

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at October 31, 2022

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. <u>Profit and loss information</u>	12 mths ended Oct-31-22 HKD'000	12 mths ended Oct-31-21 HKD'000
Interest income	610,669	365,984
Interest expense	(398,695)	(151,445)
Net interest income	211,974	214,539
Gains less losses arising from trading in foreign currencies	7,892	13,282
Fees and commission income	72,849	103,801
Others	-	(44)
Operating income	292,715	331,578
Staff expenses	(191,705)	(145,218)
Other expenses	(65,119)	(81,160)
Operating expenses	(256,824)	(226,378)
Profit before taxation	35,891	105,200
Tax charge	(7,214)	(17,410)
Profit after taxation	28,677	87,790
II. <u>Balance Sheet</u>	Oct-31-22 HKD'000	Apr-30-22 HKD'000
Assets		
Cash and balances with banks	1,471,406	1,421,480
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,437,801	1,169,352
Amount due from overseas offices of the institution	8,954,968	9,118,361
Trade bills	2,722,431	3,275,428
Loans and receivables		
Loans and advances to customers	21,837,148	20,719,958
Accrued interest and other accounts	511,519	221,966
Investment securities	8,127,169	6,970,492
Total assets	45,062,442	42,897,037
Liabilities		
Deposits and balances from banks	7,404,668	5,727,981
Deposits from Central Bank	3,779,430	5,200,000
Deposits from customers		
Demand deposits and current accounts	3,729	3,410
Savings deposits	6,905	7,988
Time, call and notice deposits	11,255,237	13,081,139
Amount due to overseas offices of the institution	19,046,769	18,548,373
Certificates of deposit issued	2,905,385	-
Other liabilities	660,319	328,146
Total liabilities	45,062,442	42,897,037

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 October 31, 2022 (April 30, 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 October 31, 2022 (April 30, 2022: Nil).

a. *Overdue advances*

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

b. *Rescheduled advances*

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

c. *Repossessed assets*

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

IV. Off-Balance Sheet Exposures

	Oct-31-22 HKD'000	Apr-30-22 HKD'000
a. <i>Contingent liabilities and commitments</i>		
- Direct credit substitutes	260,607	166,577
- Transaction-related contingencies	222	222
- Trade-related contingencies	887,891	454,743
- Other commitments	5,873,162	3,968,822
- Others	-	-
Total	<u>7,021,882</u>	<u>4,590,364</u>
b. <i>Derivatives</i>		
Notional Amounts:		
- Exchange rate contracts	7,755,753	8,066,482
- Interest rate contracts	2,565,000	196,992
- Others	-	-
Total	<u>10,320,753</u>	<u>8,263,474</u>
Fair value:		
- Exchange rate contracts	243,509	131,202
- Interest rate contracts	-	-
- Others	-	-
Total	<u>243,509</u>	<u>131,202</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

	Oct-31-22		Apr-30-22	
	HKD'000	% of loans and advances covered by collateral	HKD'000	% of loans and advances covered by collateral
Industrial, commercial & financial				
- Property development	1,100,000	-	1,100,000	-
- Property investment	1,490,000	-	1,301,000	-
- Manufacturing	2,511,840	-	2,903,760	-
- Information technology	3,300,000	-	2,650,000	-
- Transport and Transport equipment	1,310,000	-	569,600	-
- Others	4,139,800	-	2,569,600	-
Loans and advances for use in Hong Kong	13,851,640	-	11,093,960	-
Trade finance	1,439,118	-	649,849	-
Loans and advances for use outside Hong Kong	6,546,390	7.6%	8,976,149	5.3%
Total loans and advances to customers	21,837,148	2.3%	20,719,958	2.3%

b. Non-bank Mainland exposures

	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 Asset after provision	45,062,442		
On-balance sheet exposures as % of total asset	5.50%		
	Apr-30-22 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	3,206,785	784,800	3,991,585
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	990,947	250,000	1,240,947
Total	4,197,732	1,034,800	5,232,532
Total assets after provision	42,897,037		
On-balance sheet exposures as % of total assets	9.79%		

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

	Oct-31-22 (HKD millions)	Apr-30-22 (HKD millions)
Hong Kong	18,290	14,053
Rest of Asia Pacific	2,573	4,392
North America	974	305
Europe	-	1,970
	<u>21,837</u>	<u>20,720</u>

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.

	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

	Apr-30-22 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	9,719	3,434	-	3,277	16,430
<i>of which Canada</i>	9,690	-	-	-	9,690
<i>of which Japan</i>	2	3,434	-	-	3,436
Offshore Centres	191	-	-	7,296	7,487
<i>of which Hong Kong</i>	191	-	-	6,286	6,477
Developing Asia and Pacific	5,088	384	2,183	-	7,655
<i>of which China</i>	4,780	384	1,738	-	6,902

VI. Currency risk

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

	Oct-31-22 (HKD millions)			TOTAL
	USD	CNY		
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)

	Apr-30-22 (HKD millions)			TOTAL
	USD	CNY	GBP	
Spot assets	23,011	1,224	1,979	26,214
Spot liabilities	(23,280)	(1,118)	(1,976)	(26,374)
Forward purchases	3,977	1,074	52	5,103
Forward sales	(3,697)	(1,169)	(52)	(4,918)
Net long (short) position	11	11	3	25

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

VII. Liquidity Risk Management

Liquidity risk is defined as the risk of being unable to meet financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, maturing debt obligations, and lending and pledging commitments.

Effective liquidity risk management is essential to maintain the confidence of counterparties, manage the company's cost of funds and to support core business activities, even under adverse circumstances.

Liquidity risk is managed within the framework of policies and liquidity risk appetite that are approved by senior management and Head Office. Senior management receives reports on risk exposures against approved limits. These limits are subject to appropriate risk governance and oversight from senior management committees including the Asset-Liability Committee (ALCO).

The Bank's liquidity risk management framework addresses the following key elements:

- Governance – authority for liquidity risk management is delegated by the Board to the President and CEO, who in turn delegates authority for managing risk to senior management, and the appropriate committees and departments.

- Measurement and Monitoring – the Bank measures and forecasts cash inflows and outflows, including off-balance sheet cash flows. Liquidity risk is managed by a set of key limits including net cumulative cash flow by currency over specified short-term horizons (cash flow gaps), a minimum level of core liquidity, and liquidity stress tests. These limits are reviewed and approved by the Board and/or senior management committee at least annually.

- Reporting – liquidity risk reports are provided to senior management, and appropriate committees, where ALCO provides oversight of liquidity risks.

- Stress testing – the Bank performs monthly liquidity stress testing, to evaluate the liquidity position under industry-wide, Bank-specific and combined scenarios. A separate intraday liquidity stress test is also performed at each financial quarter to evaluate impact from counterparties payment and settlement under stress event.

The Bank's liquidity stress tests consider the effect of changes in funding assumptions, depositor behavior, market value of liquid assets and contingent liabilities. The results of stress tests are submitted to ALCO and reviewed by senior management in consideration of making liquidity management decisions.

The core strategies and technique used to mitigate liquidity risk exposures are:

- Contingency planning – the Bank maintains a liquidity contingency plan that specifies an approach for analyzing and responding to actual and potential liquidity events. The plan outlines an appropriate governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential counter measures to be considered at various stages of an event.

- Funding diversification – the Bank actively manages the diversification of its deposit liabilities by source, type of depositor, instrument, term and geography.

- Core liquidity – the Bank maintains a pool of highly liquid, unencumbered assets that can be readily sold or pledged to secure borrowings under stressed market conditions or due to Bank-specific events. The Bank also maintains liquid assets to support its intra-day settlement obligations in payment, depository and clearing systems.

a. Liquidity Ratios

The following analysis shows the liquidity position for the three months ended October 31, 2022 and its comparative period:

	3 mths ended Oct-31-22	3 mths ended Oct-31-21
Average liquidity maintenance ratio ("LMR") for the period	<u>47.3%</u>	<u>46.0%</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.

b. Sources of funding

The sources of funding are mainly from the following:

	Oct-31-22		Oct-31-21	
	(HKD millions)	as % of total liabilities	(HKD millions)	as % of total liabilities
Group Companies	19,093	42.4%	23,297	52.7%
Non-bank customers	11,303	25.1%	13,833	31.3%
Banks	7,408	16.4%	3,278	7.4%
Central banks	3,781	8.4%	3,000	6.8%
Certificate of deposits issued	2,909	6.5%	500	1.1%

c. Liquidity Risk Mismatch

The following analysis shows the on and off-balance sheet items, broken down into maturity buckets:

	Oct-31-22 (HKD millions)				
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year
Cash and balances with banks	11,939	6,575	2,951	2,413	-
Trade bills	2,723	525	2,198	-	-
Loans and advances to customers	21,881	10,157	1,482	1,300	8,942
Investment securities	8,130	8,130	-	-	-
Other assets	389	243	-	-	146
Total on-balance sheet assets	45,062	25,630	6,631	3,713	9,088
Total off-balance sheet assets	2,565	2,565	-	-	-
Deposits from banks	26,499	14,092	6,246	6,161	-
Deposits from central bank	3,781	3,781	-	-	-
Deposits from non-bank customers	11,307	6,252	4,969	52	34
Certificate of deposits issued	2,909	396	-	2,513	-
Other liabilities and reserves	566	374	-	5	187
Total on-balance sheet liabilities	45,062	24,895	11,215	8,731	221
Total off-balance sheet liabilities	7,579	3,977	3,050	550	2
Contractual maturity mismatch		(677)	(7,634)	(5,568)	8,865
Cumulative contractual maturity mismatch		(677)	(8,311)	(13,879)	(5,014)
	Oct-31-21 (HKD millions)				
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year
Cash and balances with banks	11,119	2,556	5,058	3,505	-
Trade bills	7,211	1,491	3,929	1,791	-
Loans and advances to customers	19,301	6,101	4,059	3,694	5,447
Investment securities	6,391	6,391	-	-	-
Other assets	207	119	-	-	88
Total on-balance sheet assets	44,229	16,658	13,046	8,990	5,535
Total off-balance sheet assets	-	-	-	-	-
Deposits from banks	26,575	8,960	7,358	10,257	-
Deposits from central bank	3,000	3,000	-	-	-
Deposits from non-bank customers	13,837	2,327	7,975	3,535	-
Certificate of deposits issued	500	500	-	-	-
Other liabilities and reserves	317	108	-	2	207
Total on-balance sheet liabilities	44,229	14,895	15,333	13,794	207
Total off-balance sheet liabilities	7,971	5,143	1,008	1,528	292
Contractual maturity mismatch		(3,380)	(3,295)	(6,332)	5,036
Cumulative contractual maturity mismatch		(3,380)	(6,675)	(13,007)	(7,971)

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

	Oct-31-22 CAD millions	Apr-30-22 CAD millions
1. <u>Capital and capital adequacy</u>		
Shareholders' equity:		
Capital stock		
- Preferred shares and other equity instruments	8,075	5,552
- Common shares and other reserves	18,555	18,658
Retained earnings	53,761	52,209
Accumulated other comprehensive income	(7,166)	(6,034)
Non-controlling interest	1,524	1,582
	<u>74,749</u>	<u>71,967</u>
CET1 capital ratio	11.5%	11.6%
Tier 1 capital ratio	13.2%	12.8%
Total capital ratio	15.3%	15.0%

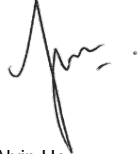
Capital adequacy ratio is calculated by dividing the components of capital by risk-weighted assets (includes assets which are subject to market risk). Capital adequacy is governed by the requirements of the Office of the Superintendent of Financial Institutions (OSFI) which are consistent with international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

	Oct-31-22 CAD millions	Apr-30-22 CAD millions
2. <u>Other financial information</u>		
Total assets	1,349,418	1,288,506
Total liabilities	1,274,669	1,216,539
Total advances	744,987	689,702
Total customer deposits	863,509	822,115
Total deposits from banks	52,672	54,439
	12 mths ended Oct-31-22 CAD millions	12 mths ended Oct-31-21 CAD millions
Pre-tax profit	12,932	12,826
After-tax profit	10,174	9,955

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

February 24, 2023

Note: In the event of any difference in interpretation or meaning between the Chinese and English version of this Statement, the English version shall prevail.