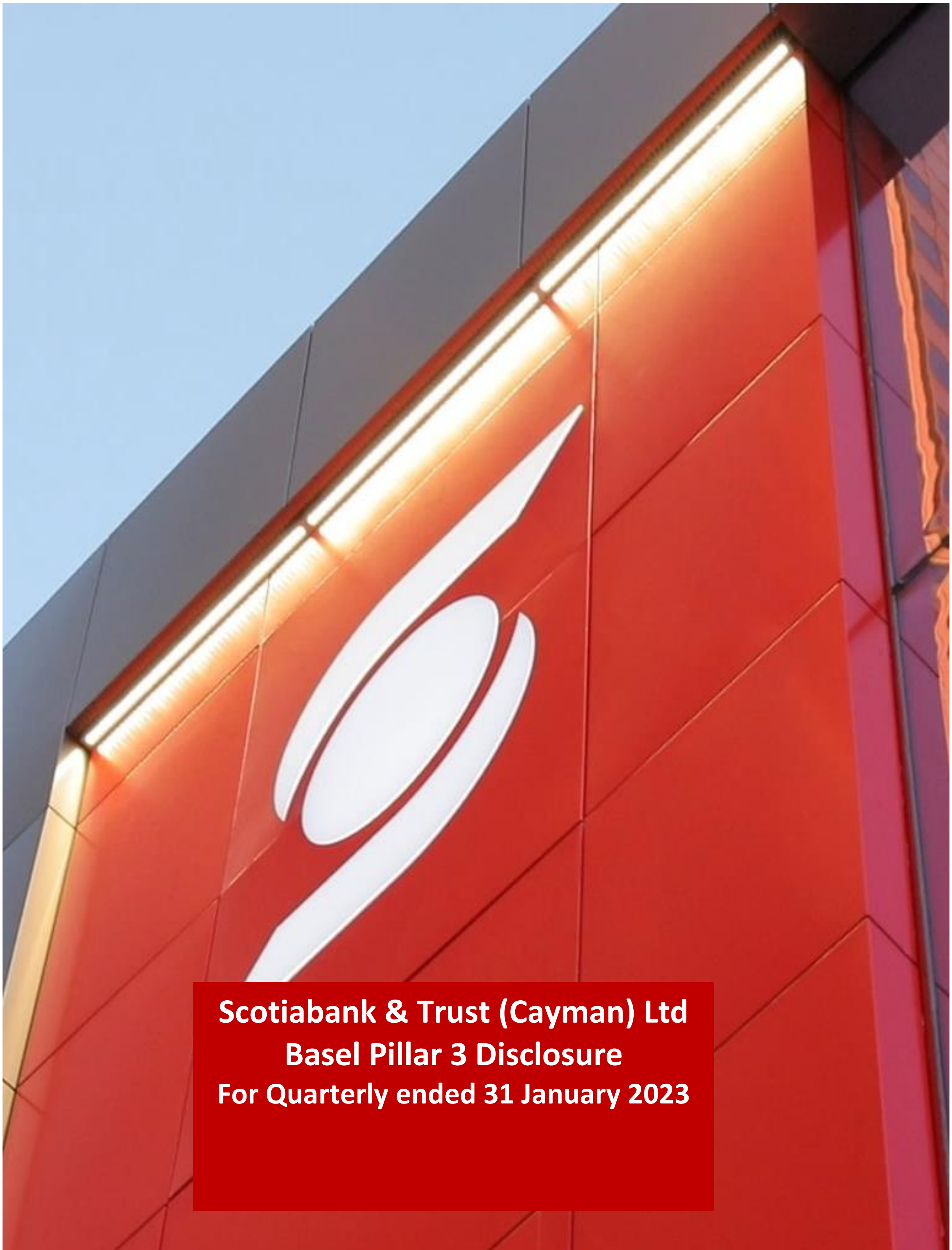

Scotiabank & Trust (Cayman) Ltd
Basel Pillar 3 Disclosure
For Quarterly ended 31 January 2023

Table of Contents

General Overview

This disclosure is a requirement of the Cayman Islands Monetary Authority's (CIMA) Pillar 3 Disclosure Requirements Rules and Guidelines (September 2021). The aim of the Pillar 3 Disclosures is to promote market discipline and increase transparency across the banking industry.

This publication presents our Q1/2023 disclosures based on our Consolidated Financial Statements and Basel Pillar II Regulatory Return for the same period. Our disclosures have been reviewed and approved by the Board of Directors of Scotiabank & Trust (Cayman) Ltd. This document is not audited.

Scotiabank & Trust (Cayman) Ltd ("STCL") was incorporated under the Companies Act of the Cayman Islands on 26 August 1965, under the name of Bank of Nova Scotia Trust Company (Cayman) Limited ("Scotia Trust"). STCL was granted Unrestricted Category 'A' Banking and Trust Licenses on 11 November 1966 pursuant to the Cayman Islands' Banks and Trust Companies Act. The ultimate parent is The Group of Nova Scotia ("BNS"), a company incorporated in Canada. STCL registered office and principal place of business is 2nd Floor, 18 Forum Lane, Camana Bay, P.O. Box 501, Grand Cayman, KY1-1106, Cayman Islands. Our business activities consist of the provision of commercial and retail banking services, including the acceptance of deposits, granting of loans and the provision of foreign exchange services within the Cayman Islands, and private banking and trust, corporate, administrative, and financial services.

Part 1 – OV1 – Overview of Risk Weighted Assets

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward to maximize shareholder value. As a credit providing institution, the bank ensures that it is adequately capitalised relative to exposure measured by its risk weighted asset (RWA). Scotiabank &Trust Cayman Limited has a target capital ratio of 15% which is three hundred (300) basis points more than regulatory capital requirements of 12%.

The following table analyses the minimum capital requirement as of 31 January 2023:

OV1: Overview of RWA — Scotiabank

USD (in $'000)		a	b	c
		RWA		Minimum capital requirements [1]
		Q1 2023	Q4 2022	Q1 2023
1	Credit risk (excluding counterparty credit risk)	**1,311,470**	**1,392,170**	**157,376**
2	Securitisation exposures			
3	Counterparty credit risk (CCR)			
4	Of which: Current Exposure method	-	-	
5	Of which: Standardized method			
6	Market risk	150,453	24,377	18,054
7	Of which: Equity Risk			
8	Operational Risk	266,251	284,831	31,950
9	Of which: Basic Indicator Approach	**266,251**	**284,831**	
10	Of which: Standardized Approach			
11	Of which: Alternative Standardized approach			
12	**Total (1 + 2+3+6+8)**	**1,728,174**	**1,701,378**	**207,381**

Total RWA increased by $26.8 million (2%) compared to the prior quarter. This increase was largely attributed to the increase in market risk, which was higher by $126 million, resulting from an increase in the value of foreign exchange risk transactions. This was partially offset by decrease in both our credit risk exposure of $80.7 million and operational risk exposure of $18.5 million. The decrease in credit risk was driven by a reduction in claims on corporate and security firms.

Part 2 – Leverage

The leverage ratio is a non-risk measure that supplements the Bank's risk based minimum capital requirement. This ratio measures the amount of core capital the Bank has compared to its total assets, which is used as an indicator of the Bank's ability to effectively respond to economic stress. CIMA's Leverage Ratio, *Rules and Guidelines* (December 2019), provides that a bank must always maintain a minimum leverage ratio of 3%. The Pillar 3 Disclosures measure for leverage is comprise of the LR1 and LR2 schedules detailed below:

2.1 – LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

The LI1 reconciles the carrying values of regulatory and financial accounting disclosures as of 31 January 2023:

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure			
	USD (in $'000)	Q1 2023	Q4 2022
1	Total consolidated assets as per published financial statements	3,564,172	3,698,430
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3	Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference		
4	Adjustments for temporary exemption of central bank reserves (if applicable)		
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(7,769)	(7,821)
6	Adjustments for regular way purchases and sales of financial assets subject to trade date accounting		
7	Adjustments for eligible cash pooling transactions		
8	Adjustments for derivative financial instruments		
9	Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending)		
10	Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	23,063	22,717
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	
12	Other adjustments	842	910
13	**Leverage ratio exposure measure**	**3,580,308**	**3,714,236**

The main adjustment in the leverage ratio measure relates to the off-balance sheet exposure post the application of the credit conversion factor.

2.2 – LR2: Leverage Ratio Common Disclosure

LR2: Leverage ratio common disclosure		Scotiabank	
	USD (in $000)	a	a
		Q1 2023	Q4 2022
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,557,245	3,691,519
2	Gross up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on balance sheet exposures that are deducted from Basel III Tier 1 capital)		
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)		
7	**Total on balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)**	**3,557,245**	**3,691,519**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)		
9	Add-on amounts for PFE associated with *all* derivatives transactions		
10	(Exempted CCP leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivative exposures (sum of rows 8 to 12)**		
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 14 to 17)**		
Other off-balance sheet exposures			
19	Off-balance balance sheet exposure at gross notional amount	115,317	113,587
20	(Adjustments for conversion to credit equivalent amounts)	(92,254)	(90,870)
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital)		
22	**Off-balance sheet items (sum of rows 19 to 21)**	**23,063**	**22,717**
Capital and total exposures			
23	**Tier 1 capital**	**723,417**	**570,361**
24	**Total exposures (sum of rows 7,13,18 and 22)**	**3,580,308**	**3,714,236**
Leverage ratio		20%	15%
25	**Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**	20%	15%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	**National minimum leverage ratio requirement**	3%	3%
27	**Applicable leverage buffers**	**17%**	**12%**

The Bank's leverage ratio for Q1 2023 was 20%, representing a 17% buffer above the regulator minimum requirement of 3%. Comparatively, Q1 2023 leverage ratio increased by 5% relative to the prior quarter. This improvement is attributed to the increase in Tier 1 capital driven by inclusion of annual retained earnings.

Part 4 – LIQ1: Liquidity Coverage Ratio (LCR)

The liquidity coverage ratio aims to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) that can be converted into cash at little or no loss of value, to meet its liquidity needs for a 30-calendar day liquidity stress scenario. The Liquidity Risk Management Rules and Guidelines (February 2022) provides that the Bank should not have a ratio that is less than 100%.

The following tables analyses SBTC's LCR as of 31 January 2023 calculated since monthly averages:

LIQ1: Liquidity Coverage Ratio (LCR)		Scotiabank			
USD (in $'000)		Q1 2023		Q4 2022	
		Total unweighted value	Total weighted value	Total unweighted value	Total weighted value
High-quality liquid assets					
1	Total HQLA	181,076	181,076	164,126	164,126
Cash Outflows					
2	Retail deposits and deposits from small business customers,				
3	Stable deposits				
4	Less stable deposits	317,954	29,909	352,095	32,936
5	Unsecured wholesale funding, of which:				
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,694,059	387,892	1,832,266	427,142
7	Non-operational deposits (all counterparties)	108,972	108,972	29,490	29,490
8	Unsecured debt				
9	Secured wholesale funding				
10	Additional requirements, of which:				
11	Outflows related to derivative exposures and other collateral requirements	119,525	11,953	110,109	11,011
12	Outflows related to loss of funding on debt products				
13	Credit and liquidity facilities				
14	Other contractual funding obligations	44,043	41,345	50,922	42,780
15	Other contingent funding obligations	102,921	-	111,804	-
16	**TOTAL CASH OUTFLOWS**	2,387,474	580,071	2,486,687	543,359
Cash Inflows					
17	Secured lending (e.g. reverse repos)				
18	Inflows from fully performing exposures	2,115,603	1,293,242	2,232,460	1,394,284
19	Other cash flows				
20	**TOTAL CASH INFLOWS**	2,115,603	1,293,242	2,232,460	1,394,284
			Total adjusted value		**Total adjusted value**
21	**TOTAL HQLA**		181,076		164,126
22	**Total net cash outflows**		145,018		135,840
23	**Liquidity Coverage Ratio (%)**		125%		121%

Our Q1 2023 liquidity measures shows a strong liquidity position of 125%, representing a four hundred (400) basis points (4%) increase compared to the prior quarter. This increase is attributed to a higher average HQLA (+10%); while average cash outflows declined by four hundred (400) basis points (- 4%). STCL ensures that there is adequate monitoring of our HQLA to maintain our liquidity. The Bank's HQLA comprises mainly of marketable securities issued by highly rated sovereign.