

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at April 30, 2023

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. <u>Profit and loss information</u>	6 mths ended Apr-30-23 HKD'000	6 mths ended Apr-30-22 HKD'000
Interest income	694,691	201,708
Interest expense	(561,178)	(93,373)
Net interest income	133,513	108,335
Gains less losses arising from trading in foreign currencies	1,256	3,809
Gains less losses arising from non-trading in foreign currencies	(94)	-
Fees and commission income	37,139	57,161
Operating income	171,814	169,305
Staff expenses	(63,483)	(66,527)
Other expenses	(30,507)	(35,596)
Operating expenses	(93,990)	(102,123)
Profit before taxation	77,824	67,182
Tax charge	(12,676)	(10,920)
Profit after taxation	65,148	56,262
II. <u>Balance Sheet</u>	Apr-30-23 HKD'000	Oct-31-22 HKD'000
Assets		
Cash and balances with banks	1,867,211	1,471,406
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,169,635	1,437,801
Amount due from overseas offices of the institution	11,914,474	8,954,968
Trade bills	-	2,722,431
Loans and receivables		
Loans and advances to customers	21,336,497	21,837,148
Accrued interest and other accounts	355,554	511,519
Investment securities	8,887,172	8,127,169
Total assets	45,530,543	45,062,442
Liabilities	Apr-30-23 HKD'000	Oct-31-22 HKD'000
Deposits and balances from banks	5,781,256	7,404,668
Deposits from Central Bank	4,306,730	3,779,430
Deposits from customers		
Demand deposits and current accounts	2,523	3,729
Savings deposits	5,259	6,905
Time, call and notice deposits	14,662,487	11,255,237
Amount due to overseas offices of the institution	15,359,151	19,046,769
Certificates of deposit issued	4,945,711	2,905,385
Other liabilities	467,426	660,319
Total liabilities	45,530,543	45,062,442

Impairment allowance for impaired assets

Collective impairment allowances for impaired assets are maintained at overseas Head Office (The Bank of Nova Scotia, "the Bank") incorporated in Canada, while individual impairment allowances are booked in the Hong Kong Office.

No individual impairment allowance was booked for exposures maintained in the Hong Kong Office as at April 30, 2023 (October 31, 2022: Nil).

The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9. The impairment allowances pertaining to the exposures classified in Stages 1 and 2 under IFRS 9 are treated as collective impairment allowances and those classified in Stage 3 under IFRS 9 are treated as individual impairment allowances.

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

III. Impaired Assets

No advances to customers, banks and other financial institutions were impaired as at April 30, 2023 (October 31, 2022: Nil).

a. Overdue advances

No advances to customers, banks, other financial institutions and other assets were overdue as at April 30, 2023 (October 31, 2022: Nil).

b. Rescheduled advances

No advances to customers, banks and other financial institutions were rescheduled as at April 30, 2023 (October 31, 2022: Nil).

c. Repossessed assets

No repossessed assets as at April 30, 2023 (October 31, 2022: Nil).

IV. Off-Balance Sheet Exposures

	Apr-30-23 HKD'000	Oct-31-22 HKD'000
a. Contingent liabilities and commitments		
- Direct credit substitutes	81,821	260,607
- Transaction-related contingencies	-	222
- Trade-related contingencies	124,047	887,891
- Other commitments	5,106,282	5,873,162
Total	<u>5,312,150</u>	<u>7,021,882</u>
b. Derivatives		
Notional Amounts:		
- Exchange rate contracts	5,486,987	7,755,753
- Interest rate contracts	1,905,142	2,565,000
Total	<u>7,392,129</u>	<u>10,320,753</u>
Fair value:		
- Exchange rate contracts	4,477	243,509
- Interest rate contracts	-	-
Total	<u>4,477</u>	<u>243,509</u>

No bilateral netting arrangements were made for the above derivative transactions.

V. **Segmental Information**

a. **Analysis of loans and advances to customers by sectors**

	Apr-30-23		Oct-31-22	
	HKD'000	% of loans and advances covered by collateral	HKD'000	% of loans and advances covered by collateral
Industrial, commercial & financial				
- Property development	1,200,000	-	1,100,000	-
- Property investment	740,000	-	1,490,000	-
- Manufacturing	2,511,968	-	2,511,840	-
- Information technology	3,450,000	-	3,300,000	-
- Transport and Transport equipment	1,310,000	-	1,310,000	-
- Others	4,044,914	-	4,139,800	-
Loans and advances for use in Hong Kong	13,256,882	-	13,851,640	-
Trade finance	-	-	1,439,118	-
Loans and advances for use outside Hong Kong	8,079,615	9.4%	6,546,390	7.6%
Total loans and advances to customers	21,336,497	3.6%	21,837,148	2.3%

b. **Non-bank Mainland exposures**

	Apr-30-23 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	2,794,952	880,036	3,674,988
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	1,182,466	250,000	1,432,466
Total	3,977,418	1,130,036	5,107,454
Total Asset after provision	45,530,543		
On-balance sheet exposures as % of total asset	8.74%		
	Oct-31-22 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	1,300,013	2,461,563	3,761,576
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	1,180,000	250,000	1,430,000
Total	2,480,013	2,711,563	5,191,576
Total assets after provision	45,062,442		
On-balance sheet exposures as % of total assets	5.50%		

c. **Analysis of advances to customers by geographic areas according to the location of counterparties after risk transfer :**

	Apr-30-23 (HKD millions)	Oct-31-22 (HKD millions)
Hong Kong	17,686	18,290
Rest of Asia Pacific	3,650	2,573
North America	-	974
	21,336	21,837
	-	-

d. International Claims

The following table provides a breakdown of international claims by major countries and geographical segments. Only major countries or geographical locations with not less than 10% of the total international claims after taking into account any recognized risk transferred are disclosed.

	Apr-30-23 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	12,110	4,281	-	-	16,391
<i>of which Canada</i>	12,094	-	-	-	12,094
<i>of which Japan</i>	1	4,281	-	-	4,282
Offshore Centres	414	-	2,019	9,067	11,501
<i>of which Hong Kong</i>	22	-	2,019	8,236	10,277
Developing Asia and Pacific	2,583	229	-	237	3,049
<i>of which China</i>	2,190	229	-	-	2,419

	Oct-31-22 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	9,573	3,919	-	1,070	14,562
<i>of which Canada</i>	9,236	-	-	-	9,236
<i>of which Japan</i>	1	3,919	-	-	3,920
Offshore Centres	471	-	467	10,219	11,157
<i>of which Hong Kong</i>	78	-	467	9,069	9,614
Developing Asia and Pacific	4,596	218	-	237	5,050
<i>of which China</i>	4,220	218	-	-	4,437

VI. Currency risk

The following position constitutes more than 10% (either positive or negative) of the total net position in all foreign currencies.

	Apr-30-23 (HKD millions)		
	USD	CNY	TOTAL
Spot assets	22,969	251	23,220
Spot liabilities	(20,526)	(474)	(21,000)
Forward purchases	1,514	226	1,740
Forward sales	(3,995)	-	(3,995)
Net long (short) position	(38)	3	(35)

	Oct-31-22 (HKD millions)		
	USD	CNY	TOTAL
Spot assets	22,984	697	23,681
Spot liabilities	(23,034)	(1,222)	(24,256)
Forward purchases	3,704	763	4,467
Forward sales	(3,728)	(226)	(3,954)
Net long (short) position	(74)	12	(62)

There were no structural assets and liabilities as at April 30, 2023 (October 31, 2022: Nil).

VII. Liquidity

The following analysis shows the liquidity position for the three months ended April 30, 2023 and its comparative period:

	3 mths ended Apr-30-23	3 mths ended Apr-30-22
Average liquidity maintenance ratio ("LMR") for the period	<u>51.7%</u>	<u>46.8%</u>

The average liquidity maintenance ratio is the simple average of each calendar month's average ratio and has been computed in accordance with the Banking (Liquidity) Rule.

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

1. <u>Capital and capital adequacy</u>	Apr-30-23 CAD millions	Oct-31-22 CAD millions
Shareholders' equity:		
Capital stock		
- Preferred shares and other equity instruments	8,075	8,075
- Common shares and other reserves	19,016	18,555
Retained earnings	54,967	53,761
Accumulated other comprehensive income (loss)	(4,906)	(7,166)
Non-controlling interest	1,598	1,524
	<u>78,750</u>	<u>74,749</u>
CET1 capital ratio	12.3%	11.5%
Tier 1 capital ratio	14.1%	13.2%
Total capital ratio	16.2%	15.3%

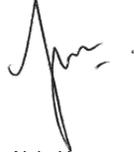
Capital adequacy ratio is calculated by dividing the components of capital by risk-weighted assets (includes assets which are subject to market risk). Capital adequacy is governed by the requirements of the Office of the Superintendent of Financial Institutions (OSFI) which are consistent with international standards set by the Bank for International Settlements (BIS).

2. <u>Other financial information</u>	Apr-30-23 CAD millions	Oct-31-22 CAD millions
Total assets	1,373,198	1,349,418
Total liabilities	1,294,448	1,274,669
Total advances	764,068	744,987
Total customer deposits	895,027	863,509
Total deposits from banks	50,511	52,672
	6 mths ended Apr-30-23 CAD millions	6 mths ended Apr-30-22 CAD millions
Pre-tax profit	5,522	7,168
After-tax profit	3,931	5,487

Disclosure Statement Available to The Public

To comply with the Banking (Disclosure) Rules, the disclosure statement is available under the "Regulatory Disclosures" Section on the Head Office's website www.scotiabank.com/global/en/country/hong-kong.html

The Bank of Nova Scotia, Hong Kong Branch



Alvin Ho
Chief Executive

July 28, 2023