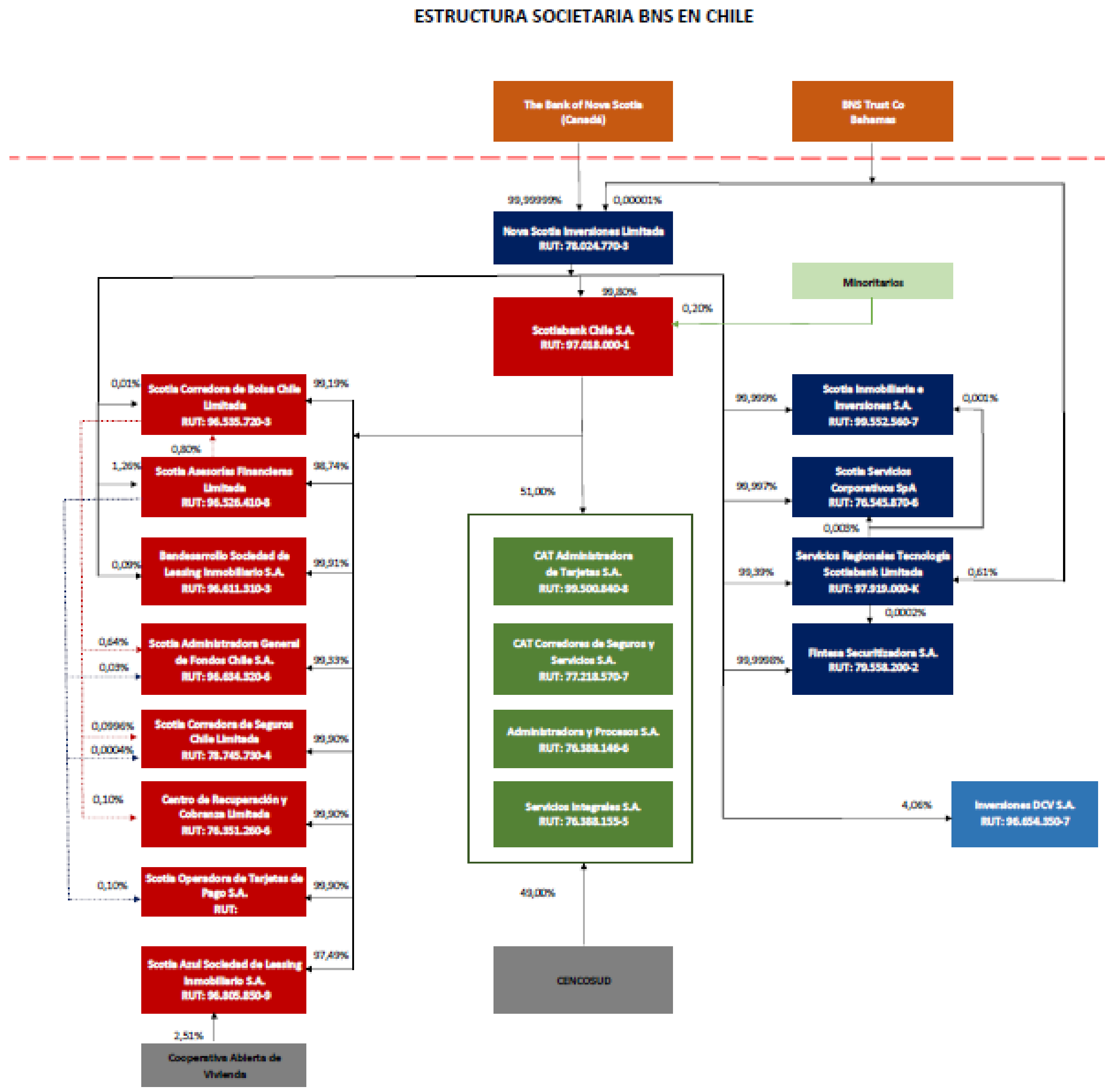
In its turn, Scotiabank Chile controls the subsidiaries Scotia Corredora de Bolsa Chile Limitada, Scotia Asesorías Financieras Limitada, Bandesarrollo Sociedad de Leasing Inmobiliario S.A., Scotia Administradora General de Fondos Chile S.A., Scotia Corredora de Seguros Chile Limitada, Centro de Recuperación y Cobranza Limitada, Scotia Azul Sociedad de *Leasing* Inmobiliario S.A., and Scotia Operadora de Tarjetas de Pago S.A.[4]

[4] 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.

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

Figure No. 5

Corporate structure



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

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

At the Extraordinary Shareholders' Meeting held on November 14, 2022, the number of members of the Board of Directors was reduced to 7 regular members and 1 alternate director.

In January 2023, the Financial Market Commission (CMF) approved this change in the bylaws and in such month the first meeting of the board was held, which was made up of four men and four women. Accordingly, Scotiabank Chile became the first private bank in Chile to have a board having parity of representation.

Figure No. 6

Corporate Governance

2. OBJECTIVES AND STRATEGY

Business objectives and strategy

Scotiabank's Strategy

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

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

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

- **Funding structure:** Consider initiatives focused on increasing On-demand/ Term Deposit Balances to continue closing the *mix* funding gap with the market. This will improve the Bank's profitability through a cheap, stable and diversified source of financing.
- **Modernization and Continuous Improvement:** Cross-cutting initiative, focused on developing plans to increase productivity, improving the end customer experience and promoting a digital culture within the organization. The ultimate goal is to consolidate its position as the best digital bank in Chile.
- **Strengthen our footprint in the corporate world:** Enhance the SME and Large Corporate segment, strengthening the team of relationship executives and products, continue with digitalization, supported by adjusted credit policies aligned with the Bank's risk appetite.
- **Enhance High Net Worth - People:** Position the Bank among the best players in the market to serve *Affluent* and *Wealth* segments. The project focuses on offering a differentiated and personalized value proposition, with high levels of management, service and effectiveness and a wide coverage nationwide.
- **ESG goals:** Prioritize environmental, social support, inclusion and governance commitments.[5]

On December 13, as part of Investor Day 2023, the company's CEO, Scott Thompson, presented the main outlines of the new strategy for Scotiabank globally that is based on the vision of being our customers' most trusted financial partner as we focus on delivering sustainable, profitable growth through four strategic

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

pillars: grow and gain scale in priority markets in Canada, the United States, Mexico and the Caribbean; grow relationships with primary customers; make it easier to do business with us; and win as one team. This global strategy is in line with that followed in Chile, strengthening and opening opportunities locally.

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, being ranked 27th in the 2023 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 ScotiaRISE 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 CAD 2,407,934 has been allocated as at December 2023 to a total of 26 social projects that have benefited more than 40,000 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, 1.4% of the Bank's staff as at December 2023 corresponds to people with some type of visible and non-visible disability and more than 97.5% of them 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 previously obtained by the Bank, other distinctions include second place in Chile in the 2022 version of the PAR Latam Ranking, performed by the consulting firm Aequales, to measure the performance in gender equity and diversity of private companies and public entities in Latin America; fourth place in the ranking of Large Corporations in the study "2022 Best Organizations that Integrate Personal Life and Work" by Fundación Chile Unido, and finally the distinction awarded by the British magazine Euromoney, which chose Scotiabank as the "Best ESG Bank" in Chile for its sustainable management.

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

Regarding 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 "Integrating Personal Life and Work" of Fundación Chile Unido, the Merco talent ranking, the Top Employer certification and the LinkedIn's 2023 Top Companies, recognizing the 25 best companies to drive employees' professional careers.

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 74% 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 December, 52% of the workforce was female, whereas 23% 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 eight 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

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 4,850,696 million as at December 31, 2023 (CLP 4,746,666 million as at September 30, 2023 and 5,076,459 million as at December 31, 2022). Deposits and other term deposits represented CLP 13,181,368 million as at December 31, 2023 (CLP 13,870,322 million as at September 30, 2023 and 13,972,388 million as at December 31, 2022), whereas bank borrowings amounted to CLP 5,368,647 million as at December 31, 2023 (CLP 5,622,683 million as at September 30, 2023 and 5,342,213 million as at December 31, 2022). In addition, core funding was supplemented with debt issuances of CLP 9,387,706 million as at December 31, 2023 (CLP 9,006,131 million as at September 30, 2023 and 8,695,108 as at December 31, 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	December 2023 MCh$	September 2023 MCh$	December 2022 MCh$
Deposits and other on demand liabilities	4,850,696	4,746,666	5,076,459
Term and other on-demand deposits	13,181,368	13,870,322	13,972,388
Obligations with domestic banks	0	0	0
Obligations with foreign banks	2,338,621	2,592,657	2,312,187
Obligations with Banco Central de Chile	3,030,026	3,030,026	3,030,026
Letters of credit	88,293	90,736	100,235
Current bonds	8,098,199	7,904,265	7,606,930
Subordinated bonds	1,201,214	1,011,130	987,943
Total	**32,788,417**	**33,245,802**	**33,086,168**

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 December 2023, the Bank has 18 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 December 2023, there were 513 thousand active mobile users, up 18% compared to the prior year. Likewise, December 2023 closed with 649 thousand active digital users and a digital adoption rate of 70%.

Scotiabankers

The entity's most important resource is its employees. As at December 2023, Scotiabank has a total of 5,778 employees, distributed among the Bank and its subsidiaries. Scotiabank strongly believes the success of its activities is based on a sound performance culture, under a process concept that is ever growing. This has allowed it to enhance the development of its employees and identify learning opportunities to strengthen their growth and maintain a high level of commitment to the organization. The breakdown of employees can be seen in Table No.4.

Table No.4 Detail of employees

Total headcount	December 2023	September 2023	December 2022
Senior Management	26	25	23
Management	153	159	162
Professionals	4,009	4,047	3,890
Administrative staff	1,550	1,602	1,698
Sales force	40	40	185
Total	**5,778**	**5,873**	**5,958**

Diversity in the Board of Directors

As at December 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 December 2023, basic capital amounted to CLP 3,450,827 million to which is added the additional Tier 1, however, at that date the Bank does not have this type of capital, which added together completes the Tier 1 capital of CLP 3,450,827 million. Tier 2 capital, which corresponds to the sum of additional provisions plus subordinated bonds, amounted to CLP 1,179,083 million, resulting in total effective equity of CLP 4,629,910 million.

In addition, note that regulatory limits of the Tier 2 capital components showed headroom, as subordinated bonds were using 29.41% of a maximum of 50% of the possible core capital and, for additional allowances, these reached 0.66% 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 3,000,163 million for December 2023, together with the Operational Risk Weighted Assets, which amounted to CLP 2,738,932 million, and the method for the calculation of Credit Risk Weighted Assets, which amounted to CLP 25,019,225 million, was modified.

The ratio of effective equity to total RWA reached 15.05% as at December 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 8.11%.

The capital structure is shown in Table No.6.

Table No.6 Capital Structure

Available Capital	December 2023 MCh$	September 2023 MCh$	December 2022 MCh$
Tier 1 Capital	**3,450,827**	**3,596,215**	**3,288,621**
CET 1	**3,450,827**	**3,439,255**	**3,135,979**
Capital	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	381,405
Retained earnings	1,722,476	1,638,285	1,436,903
Valuation	-36,145	-10,141	-139,638
Minority interest	138,821	136,831	140,227
Equity adjustments	-124,151	-75,546	-51,339
AT1	**0**	**156,960**	**152,642**
Additional tier 1 capital	0	156,960	152,642
Tier 2 Capital	**1,179,083**	**848,259**	**834,128**
Subordinated bonds	1,014,835	684,011	669,880
Additional allowances	164,248	164,248	164,248
Total effective equity	**4,629,910**	**4,444,474**	**4,122,749**

Table No.7: Capital Components

Concept	December 2023 (%)	September 2023 (%)	December 2022 (%)	Regulatory Requirements
Regulatory Capital (T1 + T2)	15.05%	14.16%	13.50%	> = 10.51%
CET1 / RWA	11.22%	10.96%	10.27%	> = 7.01%
T1 / RWA	11.22%	11.46%	10.77%	> = 8.51%
Leverage ratio	8.11%	7.94%	7.20%	> = 3%
Tier 2 / Tier 1	34.17%	23.59%	25.36%	-
Subordinated debt / CET1	29.41%	19.89%	21.36%	< 50%

As an event subsequent to the oversight review and evaluation process conducted by the CMF, Scotiabank has been informed of the resolution adopted by the Board for additional minimum effective capital requirements.

The CMF's decision establishes a Pillar 2 requirement at the consolidated level of 1% of which at least 56.3% must be satisfied with Common Equity Tier 1 ("CET1") and the balance with other capital instruments (AT1 or Tier 2), this additional requirement must be met within 4 years (25% beginning in June 24) and will be evaluated annually through the oversight process.

At the end of December 23, the Bank's capital ratio was 15.05% over a regulatory requirement of 11.13% to maintain solvency grade A (10.51% considering the regulatory implementation schedule), and the CET 1 ratio was 11.22% over a regulatory minimum of 7.63% (7.01% considering the regulatory implementation schedule), which reflects the Bank maintains sufficient buffers to cover the additional 1% required.

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	December 2023 MCh$	September 2023 MCh$	December 2022 MCh$
High quality liquid assets	2,293,236	2,492,090	3,241,672
Net adjusted expenses	1,496,769	1,454,861	1,292,521
LCR%	153.21%	171.29%	250.80%

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	December 2023 MCh$	September 2023 MCh$	December 2022 MCh$
Available stable funding (ASF)	26,610,006	28,390,808	27,760,510
Required stable funding (RSF)	24,017,045	24,572,521	29,191,010
Net Stable Funding Ratio (%)	110.80%	115.54%	95.10%

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.

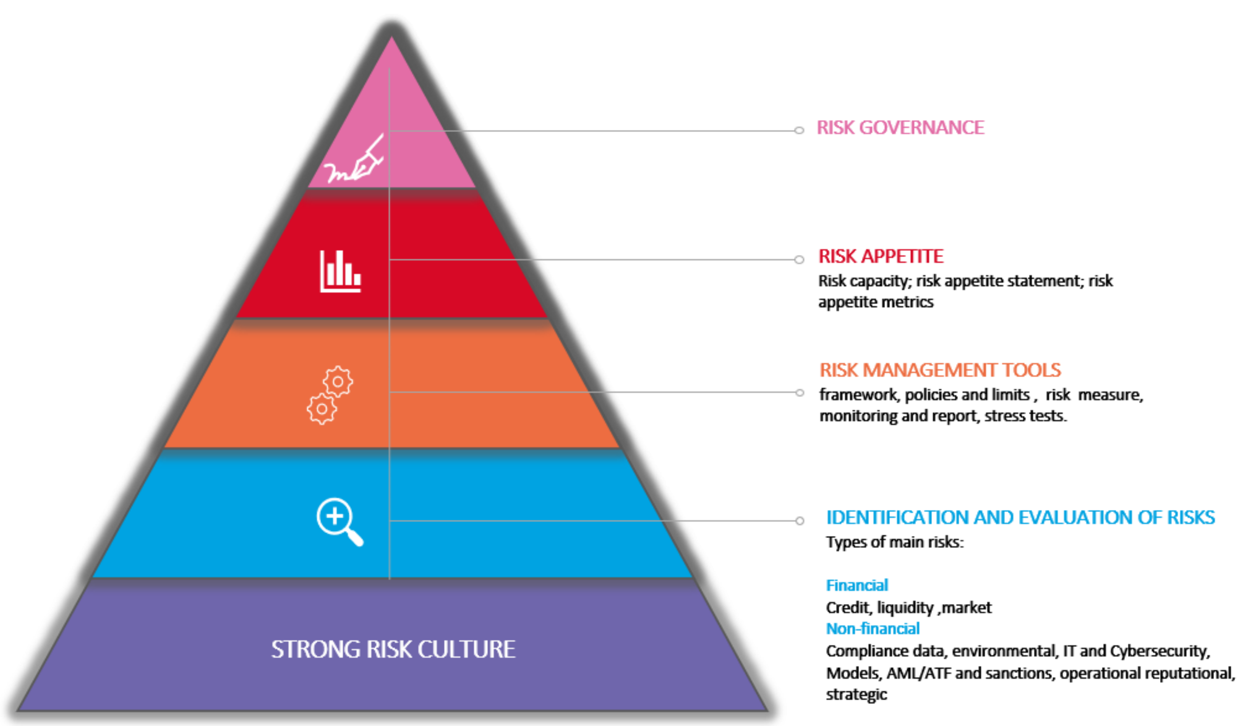
Scotiabank manages its excess financial resources within the framework established by market and liquidity risk limits.

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

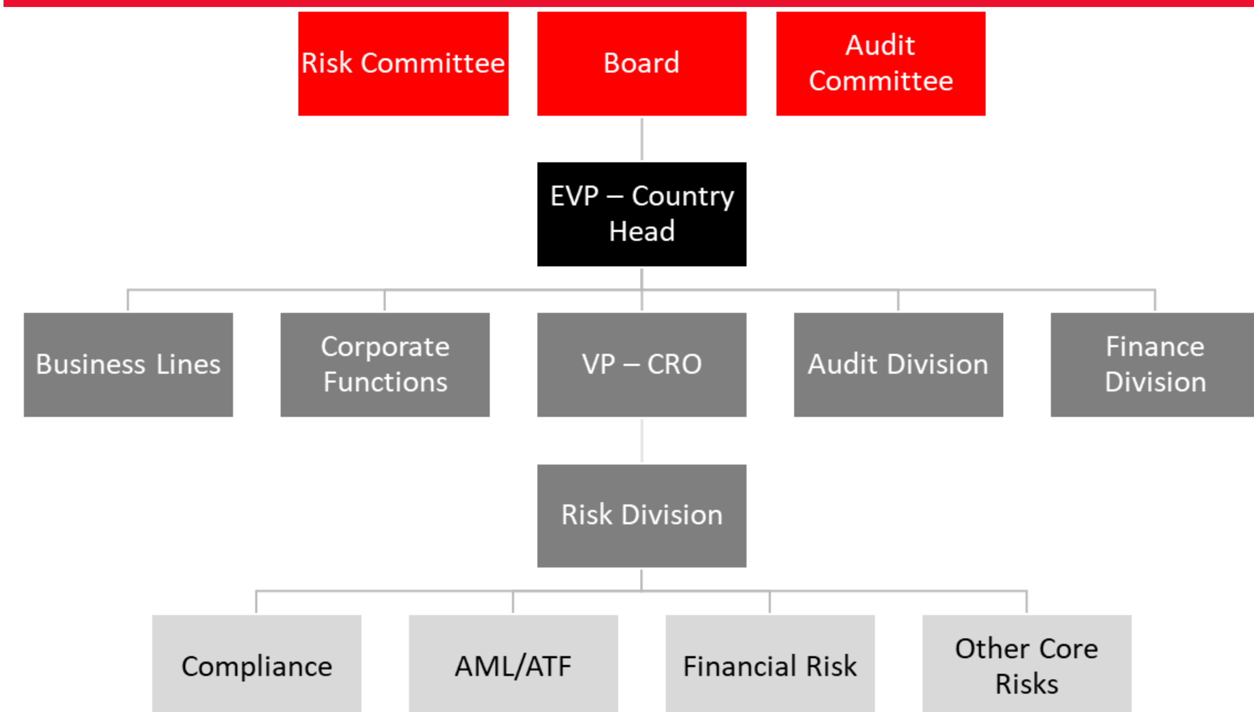


Governance structure

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 december 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 Financial Statements as at december 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 Financial Statements as at december 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)
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

Employees
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 1,300,000 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. British magazine Euromoney also recognized Scotiabank as the "Best Digital Solutions Bank" and the "Best ESG Bank" in Chile for its sustainable management.

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. Chile Golf Open

As part of the two-year anniversary of our Wealth Management segment, where we have more than 700 clients in the first 18 months of operation and were awarded by Morningstar as the Best Global Asset Manager in 2023, in addition to Scotiabank's interest in maintaining close contact with our customers, our Bank was the sponsor of the 93rd Chile Golf Open, which was played in December at La Dehesa Golf Club and was attended by leading figures of the domestic golf scene. The activities began with a Pro-Am, aimed exclusively at our customers.

3. 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 subject to sustainability objectives. In 2023, the Bank participated in credit transactions and green and social bonds for more than CAD 6 billion for its customers in Chile.

4. 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.

5. Corporate volunteer program

In January, the Bank launched a new version of its Corporate Volunteering Program, which in 2023 returned completely to face-to-face work, with a plan that included 18 activities, translated into 955 hours of volunteering, aimed at children, young people, women and LGTBIQ+ communities the objective of which was to provide soft and technical tools to contribute improving the living conditions of people and communities. Almost 250 volunteers participated, surpassing the established participation goal by 135%, and where more than 45,300 people were directly impacted.

There were 11 organizations, foundations and companies with whom we interacted and Fundación Trascender acted as our strategic partner.

6. 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.

7. Economic talks for customer’s 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.

8. Executive Award

As part of its commitment to promote gender equity, inclusion and women leadership, Scotiabank supported 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.

9. Financial literacy competition for young people

Financial literacy is key for young people to learn manage their finance responsibly and to accompany them, in 2022, the Bank performed the first version of the school competition "We create the future" that, through the game Financity, teaches concepts such as saving, debt payment and household management. In its 2023 version, and thanks to the project financed by the Regional Government, which allowed the initiative to be extended to 150 schools in the Metropolitan Region, more than 350 students, from 7th grade to 4th grade, from 14 schools, participated in the championship. The event was developed together with Fundación Entrepreneur.

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

Between June and October, the eighth edition of the Scotiabank National Children's Championship was held in five cities of Chile, bringing together 1,280 boys and girls from 160 schools nationwide.

The winning schools in the two categories traveled on behalf of Chile to the 2023 Scotiabank Continental Cup between November 30 and December 3 in Costa Rica, where the School Santa Cruz de Chicureo was the winner in the U-14 Girls' category, winning a trip to Barcelona, Spain, where they will participate in a sports program with FC Barcelona, which will include soccer clinics, educational and training sessions, as well as a tour of the club's sports facilities.

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.

11. 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.

12. 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 December 31, 2023 compared to December 2022. The statement of income compares profit or loss obtained in the quarter ended December 2023 to that of the quarter ended December 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: December 2023 MCh$	September 2023 MCh$	December 2022 MCh$	12 months ended: December 2023 MCh$	December 2022 MCh$
Net interest and indexation income	321,441	328,155	272,061	1,221,076	1,137,179
Net fee and commission income	54,191	49,730	53,882	197,666	200,935
Net financial result	53,999	-7,606	40,717	101,481	63,564
Other operating income	7,525	12,147	7,641	58,002	35,351
Total operating income	**437,156**	**382,426**	**374,301**	**1,578,225**	**1,437,029**
Total operating expenses	-181,536	-161,721	-155,299	-665,122	-600,852
Operating income before credit losses	**255,620**	**220,705**	**219,002**	**913,103**	**836,177**
Credit loss expense	-117,480	-111,329	-87,919	-421,926	-299,660
Profit or loss from continuing operations before taxes	**138,140**	**109,376**	**131,083**	**491,177**	**536,517**
Income tax expense	-15,885	-16,533	2,542	-74,612	-21,461
Consolidated profit (loss) for the year	**122,255**	**92,843**	**133,625**	**416,565**	**515,056**

As at the quarter ended December 2023, net interest and indexation income of CLP 321,441 million was recorded, 18.2% higher than that of the same period of prior year, mainly from accounting hedges, higher interest earned on consumer loans (credit card debtors) and in deposits with the Banco Central de Chile (FCIC line).

At the end of Q4 2023, net commissions amounted to CLP 54,191 million, a slight increase of 0.6% compared to December 2022, mainly explained by higher insurance commissions collected in the Insurance Brokerage Company, together with higher loan transactions.

The net financial result recorded CLP 53,999 million, up 32.6% from the prior year, mainly due to the gain on the sale of the CAE portfolio in October, together with a better performance in Capital Markets.

Other operating income amounted to CLP 7,525 million, a slight decrease of 1.5%, mainly due to lower income from the sale of branches and a lower amount earned on Transbank's Proportional Equity Value (PEV).

Likewise, operating expenses amounted to CLP 181,536 million, up 16.9% from the quarter of prior year, mainly due to restructuring expenses in October and December 2023, together with higher expenses in personnel bonuses and technology.

Credit loss expense amounted to CLP 117,480 million, up 33.6% compared to the same quarter of prior year, due to the sustained increase in allowances for credit losses at CAT.

Income tax amounted to CLP 15,885 million, equivalent to an increase in expenses of CLP 18,427 million.

Because of all these factors, net income recorded in the fourth quarter of 2023 amounted to CLP 122,255 million, 8.5% lower than that recorded in 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	December 2023 MCh$	September 2023 MCh$	December 2022 MCh$
Cash and deposits in banks	1,209,884	624,233	1,268,178
Transactions pending settlement	389,141	418,407	565,421
Financial assets held for trading at fair value through profit or loss	5,944,341	6,931,923	7,328,071
Financial assets at fair value through other comprehensive income	2,188,905	3,132,686	2,360,643
Derivative instruments for accounting hedge	317,308	348,370	395,111
Financial assets at amortized cost	33,039,025	32,857,545	32,856,058
Investments in companies	34,220	32,080	26,093
Intangible assets	255,425	250,792	240,400
Property and equipment	84,327	84,631	90,636
Right-of-use assets under lease contracts	159,569	166,732	174,082
Current taxes	2,413	2,960	53,478
Deferred taxes	360,658	377,594	330,907
Other assets	708,531	730,394	756,372
Non-current assets and disposal groups held for sale	19,734	18,485	15,175
Total assets	**44,713,481**	**45,976,832**	**46,460,625**
Transactions pending settlement	333,372	406,932	510,643
Financial liabilities held for trading at fair value through profit or loss	4,606,750	5,643,664	6,213,012
Derivative instruments for accounting hedge	1,455,656	1,321,059	1,536,880
Financial liabilities at amortized cost	31,907,242	32,509,107	32,424,392
Liabilities under lease contracts	149,308	155,803	160,376
Regulatory capital financial instruments issued	1,201,214	1,011,130	987,943
Provisions for contingencies	55,274	65,096	49,891
Regulatory capital financial instruments issued	122,388	86,307	146,260
Special allowances for credit losses	193,134	195,393	191,256
Current taxes	63,222	36,041	1,724
Deferred taxes	795	551	573
Other liabilities	1,050,148	1,030,948	1,050,357
Total liabilities	**41,138,503**	**42,462,031**	**43,273,307**
Capital	1,368,421	1,368,421	1,368,421
Reserves	381,405	381,405	381,405
Accumulated other comprehensive income	-36,145	-10,140	-139,638
Retained earnings (losses) from prior years	1,436,903	1,436,903	1,095,630
Profit (loss) for the year	407,961	287,689	487,533
Provisions for dividends, payment of interest and repricing of issued regulatory capital financial instruments	-122,388	-86,307	-146,260
Non-controlling interest	138,821	136,830	140,227
Total Equity	**3,574,978**	**3,514,801**	**3,187,318**
Total Liabilities and Equity	**44,713,481**	**45,976,832**	**46,460,625**

Total assets decreased by 3.8% in December 2023 compared to December 2022, mainly due to Financial assets held for trading at fair value through profit or loss (-18.9%).

Likewise, total liabilities also dropped by 4.9% due to Financial liabilities held for trading at fair value through profit or loss (-25.9%).

Equity has increased by 12.2%, explained by retained earnings (losses) from prior years (+31.1%).

Financial position

Borrowings[6]

As shown in Table No.12, the Bank's loan portfolio (net of allowances and excluding interbank loans) reached CLP 31,399,807 million, down 3.6% compared to the same period of prior year. This decrease is explained by a drop in commercial loans of 10.9%. In addition, consumer loans grew by 5.8% (credit card debtors in CAT) and mortgage loans increased by 2.2%.

Table No.12: Loans by product

Loans by product	December 2023 MCh$	September 2023 MCh$	December 2022 MCh$
Commercial loans	**13,738,775**	**14,631,153**	**15,421,175**
Consumer loans	**3,814,689**	**3,663,168**	**3,606,586**
Bank	2,152,480	2,067,502	2,062,792
CAT	1,662,209	1,595,666	1,543,794
Mortgage loans	**13,846,343**	**13,752,631**	**13,544,491**
Total loans	**31,399,807**	**32,046,952**	**32,572,252**

Deposits and debt instruments issued

As shown in Table No. 13, total deposits reached CLP 18,032,064 million, a decrease of 5.3% compared to December 2022: on-demand liabilities decreased by 4.4%, whereas term deposits decreased by 5.7%.

Total bonds increased by 8.2%, mainly due to current international bonds and bonds denominated in Chilean pesos. However, letters of credit contracted by 11.9% due to mortgage securities denominated in UF.

Table No.13: Sources of funds

Sources of funds	December 2023 MCh$	September 2023 MCh$	December 2022 MCh$
Deposits and other on demand liabilities	4,850,696	4,746,666	5,076,459
Term and other on-demand deposits	13,181,368	13,870,322	13,972,388
Total deposits	**18,032,064**	**18,616,988**	**19,048,847**
Current bonds	8,098,199	7,904,265	7,606,930
Subordinated bonds	1,201,214	1,011,130	987,943
Total bonds	**9,299,413**	**8,915,395**	**8,594,873**
Letters of credit	88,293	90,736	100,235
Total debt securities issued	**27,419,770**	**27,623,119**	**27,743,955**

Financial spread

As per Table No.14, the annualized net interest margin (NIM) increased 49 basis points to 3.48%. This increase is due to accounting hedges, higher interest earned on consumer loans and deposits with Banco Central de Chile (FCIC line).

Table No.14: Financial spread

	Quarter ended:			12 months ended:	
Financial spread	**December 2023 MCh$**	**September 2023 MCh$**	**December 2022 MCh$**	**December 2023 MCh$**	**December 2022 MCh$**
Net financial margin (interest and indexation)	321,441	328,155	272,061	1,221,076	1,137,179
Total loans	31,399,807	32,046,952	32,572,252	31,399,807	32,572,252
Earning assets (average for the period)	36,966,218	37,259,886	36,369,917	36,880,836	34,576,251
Net interest margin (NIM)	3.48%	3.52%	2.99%	3.31%	3.29%

Allowances and portfolio quality

During Q4 2023, net allowances totaled Ch$132,416 million, up 34% compared to the same period of 2022. Accumulated net allowances for the year closed with an increase of 30% from the same period of 2022, as shown in Table No. 15 below.

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

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

	Quarter ended:			12 months ended:	
Allowances and risk expenses	**December 2023 MCh$**	**September 2023 MCh$**	**December 2022 MCh$**	**December 2023 MCh$**	**December 2022 MCh$**
Initial allowance stock	679,032	637,386	571,964	596,532	445,155
Write-offs	104,910	103,205	73,900	384,744	229,569
Net allowances	132,416	144,851	98,473	494,735	380,946
Final allowance stock	**706,538**	**679,032**	**596,538**	**706,523**	**596,532**
Provisions recorded	134,686	135,845	111,072	493,988	382,709
Special allowances	-2,058	-2,765	-5,427	1,467	-13,120
Recoveries	-17,579	-21,787	-17,732	-76,228	-69,980
Credit risk impairment	2,430	35	5	2,699	51
Risk expenses	**117,480**	**111,329**	**87,919**	**421,926**	**299,660**

Quality ratios	**December 2023**	**September 2023**	**December 2022**
Risk ratio (1)	2.20%	2.04%	1.79%
Coverage on +90 past due days (2)	125.37%	144.35%	166.05%
Expense ratio (3)	0.36%	0.34%	0.26%
Write-off ratio (4)	0.32%	0.31%	0.22%
+90 days past due ratio (5)	2.16%	1.76%	1.38%
Recovery ratio (6)	0.05%	0.07%	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 15 bp reaching 2.20% compared to the third quarter of 2023, whereas the past due portfolio was up 23% compared to the prior quarter. Coverage reached 125.37%, down 25% from the same quarter of 2022. However, note that during the last few periods the 90-day past due tranche has increased due to the entry of accounts in the real estate segment, where debts are highly secured.

Operating expenses

As per Table No.16, in the December 2023 vs. 2022 quarter comparison, personnel expenses increased by 11.2% due to higher expenses in bonuses, salaries and legal bonuses paid (CPI). Administrative expenses increased by 4.2%, mainly due to higher technology expenses (licenses, permanent contracts and IT services). Other operating expenses increased 177%, due to restructuring expenses in October and December 2023.

Efficiency, understood as the ratio of operating expenses to net income, worsened by 4 basis points to 41.53%.

Table No.16: Support expenses

	Quarter ended:			12 months ended:	
Operating expenses	**December 2023 MCh$**	**September 2023 MCh$**	**December 2022 MCh$**	**December 2023 MCh$**	**December 2022 MCh$**
Personnel expenses	78,689	74,896	70,754	307,418	274,477
Administrative expenses	62,611	61,013	60,090	241,090	230,526
Depreciation and amortization	16,884	16,906	16,041	66,914	60,583
Operating support expenses	**158,184**	**152,815**	**146,885**	**615,422**	**565,586**
Impairment	94	0	5	264	584
Other operating expenses	23,258	8,906	8,409	49,436	34,682
Operating expenses	**181,536**	**161,721**	**155,299**	**665,122**	**600,852**
Efficiency	**41.53%**	**42.29%**	**41.49%**	**42.14%**	**41.81%**

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

Key financial indicators

As shown in Table No.17, at the end of Q4 2023, net interest margin of 3.48% was reported (49 bp higher than that recorded in the same quarter of prior year) recording an efficiency ratio of 41.53% (worsened 4 bp).

The return on average equity (ROAE) ratio reached 13.74%, decreasing by 333 basis points compared to December 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 1.08%, down 7 basis points.

Table No.17: Key Financial Indicators

	Quarter ended:			12 months ended:	
Profitability and Efficiency Indicators	**December 2023**	**September 2023**	**December 2022**	**December 2023**	**December 2022**
Net interest margin (Interest and Indexation)	3.48%	3.52%	2.99%	3.31%	3.29%
Efficiency (Net Operating expenses / Net operating income)	41.53%	42.29%	41.49%	42.14%	41.81%
Return on average equity (ROAE)	13.74%	10.69%	17.07%	12,29%	18.00%
Return on average assets (ROAA)	1.08%	0.81%	1.15%	0.91%	1.16%

Table No.18, for the period December 2023 and 2022, shows that mortgage loans have increased their share in the loan mix by 231 bps and consumer loans by 128 bps, whereas commercial loans decreased by 360 bps. The loan-to-deposit ratio was 1.78, up 2.3%.

On the other hand, the number of branches nationwide has decreased to 108 from December of prior year (1 branch closed), whereas in the same period the number of ATMs has decreased by 18% (39 ATMs). Official background available at the CMF site as at October 2023.

Table No.18: Financial Performance

Financial performance	**December 2023 MCh$**	**September 2023 MCh$**	**December 2022 MCh$**
Loans and accounts receivable from customers	31,399,807	32,046,952	32,572,252
Commercial loans / Total loans	43.81%	45.72%	47.41%
Mortgage loans / Total loans	43.27%	42.16%	40.95%
Consumer loans / Total loans	12.92%	12.12%	11.63%
Loans / Deposits	1.78	1.76	1.74
Structure	**October 2023 MCh$**	**September 2023 MCh$**	**December 2022 MCh$**
Total No. of branches	105	108	109
No. of ATMs	175	182	219

Indicators not derived from the financial statement

Table No.19: Environmental Performance

Energy consumption	Quarter ended: December 2023	September 2023	December 2022	12 months ended: December 2023	December 2022
Natural gas consumption (liters)	4,791	12,601	6,799	29,772	36,910
Electricity consumption (KWh)	2,794,756	2,892,679	2,903,962	12,216,674	12,437,164

Print paper consumption	Quarter ended: December 2023	September 2023	December 2022	12 months ended: December 2023	December 2022
Number of prints (units)	9,524,658	9,972,686	10,313,608	39,255,359	41,742,122

Waste and recycling	Quarter ended: December 2023	September 2023	December 2022	12 months ended: December 2023	December 2022
Waste produced (Kg)	14,217	14,097	15,754	61,723	76,225
Wasted recycled (Kg)	1,399	1,219	1,594	5,251	8,436
Recycling %	9.8%	8.6%	10.1%	8.5%	11.1%

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: December 2023	September 2023	December 2022	12 months ended: December 2023	December 2022
Occupational Accident Rate (annual cumulative)	0.24	0.28	0.36	0.25	0.34
Severity Rate (million hours worked)	43.29	84.29	34.6	59.34	90.97
Accident Trip Rate (annual cumulative)	0.44	0.44	0.54	0.46	0.52
Fatal Accident Rate	0	0	0	0	0
Days of absenteeism (work-related accidents and occupational illnesses)	16	137	42	687	819

Table No.21: Turnover

Turnover	Quarter ended: December 2023	September 2023	December 2022	12 months ended: December 2023	December 2022
Number of total hires	126	146	254	702	861
Number of women hires	73	77	114	337	407
Number of men hires	53	69	140	365	454
Total turnover	184	121	193	722	893
Women turnover	91	64	97	397	498
Men turnover	93	57	96	325	395
Total voluntary turnover	45	48	44	204	239
Women voluntary turnover	20	22	13	99	112
Men voluntary turnover	25	26	31	105	127

Table No.22: Training[7]

Training	Quarter ended: December 2023	Quarter ended: September 2023	Quarter ended: December 2022	12 months ended: December 2023	12 months ended: December 2022
Total number of training hours	67,577	71,331	53,977	227,044	318,772
Total number of trained employees	5,118	5,766	4,803	6,333	6,568
Total number of trained men employees	2,450	2,809	2,189	2,983	3,049
Total number of trained women employees	2,668	2,957	2,614	3,350	3,519
Average number of training hours by male employee, organization total	13	12	11	36	49
Average number of training hours by female employee	16	13	13	40	54
Average number of training hours by employee	10	11	10	31	42

Table No.23: *Employee* Engagement

Employee Engagement	July 2023	July 2022
Overall engagement	95%	94%
Proud to work for Scotiabank	96%	96%
Her/his work makes her/him feel deeply fulfilled	93%	93%
Scotiabank motivates me to make an effort that is extra than expected	94%	93%
% of participation in the survey	67%	76%

Scotiabank Chile seeks to promote a culture of learning and proactivity of all employees. Accordingly, during the period January to November 2023, a total of 227,044 hours of training was completed for 6,333 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.

[7] Data for December is not available. Information updated through November 2023.

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	10-20-2023
Long-term Local Issuer Credit	A	10-20-2023
Outlook	*Negative*	10-20-2023

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

CHRISTIAN HURTADO F.
Chief Accountant

LUIS ALVAREZ P.
Finance Division Manager

DIEGO MASOLA
Chief Executive Officer

6. APPENDIX

The review work performed by the independent auditor on the Financial Report on Management Commentary covered the figures derived from the consolidated financial statements as at December 31, 2023. Additionally, and only for purposes of reviewing the fairness of certain financial ratios or indicators, the auditor compared the comparative figures as at December 31, 2022, which are included in the consolidated financial statements as of December 31, 2023. The auditor's review does not include the quarterly information for the years 2022 and 2023, included in sections 1 to 5 of this report. The detail of these items is included below:

Nature of the Business

Objectives and Strategy

Entity's Resources, Risks and Relationships

Operating Performance and Outlook

Performance Measures and Indicators for Evaluating the Entity's Performance