

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at October 31, 2023

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. <u>Profit and loss information</u>	12 mths ended		12 mths ended	
	Oct-31-23		Oct-31-22	
	HKD'000		HKD'000	
Interest income	1,557,978		610,669	
Interest expense	(1,327,328)		(398,695)	
Net interest income	230,650		211,974	
Gains less losses arising from trading in foreign currencies	(6,088)		7,892	
Fees and commission income	45,520		72,849	
Others	0		0	
Operating income	270,082		292,715	
Staff expenses	(96,271)		(191,705)	
Other expenses	(55,607)		(65,119)	
Operating expenses	(151,878)		(256,824)	
Profit before taxation	118,204		35,891	
Tax charge	(17,681)		(7,214)	
Profit after taxation	100,523		28,677	

II. <u>Balance Sheet</u>	Oct-31-23		Apr-30-23	
	HKD'000		HKD'000	
Assets				
Cash and balances with banks	539,359		1,867,211	
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,272,406		1,169,635	
Amount due from overseas offices of the institution	9,001,133		11,914,474	
Trade bills	0		0	
Loans and receivables				
Loans and advances to customers	21,005,076		21,336,497	
Accrued interest and other accounts	325,171	21,330,247	355,554	21,692,051
Investment securities		7,857,915		8,887,172
Total assets		40,001,060		45,530,543
Liabilities				
Deposits and balances from banks	6,642,238		5,781,256	
Due to Exchange Fund	390,000		0	
Deposits from Central Bank	3,938,620		4,306,730	
Deposits from customers				
Demand deposits and current accounts	2,532		2,523	
Savings deposits	4,402		5,259	
Time, call and notice deposits	11,242,265	11,249,199	14,662,487	14,670,269
Amount due to overseas offices of the institution	15,096,247		15,359,151	
Certificates of deposit issued	2,192,366		4,945,711	
Other liabilities	492,390		467,426	
Total liabilities		40,001,060		45,530,543

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, 2023 (April 30, 2023: 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, 2023 (April 30, 2023: Nil).

a. Overdue advances

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

b. Rescheduled advances

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

c. Repossessed assets

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

IV. Off-Balance Sheet Exposures

	Oct-31-23 HKD'000	Apr-30-23 HKD'000
<i>a. Contingent liabilities and commitments</i>		
- Direct credit substitutes	-	81,821
- Transaction-related contingencies	-	-
- Trade-related contingencies	123,256	124,047
- Other commitments	4,382,985	5,106,282
- Others	249,245	-
Total	<u>4,755,486</u>	<u>5,312,150</u>
<i>b. Derivatives</i>		
Notional Amounts:	Oct-31-23 HKD'000	Apr-30-23 HKD'000
- Exchange rate contracts	3,813,613	5,486,987
- Interest rate contracts	1,838,890	1,905,142
- Others	-	-
Total	<u>5,652,503</u>	<u>7,392,129</u>
Fair value:	Oct-31-23 HKD'000	Apr-30-23 HKD'000
- Exchange rate contracts	2,106	4,477
- Interest rate contracts	-	-
- Others	-	-
Total	<u>2,106</u>	<u>4,477</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-31-23	% of loans and advances covered by collateral	Apr-30-23	% of loans and advances covered by collateral
	HKD'000		HKD'000	
Industrial, commercial & financial				
- Property development	1,200,000	-	1,200,000	-
- Property investment	70,000	-	740,000	-
- Wholesale and retail trade	20,000	-	-	-
- Manufacturing	1,877,664	-	2,511,968	-
- Information technology	4,000,000	-	3,450,000	-
- Transport and Transport equipment	1,310,000	-	1,310,000	-
- Others	3,347,080	-	4,044,914	-
Loans and advances for use in Hong Kong	11,824,744	-	13,256,882	-
Trade finance		-		-
Loans and advances for use outside Hong Kong	9,180,332	7.1%	8,079,615	9.4%
Total loans and advances to customers	21,005,076	3.1%	21,336,497	3.6%

b. Non-bank Mainland exposures

	Oct-31-23 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	3,321,679	116,120	3,437,799
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	1,204,395	230,000	1,434,395
Total	4,526,074	346,120	4,872,194
Total Asset after provision	40,001,060		
On-balance sheet exposures as % of total asset	11.31%		
	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 assets after provision	45,530,543		
On-balance sheet exposures as % of total assets	8.74%		

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

	Oct-31-23 (HKD millions)	Apr-30-23 (HKD millions)
Hong Kong	17,612	17,686
Rest of Asia Pacific	3,393	3,650
North America	-	-
	21,005	21,336
	-	-

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-31-23 (HKD millions)					
	Banks	Official Sector	Non-bank private sector		Total
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	9,329	4,371	-	-	13,700
<i>of which Canada</i>	9,213	-	-	-	9,213
<i>of which Japan</i>	1	4,371	-	-	4,372
Offshore Centres	10	-	2,013	9,065	11,088
<i>of which Hong Kong</i>	10	-	2,013	8,370	10,393
Developing Asia and Pacific	1,701	-	-	237	1,937
<i>of which China</i>	1,426	-	-	-	1,426

Apr-30-23 (HKD millions)					
	Banks	Official Sector	Non-bank private sector		Total
			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

VI. Currency risk

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

	Oct-31-23 (HKD millions)		
	USD		TOTAL
Spot assets	18,560		18,560
Spot liabilities	(18,519)		(18,519)
Forward purchases	1,871		1,871
Forward sales	(1,951)		(1,951)
Net long (short) position	(39)		(39)

	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)	0	(3,995)
Net long (short) position	(38)	3	(35)

There were no structural assets and liabilities as at October 31, 2023 (April 30, 2023: 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 through a governance structure that includes the frameworks policies, limits, and liquidity risk appetite that approved by senior management committees 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) and Market Risk Management and Policy Committee (MRMPC).

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

(a) Roles and Responsibilities – The Board delegate authority and responsibility for managing liquidity risk and collateral to appropriate senior management committees, and departments. ALCO Provide strategic direction for funding and liquidity risk management.

(b) Measurement and Monitoring – Liquidity cash gaps are calculated based on actual and expected cash flows on existing contracts and transactions. Liquidity risk is managed by a set of key limits including a minimum level of core liquidity, net cumulative cash flow by currency over specified short-term horizons (cash flow gaps), and liquidity stress tests. These limits are reviewed and approved by the Board and/or senior management committee at least annually.

(c) Reporting – Liquidity risk reports are provided to senior management, and relevant committees on a timely and regular basis, where ALCO provides management oversight of liquidity risks.

(d) Stress testing – The Bank conducts monthly liquidity stress testing, to evaluate the liquidity adequacy of BNSHK and quantify the impact of potential liquidity strains under idiosyncratic, systemic and combined scenarios. A separate intraday liquidity stress test is also performed at each financial quarter to evaluate potential impact from counterparties payment and settlement under stress event.

The Bank's liquidity stress testing program also consider the impact of changes in funding assumptions, depositor behavior, market value of liquid assets and contingent liabilities. The results of stress tests are submitted to Hong Kong Asset Liability Committee (HKALCO) and reviewed by senior management in consideration of making liquidity management decisions.

The HKALCO provides strategic oversight and management of liquidity and funding risk and investment activities for the Hong Kong branch.

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

(a) Contingency planning – the Bank maintains a liquidity contingency plan that identifies early warning indicators, specifies an approach for analyzing and responding to actual and potential liquidity events timely in a coordinated manner. 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.

(b) Funding diversification – BNS HK's main funding source is customer deposits. To secure the funding stability, the Bank closely monitors the concentration of customer deposits and manages the diversification of its deposit liabilities by source, type of depositor, instrument, term, and geography.

(c) 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

a. *Liquidity Ratios*

The following analysis shows the liquidity position for the three months ended October 31, 2023 and its comparative period:

	3 mths ended Oct-31-23	3 mths ended Oct-31-22
Average liquidity maintenance ratio ("LMR") for the period	<u>48.5%</u>	<u>47.3%</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-31-23 (HKD millions)	as % of total liabilities	Oct-31-22 (HKD millions)	as % of total liabilities
Group Companies	15,136	37.8%	19,093	42.4%
Non-bank customers	11,382	28.5%	11,303	25.1%
Banks	6,660	16.7%	7,408	16.4%
Central banks	4,333	10.8%	3,781	8.4%
Certificate of deposits issued	2,263	5.7%	2,909	6.5%

c. Liquidity Risk Mismatch

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

Oct-31-23 (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	11,049	2,060	3,736	5,253	-
Trade bills	-	-	-	-	-
Loans and advances to customers	21,067	11,524	1,415	2,302	5,826
Investment securities	7,858	7,858	-	-	-
Other assets	27	2	-	-	25
Total on-balance sheet assets	40,001	21,444	5,151	7,555	5,851
Total off-balance sheet assets	2,088	2,088	-	-	-
Deposits from banks	21,792	9,963	10,424	1,405	-
Deposits from central bank	4,333	4,333	-	-	-
Deposits from non-bank customers	11,386	1,917	5,982	3,487	-
Certificate of deposits issued	2,263	-	816	1,447	-
Other liabilities and reserves	227	103	-	15	109
Total on-balance sheet liabilities	40,001	16,316	17,222	6,354	109
Total off-balance sheet liabilities	5,861	5,803	34	24	-
Contractual maturity mismatch		1,413	(12,105)	1,177	5,742
Cumulative contractual maturity mismatch		1,413	(10,692)	(9,515)	(3,773)
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)

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

	Oct-31-23 CAD millions	Apr-30-23 CAD millions
1. <u>Capital and capital adequacy</u>		
Shareholders' equity:		
Capital stock		
- Preferred shares and other equity instruments	8,075	8,075
- Common shares and other reserves	20,025	19,016
Retained earnings	55,746	54,967
Accumulated other comprehensive income	(6,918)	(4,906)
Non-controlling interest	1,739	1,598
	<u>78,667</u>	<u>78,750</u>
CET1 capital ratio	13.0%	12.3%
Tier 1 capital ratio	14.8%	14.1%
Total capital ratio	17.2%	16.2%

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>	Oct-31-23 CAD millions	Apr-30-23 CAD millions
Total assets	1,410,789	1,373,198
Total liabilities	1,332,122	1,294,448
Total advances	750,911	764,068
Total customer deposits	900,884	895,027
Total deposits from banks	51,449	50,511
	12 mths ended Oct-31-23 CAD millions	12 mths ended Oct-31-22 CAD millions
Pre-tax profit	9,754	12,932
After-tax profit	7,528	10,174

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



Hui Wai Choong
Chief Executive

February 22, 2024

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.