Scotiabank Europe plc

Capital and Risk Management

Pillar 3 Disclosures

As at 31 October 2022

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INTRODUCTION

1.1 Background

Scotiabank Europe plc (the “Company” or “SBE” or “Bank”) is subject to legislation issued by the UK government which seeks to stabilise and strengthen the UK financial system by ensuring that firms, including the Company, hold adequate capital to meet the potential impact of the risks to which they are exposed. As part of this capital adequacy regime, firms are required to publicly disclose specified information (so-called “Pillar 3 disclosures”) to enable market participants to understand how a firm implements the applicable legislation. This should include an explanation of how it identifies and quantifies the risks to which it is exposed together with details of how much capital it holds in respect of these risks.

This document comprises the Company’s Pillar 3 disclosures on capital and risk management as at 31 October 2022. These disclosures have been prepared for the purpose of satisfying the Company’s obligations in accordance with part Eight of the Capital Requirements Regulation (CRR), as implemented and the PRA Rulebook. The disclosures explain the basis on which the Company has prepared and disclosed certain capital requirements and information about the management of certain risks and use the PRA’s disclosure templates and instructions which came into force on 1 January 2022 to do this.

These disclosures are made for no other purpose and should not be relied upon in making any financial or investment decision. Any PRA templates which have not been disclosed due to applicability are listed in Appendix 1 along with the reason for not being disclosed.

The Company is authorised by the UK Prudential Regulation Authority (“PRA”) and regulated by the PRA and the UK Financial Conduct Authority (“FCA”). The PRA receives information on capital adequacy from, and sets certain capital requirements for, the Company.

Additional relevant information may be found in the Company’s Annual Report and Financial Statements for the year ended 31 October 2022.

1.2 Scope

These Pillar 3 disclosures are prepared on an unconsolidated/ individual basis.

1.3 Principal activities

SBE is a wholly owned subsidiary of The Bank of Nova Scotia (the Parent or “BNS”), a Canadian financial institution regulated by the Office of the Superintendent of Financial Institutions Canada (“OSFI”). The Parent is listed on the Toronto and New York stock exchanges and owns a number of Canadian and international subsidiaries (collectively referred to as “Scotiabank”). The Company markets and sells a range of banking products with its target market being large corporates as well as banks, governments, supranational organisations and asset managers. The Company generates revenue through the extension of credit to corporate clients, M&A and advisory services, market-making and distribution of government bonds and capital raising for its corporate clients. This activity is supported by the Company’s Treasury department, which prudently manages liquidity exposures and asset and liability mismatches arising from operating activities.

1.4 Business strategy

The Company’s strategy is aligned with that of Scotiabank’s Global Banking and Markets’ (GBM) European strategy. The Company has been considered an important vehicle in Europe, playing a key role in supporting GBM’s Americas strategy and selectively investing to grow Europe’s contribution to GBM.

The Company carried out an evaluation of the role it will perform post Brexit during 2020. Following this evaluation and due to the loss of financial services passporting rights in the European Union, the Company concluded its function in supporting the Capital Markets business was likely to be more limited going forward. The Parent subsequently reviewed its European legal entity footprint and signalled its intention to commence a project to review its UK operations, the outcome of which will result in the transfer of business and related assets out of the Company into the Parent’s London Branch.

Subsequent to, and contingent upon, the successful completion of all the milestones required for the transfer of its business and related assets from the Company into the Parent's London Branch (the "Asset Transfer"), it will result in the Company ceasing to trade and initiating the process to formally wind up the Company, for the Company to relinquish its regulatory license and eventually for the Company to be liquidated (the "Restructuring"). The period up to February 2024 has been defined to be the “Restructuring period” at which time it is expected that the Company will be handed over to the liquidator. The Directors expectation is for the liquidation process to be completed by November 2024.

The Company is projected to remain solvent during the Restructuring Period, continuing to operate within regulatory limits as applicable. During the period prior to, and up to, the Asset Transfer, the Company will continue to undertake and book business. The Company will hold third-party contracts and maintain exchange and clearing memberships until the appropriate point in the Restructuring project.

In May 2022, the Company's Board approved the movement of its Institutional Equities business and certain Fixed Income clients to the Parent's London Branch. In August 2022, the Board approved the movement of the Company's remaining Fixed Income clients, loans business and collateral management and funding business to the Parent's London Branch In advance of the proposed asset transfer date of April 2023.

Following Board approval of the future transfer of business activities and clients to the Parent's London Branch, the Directors considered it appropriate to prepare the financial statements for the year ended 31 October 2022 on a basis other than going concern

The Parent remains committed to supporting the Company for the duration of its restructuring project. The Company's Parent is a financially strong Canadian banking institution. The Directors of the Company are therefore satisfied that there is no reason to believe that uncertainty exists with respect to the ability of the Parent to continue its support of the Company.

Further information reflecting the linkage between the Company's overall risk profile and the business strategy can be found in the Strategic Report (pages 2-21) in the Company's Annual Report and Financial Statements for the year ended 31 October 2022.

1***.5 Attestation by Member of Senior Management (Article 431(3)) of PRA Rulebook***

"I attest that to the best of my knowledge SBE has made the disclosures in accordance with its formal policies and internal processes, systems and controls."

Mark Pearlman (Chief Financial Officer)

1.5 Governance – Board and Committees

1.5.1 The Board

The Company is subject to the provisions of the Companies Act 2006. It is governed by a board of directors (the "Board") and is subject to the Company's Memorandum and Articles of Association. The Board of Directors of Scotiabank Europe plc has responsibility for the overall stewardship of the Company and setting the Company's values, standards and long term objectives, oversight of management and consideration of reports from management on material developments in the Company's relationship with its primary regulators, review of performance in the light of the Company's strategic aims, ensuring maintenance of a sound system of internal control and risk management, review of any decision likely to have a material impact on the Company from any perspective, including, but not limited to, financial, operational, strategic or reputational, and approval of the Company's annual report and accounts.

Board Chair

The Board Chair is appointed by the Board of Directors of Scotiabank Europe plc to lead the Board to fulfil its duties effectively, efficiently and independent of management. The Board Chair acts in an advisory capacity to the Chief Executive Officer and to other officers in all matters concerning the interests of the Board and relationships between management and the Board. The Board Chair is independent and non-executive as required by the Prudential Regulation Authority.

The Board Chair chairs the Board and shareholders' meetings and plans and organizes the activities of the Board in consultation with the Chief Executive Officer. This includes the quality, quantity and timeliness of the information that goes to the Board, the formation of Board committees, the evaluation of the Board's effectiveness and implementation of improvements, and the development of the Board, including Director recruitment. The Board Chair ensures that independent and non-executive Directors have adequate opportunities to meet to discuss issues without management present and facilitates a candid and full discussion of all key matters that come before the Board, sets the ethical tone of the Board and of the Company, ensures delegated committee functions are carried out and reported to the Board, ensures issues raised by the Board are appropriately addressed and reported to the Board, fosters direct and on-going dialogue with regulators and meets with representatives of the Company's regulators, as required, and acts as a resource for the Chief Executive Officer on major strategy and business issues.

Chief Executive Officer (CEO)

The CEO develops, communicates and implements the Company's business strategy, goals, and core values and is accountable for key European relationships across all business lines. The CEO is also accountable for the allocation of capital and liquidity among business lines to optimize risk adjusted returns and the implementation of appropriate market strategies to increase market share. The CEO operationalizes appropriate governance to ensure compliance with local regulatory requirements, supports the implementation of business plans, manages the impact of key business initiatives/priorities on stakeholder groups, embeds all elements of the risk appetite statement and risk appetite measures into activities, is responsible for the leadership and oversight of a prudent risk culture and conduct risk framework, builds a high performance environment, and implements a people strategy for attracting, retaining, developing and motivating all employees.

Senior Independent Director

The Senior Independent Director assists the Chair with the Board's oversight of the Company's business strategy, provides a sounding board for the Chair to discuss confidential issues relating to governance and the performance of the Board, assists in providing input to the Chair on the strategy of the Company's business, acts as Chair in the absence of the Chair, and is available to address shareholders' concerns which have failed to be resolved by the Chair, CEO or Chief Financial Officer (CFO).

The directors as at 31 October 2022 are as follows:

Name of Director	Executive / Non-executive	No. of additional directorships	Knowledge, skills and expertise
P Heidinger	Chief Executive Officer/ Executive	Holds one Scotiabank directorship and two external non-executive directorships	Peter Heidinger is responsible for the regional management of Scotiabank's wholesale banking operations in Europe and is CEO of our UK subsidiary. These operations include corporate and investment banking and global markets sales and trading. Peter also serves on the Scotiabank Global Banking and Markets Diversity, Equity & Inclusion Steering Committee, and has participated in a series of Bank sponsored panel discussions since joining Scotiabank. Peter is also Chair of the UK Finance's Foreign Banks Forum. Prior to his current role, Peter led Scotiabank's wholesale banking operations in Asia and Australia. Before joining Scotiabank in 2015, he held global and regional coverage, credit and product roles at both U.S. and European banks. Over his career, he has been based in North America, Europe and Asia. Peter holds a Master of Business Administration degree from Concordia University, a Master of Economics degree from The University of Western Ontario, and a Bachelor of Arts degree in Economics from Bishop's University.
PM Cutts	Chair /Independent Non-executive	Holds one external executive directorship	Philip Cutts graduated from the London School of Economics and Political Science and is a Chartered Accountant. Philip is an all-round financial services professional with considerable experience of running businesses at executive board level. He was Chief Executive Officer of Credit Suisse UK Limited and spent 25 years with the Royal Bank of Canada Group where he was Vice President and Director, International Wealth Management, London and held senior positions in Structured Finance and Loan Syndications and Finance and Administration.
EN Harwerth	Senior Independent Director	Holds three external non-executive directorships	Noel Harwerth is an international executive with extensive experience in financial services, mining and heavy industry with a proven record of re-focusing/re-structuring large staff groups and managing complex projects to successful completion. She has worked in regulated industries, with different cultures, and with fast-paced organisational change. Her Board experience includes Chairman and SID roles, Risk, Remuneration and Audit Committee Chairmanships, mergers, demergers, IPOs and AIM to main transitions.
FJR McDonald	Independent Non-executive	Holds one external executive directorship	Fergus McDonald, CFA, had several key roles as Managing Director of Barclays Bank: Head of TMT Investment Banking Europe; Head of MENA Investment, Corporate and Retail Banking; and Head of UK, Europe and ME, Multinational Corporate Banking.

Name of Director	Executive / Non-executive	No. of additional directorships	Knowledge, skills and expertise
J Currie	Independent Non-executive	Holds two external non-executive directorship which was approved by the competent authority (PRA/FCA)	Julie Currie is a chartered accountant and is a financial services specialist having spent over 20 years in the sector, predominately in corporate banking. She has strong expertise in corporate lending, audit, accounting and risk management and brings a broad spectrum of additional skills and experiences, including transformation, impact investment and leadership development. Julie Currie also has executive-level experience of working collaboratively with UK bank regulatory bodies and auditors.
KM Spooner	Independent Non-executive	Holds one external non-executive directorship which was approved by the competent authority (PRA/FCA)	Kerry Spooner has significant experience as a non-executive director in financial services. As well as sitting on the Board of Scotiabank Europe plc, where she is Chair of the Remuneration Committee and Chair of the Nomination Committee, she is the Chair of the UK Remuneration Committee of ANZ Banking Group UK Branch and a non-executive Director of the Nottingham Building Society. At the Nottingham Building Society Kerry chairs the Remuneration Committee, is a member of the Remuneration and Nominations Committees, and is the Senior Independent Director. Kerry also sits on Audit and Risk Committees. Kerry has 20 years of experience as a solicitor, the last 8 years of which was as a corporate finance partner at Allen & Overy LLP. Kerry has broad domestic and international experience and has lived and worked as a lawyer outside the UK.
M Pearlman	Executive	-	Mark Pearlman is a financial services professional with more than 25 years' experience in financial services. Mark was previously Managing Director and Financial Controller at the Royal Bank of Canada and has held various roles at JP Morgan (formerly Bear Stearns) in London and New York, concluding with Managing Director and UK Senior Financial Officer. Mark is a qualified accountant (ACA) and holds a degree in Accounting and Finance from Manchester Metropolitan University in the UK.

Changes during the year
During the period 1 November 2021 to 31 October 2022 no director joined or left the Board.

1.5.2 Board Diversity and Recruitment
The Company's Corporate Governance Policy requires that:
"the search for new Board candidates is conducted, and appointments made, on merit against objective criteria. Factors considered by the Board in its review of potential candidates include:

- *prominence in business, institutions or professions;*
- *residency in and familiarity with the geographic regions where the Bank carries on business;*
- *integrity, honesty and the ability to generate public confidence;*
- *demonstrated sound and independent business judgment;*
- *financial literacy;*
- *knowledge of and experience with financial institutions;*
- *risk management experience*
- *knowledge and appreciation of public issues and familiarity with local, national and international affairs;*
- *the professional experience required to contribute to the Board's committees*
- *the ability to allocate sufficient time to the Bank for Board and Committee work to discharge his/her responsibilities effectively;*
- *the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; and*
- *the competencies and skills that the Board considers each existing director to possess.*

The Board believes that its membership should be composed of highly qualified directors from diverse backgrounds, who reflect the qualities enumerated above. To support this composition as part of the Board's commitment to sound and effective corporate governance practices, the Board will, when identifying candidates for appointment or election to the Board, consider diversity criteria including gender, age, ethnicity and geographic background.

The Board aspires to have each gender comprise at least 30% of its members".

1.5.3 Board & Committee Structure

A committee structure as described below operated throughout the year. Information on risk reaches the Board directly from its four committees, the Risk Committee ("RC"), the Audit Committee ("AC"), the Remuneration Committee ("RemCo") and the Nomination Committee ("NomCo"). The Board is supported in its governance of the Company by other management committees in London, which include the Executive Committee ("ExCo"), the Assets and Liabilities Committee ("ALCO") and other Committees.

1.5.3.i Risk Committee

As at 31 October 2022 membership of the RC comprised Julie Currie, Phil Cutts, Noel Harwerth and Fergus McDonald. Senior management may be invited to the meetings. The RC reports to the Board. The RC terms of reference include, amongst other duties:

- reviewing and informing the Board on the Company's overall risk appetite, tolerance and making recommendations as appropriate;
- assessing and informing the Board on the current risk exposures of the Company;
- reviewing the Company's overall risk assessment processes that inform the Board's decision making;
- considering the Company's capability to identify and manage new risk types;
- approval of key risk-related documents for submission to the Board;
- reviewing management's procedures to ensure compliance with capital adequacy requirements;
- reviewing risk management aspects of new products and the effectiveness of the Company's internal controls and risk management systems.

1.5.3.ii Audit Committee

As at 31 October 2022 membership of the AC comprised Julie Currie, Noel Harwerth, Fergus McDonald and Kerry Spooner. The internal auditor is invited to attend meetings. Senior management may be invited to the meetings. The AC reports to the Board. The AC terms of reference include, amongst other duties:

- monitoring the effectiveness of the Parent's internal audit function as it pertains to its auditing of the Company;
- receiving the reports of the Company's Compliance Officer;
- receiving the reports of the Anti-Money Laundering and Money Laundering Reporting Officer;
- consideration of any matters relating to the financial affairs of the Company;
- reviewing all internal and external audit reports and the annual Financial Statements before their submission to the Board for approval;
- reviewing management's procedures to monitor the effectiveness of the systems of accounting and internal control procedures over financial reporting;
- reviewing arrangements established by management for compliance with financial reporting requirements;
- reviewing the Company's Recovery plan and the arrangements in place to produce the Company's Resolution pack;
- making recommendations to the Board concerning the appointment and remuneration of the external auditors;
- consideration of the scope and planning of the external audit and reviewing the findings of the external auditors;
- monitoring the effectiveness of the external auditor.

1.5.3.iii Remuneration Committee

As at 31 October 2022 membership of the RemCo comprised Julie Currie, Phil Cutts, Noel Harwerth, and Kerry Spooner. Senior management may be invited to the meetings. The RemCo reports to the Board. The RemCo terms of reference include, amongst other duties:

- responsibility for annually reviewing the remuneration of non-executive directors;
- monitoring the level and structure of remuneration for senior management relative to market and performance;
- responsibility for reviewing and adopting the remuneration policy for SBE's Material Risk Takers and overseeing the remuneration of Material Risk Takers (as required in accordance with the PRA Rulebook on remuneration and the FCA Dual-regulated firms Remuneration Code) in line with the BNS Compensation Policy and its UK Addendum, Claw-back Policy, and applicable compensation programs of BNS
- reviewing management reports prepared to meet regulatory requirements;
- approving management reports on remuneration matters prepared to meet regulatory requirements as required;
- overseeing that the design of performance-related pay schemes operated in the UK are appropriate relative to SBE's and The Bank of Nova Scotia's risk appetite and relevant regulatory and legal requirements;
- reviewing and approving the adoption of The Bank of Nova Scotia Compensation Policy, UK Addendum and other supplementary materials to the Compensation Policy;
- providing input on behalf of the Board regarding the performance of the Managing Director and Head, Global Banking and Markets, Europe and the senior leadership team as it relates to remuneration;

1.5.3.iv Nomination Committee

As at 31 October 2022 membership of the NomCo comprised Julie Currie, Phil Cutts, Noel Harwerth, and Kerry Spooner. Senior management may be invited to the meetings. The NomCo reports to the Board. The NomCo terms of reference include, amongst other duties:

- reviewing the succession plan for the Managing Director and Head, Global Banking and Markets, Europe and the succession plans for the senior leadership team;
- reviewing the structure, size and composition of the Board and make recommendations to the Board with regard to any changes;
- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise, subject to Scotiabank Subsidiary Governance Policy;
- before any appointment is made by the Board, evaluating the balance of skills, knowledge, experience and diversity on the Board;
- reviewing the results of the Board performance evaluation process that relate to the composition of the Board;
- considering and make recommendations to the Board with respect to any resignations offered by directors or the removal of a director in extraordinary circumstances;
- making recommendations to the Board concerning suitable candidates for the role of Senior Independent Director and concerning membership of committees;

During the year there were ten meetings of the Board (one being a meeting of a sub-committee), five meetings of the Audit Committee, four meetings of the Risk Committee, five meetings of the Remuneration Committee and three meetings of the Nomination Committee. During the 2021/2022 financial year all directors attended all meetings which they were eligible to attend save for the Senior Independent Director who was unable to attend the meeting of the Nomination Committee on 4 May 2022, and of the Board on 17 August 2022, the Board Chair who was unable to attend the meeting of the Remuneration Committee on 18 May 2022, and the CEO who was unable to attend the meeting of the Board on 17 August 2022.

As at 31 October 2022 the Risk Committee comprised JL Currie, PM Cutts, EN Harwerth and FJR McDonald. The Audit Committee comprised JL Currie, KM Spooner, EN Harwerth and FJR McDonald. The Remuneration Committee comprised JL Currie, PM Cutts, EN Harwerth and KM Spooner. The Nomination Committee comprised JL Currie, PM Cutts, EN Harwerth and KM Spooner.

1.5.3.iv Executive Committee

The ExCo focuses on significant matters of strategy, operations, governance, culture and control in order to provide a key forum for the effective, co-ordinated management and oversight of the Company. The ExCo is comprised of the Chief Executive Officer and senior management from each business line and support function.

1.5.3.v Assets and Liabilities Committee

ALCO provides local strategic direction for Balance Sheet Management and risk oversight. Specifically, this involves the oversight and management of liquidity and funding risk as well as trading and investment activities.

1.6 Policy

The disclosures in this document have been prepared in accordance with the requirements laid out in the CRR, Part Eight, and are both quantitative and qualitative. The disclosures will be issued on an annual basis as at the Company's accounting year-end of 31 October with key metrics disclosures on a semi-annual basis as at the Company's accounting half year-end of 30 April and are published on the Parent's website. Unless otherwise stated, all figures are as at 31 October 2022. The disclosures are not subject to an external audit but controls comparable to those for the Annual Report and Financial Statements for the year ended 31 October 2022 have been applied. These disclosures are approved by the Board.

1.7 Current and Future Regulatory developments

1.7.1 Implementation of Basel Standards and UK Leverage Ratio Framework

On 1 January 2022, the Implementation of Basel Standards and the UK Leverage Ratio framework came into effect in the PRA Rulebook.

Key changes that impacted the Company from 1 January 2022 were:

Minimum Leverage Ratio: PRA expectation that firms not in scope of the UK Leverage binding minimum requirements are to maintain Tier 1 Capital of at least 3.25% of non-risk weighted on and off-balance sheet assets in the normal course of business or as part of its base business plan.

Minimum Net Stable Funding Ratio ("NSFR"): Requirement to maintain minimum available stable funding of at least 100% of required stable funding to ensure that asset exposures are broadly matched with stable funding sources.

Revised Standardized Approach for Counterparty Credit Risk ("SA-CCR"): Implementation of revised and more risk sensitive standardised approach to calculate Counterparty Credit Risk for derivatives which provides better recognition for hedging, netting and collateral.

Revised Market Risk Framework - Fundamental Review of the Trading Book ("FRTB"): Basel III standards require that, to be included in the trading book, a position must be revalued at fair value on at least a daily basis and the changes in the value of those positions must be reported in the profit and loss account of the firm. The PRA implemented this requirement from 1 January 2022 and as a result SBE reclassified Securities Financing Transactions (SFTs) whose exposures arise on the Collateral Management and Funding group ("CMF") desk from the trading book to the non-trading book and SBE's SFTs are valued on an accruals basis. The impact of this reclassification is that SFTs have been excluded from the calculation of Market Risk and included in the calculation of Interest Rate Risk in the Banking Book (IRRBB) as at 31 October 2022.

1.7.2 Future Pillar 3 disclosure changes

The Company actively monitors developments and changes in Pillar 3 disclosure requirements issued by the Basel Committee and the PRA. As at 1 November 2022, a number of requirements from Policy Statements had been issued which are not effective for the Company's Pillar 3 disclosures as at 31 October 2022. Given the UK Business Restructuring ("UKBR") not all of these changes are expected to impact the Company, however the Company will still assess the potential impact of incorporating these requirements into the Company's Pillar 3 disclosures in the forthcoming years.

UK Leverage Ratio Framework : From 1 January 2023**,** the Company became in scope of the UK Leverage binding minimum requirements to maintain Tier 1 Capital of at least 3.25% of non-risk weighted on and off-balance sheet assets, to calculate a countercyclical leverage ratio buffer and additional Leverage Ratio reporting and disclosure requirements as the Company's foreign assets ≥ £10 billion on the basis of the arithmetic mean of the value of foreign assets held as at the three most recent accounting reference dates. Subject to the planned Company restructuring as discussed in Section 1.4, the Company would expect to reflect these additional disclosure requirements in the Pillar 3 disclosures for year ended 31 October 2023.

Implementation of the Basel 3.1 standards: In November 2022, the PRA issued a Consultation Paper on the Implementation of the Basel 3.1 standards which includes a revised Standardised Approach for credit risk, revisions to the use of credit risk mitigation (CRM) techniques, a revised approach to market risk and a new Standardised Approach for operational risk to replace existing approaches. The PRA also proposes to modify, and in some instances delete, existing disclosure templates, as well as introduce new disclosure templates, to align disclosure requirements with the Basel 3.1 standards. The PRA proposes that the implementation date for the changes resulting from this Consultation Paper is 1 January 2025.

RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

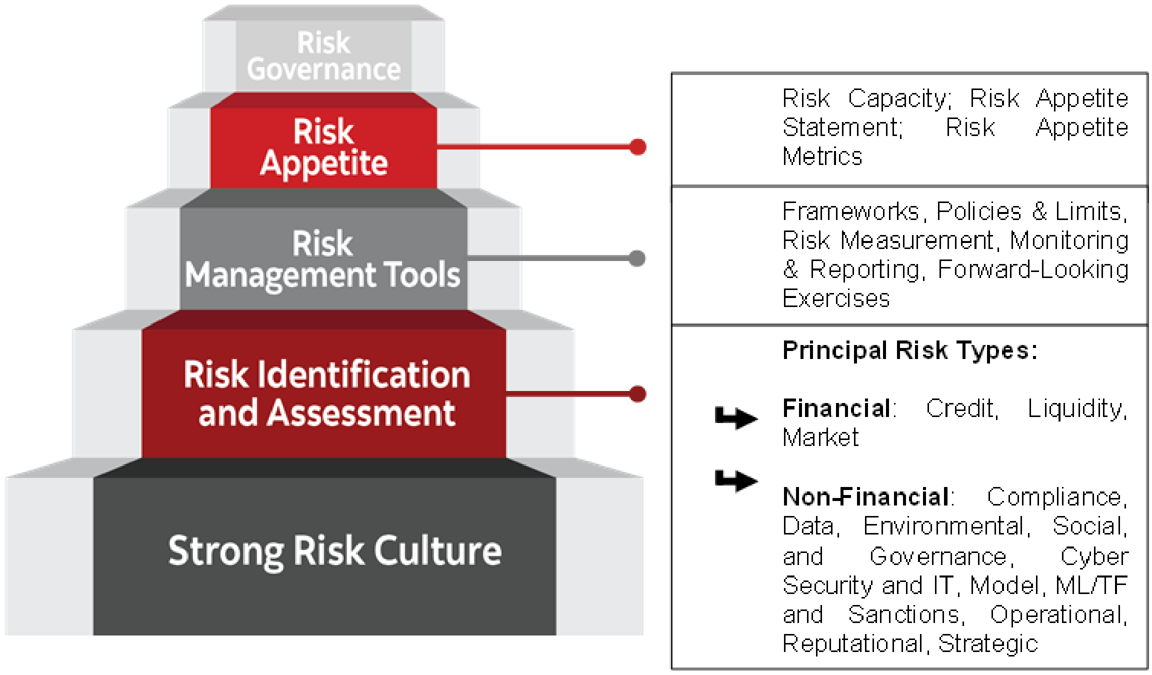
Effective risk management is fundamental to the success of Company and is recognized as key in the Company's overall approach to strategy management. Company has a strong, disciplined risk management culture where risk management is a responsibility shared by all Company's employees.

2.1 *Risk Management Framework*

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Company's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize shareholder value. The Company's Risk Management Framework articulates the foundation for achieving these goals. The risk management framework consists of five key elements:

- Risk Governance
- Risk Appetite
- Risk Management Tools
- Risk Identification and Assessment
- Risk Culture

RISK MANAGEMENT FRAMEWORK



Risk Management Principles

- Balancing Risk and Reward – business decisions are consistent with strategies and risk appetite.
- Understand the Risks - all material risks to which the Company is exposed, including both financial and non-financial, are identified and managed.
- Forward Thinking – forward thinking and the use of stress testing are utilized to proactively identify emerging risks and potential vulnerabilities.
- Shared Accountability – every employee is responsible for managing risk.
- Customer Focus – understanding our customers and their needs is essential to all business and risk decision-making.
- Protect our Brand – all risk-taking activities must be in line with the Company's risk appetite, Scotiabank Code of Conduct, Values and policy principles.
- Controls – maintaining a robust and resilient control environment to protect our stakeholders.
- Resilience – being prepared operationally and financially to respond to adverse events.
- Compensation – compensation plan design and decisions are aligned with the Company's strategy and risk culture and support appropriate risk behaviours.

2.1.1 Risk Governance

Effective risk management begins with effective risk governance.

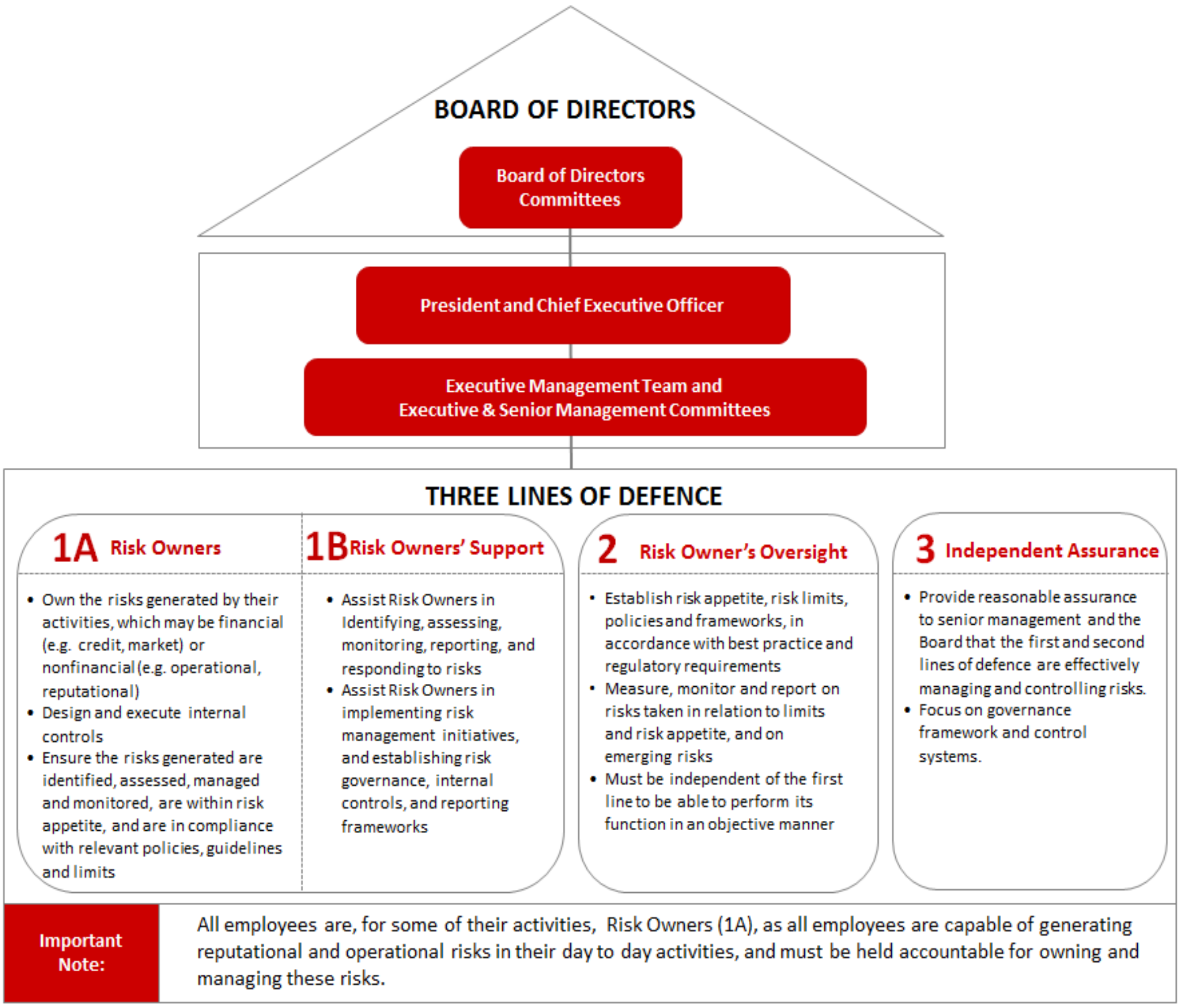
The Company has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced executive management team. Decision-making is highly centralized through a number of senior and executive risk management committees

The Company's risk management framework is predicated on the three-lines-of-defence model. Within this model,

- the First Line of Defence (typically comprised of the business lines and most corporate functions),
  - Incur and own the risks
  - Design and execute internal controls
  - Ensure that the risks generated are identified, assessed, managed and monitored, are within risk appetite, and are in compliance with relevant policies, guidelines and limits
- the Second Line of Defence (typically comprised of control functions such as Global Risk Management and Global Compliance)
  - Provides independent assessment, oversight and objective challenge to the First Line of Defence, as well as monitoring and control of risk, and,
  - Establishes risk appetite, risk limits, policies and frameworks, in accordance with best practice and regulatory requirements
  - Measures, monitors and reports on risks taken in relation to limits and risk appetite, and on emerging risks
- the Third Line of Defence (Audit Department) provides independent, objective assurance over the design and operation of the Company's internal control, risk management and governance processes to management and the Company's Board.

All employees are, for some of their activities, risk owners, as all employees are capable of generating reputational and operational risks in their day-to-day activities and must be held accountable for owning and managing these risks.

The Company's Board of Directors and its Committees provide oversight and governance over the Company's Risk Management program, which is supported by the Chief Executive Officer and the Chief Risk Officer.



2.1.2 Risk Appetite

The Company's Risk Appetite Framework ("RAF") is approved by the Board of Directors which governs the risk activities undertaken by the Company. It articulates the amount and type of risk that the Company is willing to take to achieve its strategic and financial objectives. A clearly articulated and effectively embedded risk appetite supports a strong risk culture and helps to ensure that the Company stays within the established risk boundaries, while finding an optimal balance between risk and return.

The main elements of the RAF include the identification of the risk capacity, a risk appetite statement, risk appetite metrics, and articulation of the roles and responsibilities of those overseeing the implementation and monitoring of the RAF.

The Company's RAF is incorporated into risk management framework, strategic and capital planning processes and compensation programs. Roles and responsibilities for development and implementation of the RAF are well defined and are embedded in executive management mandates.

Risk Appetite Statement

The Company's Risk Appetite Statement (RAS) is an articulation of the degree of risk the Company is prepared take on in order to meet its strategic objectives. the Company's Risk Appetite Statement (RAS) is aligned with the Enterprise and GBM RAFs, can be summarized as follows:

- The Company has no appetite for breaches of the Code of Conduct. All employees are responsible for acting in accordance with the Bank's values and for understanding the limits, policies, procedures and regulations that apply to their activities.
- The Company favours businesses that generate sustainable, consistent and predictable earnings.
- The Company limits its risk-taking activities to those that are understood and in line with its risk appetite, risk culture, values and strategic objectives.
- The Company strives to maintain a robust and resilient control environment to protect its stakeholders and be prepared operationally and financially to respond to adverse events.
- The Company has no appetite for reputational, legal, or regulatory risk, that would undermine the trust of our stakeholders.
- The Company aims to maintain a strong capital and liquidity position and optimally allocate capital to support its strategic and financial objectives.

Risk Appetite Metrics

Risk appetite metrics help to articulate the Company's risk appetite in quantitative terms and are critical to ensuring that the Company stays within its established risk appetite on an on-going basis. Risk appetite limits are generally set to reflect a business as usual operating environment. In the event of a severe crisis, particularly one that is external to the Bank, temporary increases in risk appetite limits, may be approved by the Board as required.

2.1.3 Risk Management Tools

The risk management framework is supported by a variety of risk management tools that are used together to manage risks. Risk management tools are regularly reviewed and updated to ensure consistency with risk-taking activities, and relevance to the business and financial strategies of the Company. The Company's risk management tools are aligned with those of the Bank, and take into account local regulatory requirements, the Company's governance structure, and the local Risk Appetite framework.

Policies, Frameworks and Limits

<u>Policies and Frameworks</u>
The Company either adopts the Parent's policies or develops its own policies and frameworks which are aligned with the Bank's policies and frameworks, taking into consideration local governance and regulatory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). Policy and framework development and implementation reflect best governance practices which the Company strives to adhere to at all times. The Parent provides advice and counsel to the Company in respect of their risk policies and frameworks to ensure alignment with the Parent, subject to the local regulatory requirements. Policies and frameworks applicable to the Company are reviewed by senior management and approved by the Board.

Policies and frameworks apply to specific types of risk or to the activities that are used to measure and control risk exposure. They are based on recommendations from risk management and other control and corporate functions including internal audit; business lines; and senior executive management. Industry best practices and regulatory requirements are also factored into the policies and frameworks. These are also guided by the Company's Risk Appetite and set the limits and controls within which the Company can operate. Key risk policies and frameworks are supported by manuals, procedures and guidelines.

<u>Limits</u>
Limits govern and control risk-taking activities within the appetite and tolerances established by the Board and the Executive Management. Limits also establish accountability for key tasks in the risk-taking process and establish the level or conditions under which transactions may be approved or executed.

Risk Measurement

Measurement of risk is a key component of the Company's risk management framework. The measurement methodologies may apply to a group of risks or a single risk type and are supported by an assessment of qualitative risk factors to ensure the levels of risks are within Company's risk appetite. The Company utilizes various risk techniques such as: models; stress testing; scenario and sensitivity analysis; and back testing using data with forward-looking projection based on plausible and worst case economic and financial market events; to support its risk measurement activities.

Models

The use of quantitative risk methodologies and models is balanced by a strong governance framework and includes the application of sound and experienced judgment. The development, design, independent review and testing, and approval of models are subject to formalized policies and the Company employs models for a number of important risk measurement and management processes including:

- internal risk management
- internal capital
- valuation/pricing
- meeting initial margin requirements
- business decision-making for risk management
- stress testing

The Parent's Model Risk Management Policy (MRMP) describes the overarching principles, policies, and procedures that provide the framework for managing model risk in a sound and prudent manner. These cover all stages of the model risk management cycle, including development, independent pre-implementation review, approval and post-implementation review. The MRMP applies to all models within its scope, whether internally built or vendor-supplied. The risk management team leverage the model vetting, financial engineering, and risk analytics teams, and stay informed of any updates/changes to any models used by the Company to ensure appropriateness for use.

Forward-Looking Exercises

Stress Testing
Stress testing programs at entity, portfolio, and individual risk level allow the Company to estimate the potential impact on its income, liquidity and capital resulting from significant changes in market conditions, credit environment, liquidity demands, or other risk factors. Stress testing is also integrated with both the strategic and financial planning processes, as well as financial crisis management planning. The development, approval and on-going review of the Company's stress testing programs are subject to policy, and the oversight of the London ExCo and ALCO. Where appropriate, the Board of Directors or the Risk Committee of the Board approves stress testing limits for certain risk factors and receives reports on performance regularly. Each program is developed with input from a broad base of stakeholders, and results are integrated into management decision making processes for capital, funding, market risk limits, and credit risk appetite. The stress testing programs are designed to capture a number of stress scenarios with differing severities and time horizons.

Other Testing
Other tests are conducted as required at the entity level and within specific functional areas to test the decision-making processes of the Senior Management team and key personnel, by simulating a potential stress scenario. Simulated stress scenarios may include several complexities and disruptions through which Senior Management are engaged to make certain key decisions. Generally, the objectives of the simulations can include testing (1) the executability of activation protocols, (2) operational readiness, (3) the flexibility of the executive decision-making process, and (4) the process by which actions to be taken are prioritized. The exercises may also be designed to test the applicability and relevance of available data and the timeliness of reporting for decision making under stressed/crisis conditions.

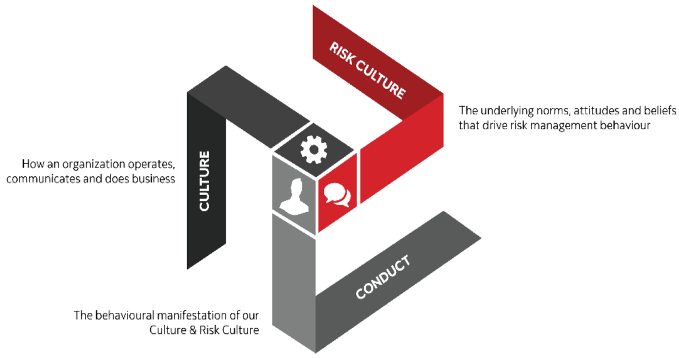
Monitoring and Reporting
The Company continuously monitors its risk exposures to ensure business activities are operating within approved limits or guidelines, and its strategies and risk appetite. Breaches, if any, of these limits or guidelines are reported to senior management and/or the Board and the Parent depending on the limit or guideline.

Risk reporting aggregates measures of risk across products and businesses, and are used to ensure compliance with risk policies, limits and guidelines. They also provide a clear statement of the amounts, types, and sensitivities of the various risks in the portfolio. Senior management use this information to understand the Company's risk profile and performance of the portfolios. A comprehensive summary of Company's risk profile and portfolio performance is presented quarterly to the Risk Committee of the Board.

2.1.4 Risk Culture

Effective risk management requires a strong, robust, and pervasive risk management culture where every Bank employee is a risk manager and is responsible for managing risks.

The Company's risk culture is influenced by numerous factors including the interdependent relationship amongst the Company's risk governance structure, risk appetite, strategy, organizational culture, and risk management tools.



A strong risk culture promotes behaviours that align to the Bank's values, supports sound risk taking and enables employees to identify risk taking activities that are beyond the established risk appetite.

Risk Culture Program is based on four indicators of a strong risk culture:

1. **Tone from the Top** – Clear and consistent communication on risk behavior expectations, the importance of Scotiabank's values. Foster an environment where everyone has ownership and responsibility for "doing the right thing".
2. **Accountability** – All employees are accountable for risk management. Promote an environment of open communication where employees feel safe to speak-up and raise concerns without fear of retaliation.
3. **Risk Management** – Risk taking activities are consistent with the company's strategies and risk appetite. Risk appetite considerations are embedded in key decision-making processes.
4. **People Management** – Performance and compensation structures encourage desired behaviors and reinforce the risk culture.

Other elements that influence and support the Company's risk culture:

- The Parent's Code of Conduct: describes the minimum standards of behaviour to which all directors, officers and employees must adhere and attest to on an annual basis.
- Values: Integrity – Act With Honour; Respect – Value Every Voice; Accountability – Make It Happen; Passion – Be Your Best
- Communication: the Company actively communicates risk appetite, and how it relates to employees, to promote a sound risk culture.
- Compensation: programs are structured to discourage behaviours that are not aligned with the Bank's values and Scotiabank Code of Conduct and ensure that such behaviours are not rewarded.
- Training: risk culture is continually reinforced by providing effective and informative mandatory and non-mandatory training modules for all employees on a variety of risk management topics.
- Decision-making on risk issues is highly centralized: The flow of information and transactions to senior and executive committees keeps management well informed of the risks the Company faces and ensures that transactions and risks are aligned with the risk appetite.
- Executive Mandates: all Executives across the Company have risk management responsibilities within their mandates.

2.1.5 Risk Identification and Assessment

Effective risk management requires a comprehensive process to identify risks and assess their materiality. The Company defines Risk as the potential impact of deviations from expected outcomes on its earning, capital, liquidity, reputation and resilience caused by internal and external vulnerabilities.

<u>Risk Assessment</u>

Risk identification and assessment is performed on an ongoing basis through the following:

- Transactions – risks, including credit and market exposures, are assessed by the business lines and reviewed by UK Global Risk Management ("GRM"), as applicable.
- Monitoring – risks are identified by constantly monitoring and reporting current trends and analysis.
- New Products, Services and initiatives – new products and services are assessed for potential risks through a standardized process.

On an annual basis, the Company undertakes a risk assessment that identifies the material risks faced by the Company. The risks identified are recorded in a Risk Register. This process evaluates the risks and determines its pervasiveness across multiple business lines, significance to any specific business line, the likelihood and potential impact of the risk and whether it may cause unexpected losses in income. Such risks are assessed in the annual ICAAP for internal capital mitigation. The process also reviews other top and emerging risks and includes qualitative considerations such as strategic, economic and environmental risk factors. The identified risks are ascribed a rating of how probable and impactful they may be and are used as an important input in the ICAAP process and the determination of internal capital.

Principal Risk Types
Principal risks are defined as those risks which management consider of primary importance. Principal risk types are reviewed annually to determine that they adequately reflect the Company's risk profile. Principal risks are categorized into financial risk and non-financial risks.

Financial Risks
Financial risks include credit risk, market risk and liquidity risk. These are risks that are directly associated with the Company's primary business and revenue generating activities. Management understands these risks well and carries them in order to generate sustainable, consistent and predictable earnings.

Financial risks are generally quantifiable and are relatively predictable. The Company has higher risk appetite for financial risks which are considered to be a fundamental part of doing business; but only when they are well understood, within established limits, and meet the desired risk and return profile.

Financial risks, including credit, market and liquidity are detailed in Note 5. to the financial statements.

Non-Financial (Core) Risks
Non-financial risk includes operational, IT & cybersecurity, data, compliance, money laundering, terrorism financing & sanctions, environmental including climate change, reputational, strategic and model risks. These risks are inherent in the Company's business and must be managed to reduce significant negative strategic, business, financial and reputational consequences.

In comparison to financial risks, non-financial risks are less predictable and more difficult to define and measure. The Company has a low-risk appetite for non-financial risks and mitigates these through robust internal controls and processes.

2.2 Principal Risks:

Principal risks are defined as those risks which management consider of primary importance. Principal risk types are reviewed annually to determine that they adequately reflect the Company's risk profile.

Effective risk management consists of a continuous cycle of identifying, measuring, monitoring and managing the risks to which the Company is exposed.

Summarized below are the key subset of Company's principal risks:

Risk Type	Risk Description	How Risk is Managed
Credit Risk	The risk of losses arising from the failure of customers, counterparties and other third parties to honour obligations due to the Company.	The Company's policy is to promote the use of credit risk mitigation, justified by commercial prudence and good practice. Specific, detailed policies cover the acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigation, for example in the form of collateral security. These policies, together with the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.
Market Risk	The risk of the Company being adversely affected by wider economic conditions including interest rates, foreign exchange, credit spreads and equity prices.	Market risk is managed by a comprehensive set of market risk limits and management reporting covering risk factor sensitivities, Value at Risk (VaR), stressed VaR and stress test scenarios.
Liquidity Risk	The risk of being unable to meet financial obligations, both contractual and contingent, in a	Liquidity risk is managed within the framework of policies and limits that are approved by the Board. The Board receives reports on risk exposures and performance against approved limits. The Asset and Liability Committee (ALCO)

	timely manner at reasonable prices.	provides senior management oversight of liquidity risk and meets monthly to review the Company's liquidity profile. The Company performs liquidity stress testing on a regular basis to evaluate the effect of both industry-wide and Parent-specific disruptions on the Company's liquidity position and if the Company's holds sufficient liquidity buffer to survive 90-days under a stress scenario.
Operational Risk	The risk of loss from inadequate processes, systems, and controls through human error and external events not classified as credit, market or liquidity risk.	The Company's Operational Risk Management Policy is aligned with the Parent's key policies (including the Operational Risk Management Framework and the Internal Control Policy), processes, and assessment methodologies to ensure that operational risk is appropriately identified and managed with effective controls. A senior management level Compliance and Operational Risk Committee (CORC) meet on a monthly basis to oversee the identification, assessment, and analysis of operational risk, and reporting on actual loss events.

Top and Emerging Risks

Specific risks considered over the period include high inflationary risk, increasing geopolitical tensions, cyber security threats and Environmental, Social and Governance (ESG) considerations. The nature of these risks is detailed in the following paragraphs.

Inflationary Risk

High Inflation from supply side issues (triggered by Ukraine conflict, China lockdowns and tight labour markets) continues to force Central Banks into action and drive interest rate hikes. Cost of living crisis also increasing risks of social unrest and industrial action, forcing governments to adopt supportive policy action that could further feed into inflationary risks. This increases recession risk, particularly in the EU & UK.

Financial markets continue to be volatile as they readjust to expected changes in interest rates and economic outlook. Industries also impacted by supply costs, interest rate environment, and expectations of recessionary risks.

Inflation continues to impact client payment capacity in the face of rising prices. However, the expected inflation trajectory is not expected to pose significant credit risk to the Company.

The Company's loan portfolio continues to be well rated. Enhanced scrutiny of credit portfolio is in place with a focus on clients' ability to pass on, absorb or sufficiently hedge risk. Client sensitivity to interest rate rises and hedging policies have been reviewed. Fund NAVs and debt coverage also being monitored. Credit provisioning scenarios have been updated to incorporate stagflation and recession risks.

Trading desk are maintaining a low risk profile and being watchful on opportunities resulting from current volatility. Successive Bank of England rate hikes has had a negative impact on the repo portfolio, where the interest rate risk has been subsequently fully hedged. There is enhanced monitoring of hedge fund portfolios and risk, with no significant uptick in counterparty credit risk.

No stress in secured and unsecured funding markets, but debt issuance being impacted by central bank action and market volatility, Capital position of the Company and the Parent Bank remains strong.

Information Technology & Cyber Security Risk

Information technology & cyber security risk is defined as the risk related to loss of confidentiality, integrity or availability of the Company's information and data from IT systems. It also reflects the risk to the Company's ability to carry out business activities using IT infrastructure.

Nation state attackers remain the most significant threat actors, and the Company continues to monitor the current geopolitical situation and potential attacks on critical infrastructure.

Remote working, high digitalization and reliance on third parties also increase the probability and impact from cyberattacks.

The Company's Board has adopted the Parent's IT & Cybersecurity Risk Management Policy in addition to its own Information Security Policy to ensure the Company's IT environment continues to be reliable, secure, resilient and robust in supporting its business strategies and objectives. The IT & Cybersecurity Risk Management Framework provides the structure for the effective management of IT & cybersecurity risk.

The Company's IT and cybersecurity services are further underpinned by an information and cybersecurity strategy which outlines a programme of continuous improvement taking into consideration the pillars of the National Institute of Standards and Technology (NIST framework). In addition, an Information and Cybersecurity framework of controls ensures that threat risk assessments and vulnerability assessments are conducted to ensure that information systems are designed with cybersecurity controls as a fundamental consideration.

The Company's Information Security and Control (IS&C) function adopt the "Framework for Improving Critical Infrastructure Cybersecurity" developed by the NIST to measure security risk indices the extent to which the Company is achieving the objectives of identifying, protecting, detecting, responding and recovering from cybersecurity incidents.

The Company continues to invest on mitigating the risks from cyberattacks. Areas of focus include improving vulnerability management capabilities, increasing the pace of patching internal systems, and continuing to enhance detection capabilities.

A formal, structured process identifies current and emerging risks. This process allows material cybersecurity risks across the Company to be identified based on their probability and potential impact to the organisation. The Cybersecurity Strategy takes into consideration these emerging risks and the global threat landscape.

The Company is expanding and enhancing its awareness effort, launching new training and increasing executive presentations and simulations. The Company's IT operations are closely aligned to business requirements and the performance is monitored with oversight provided by the Technology Oversight Committee. Performance and capacity planning and monitoring processes are in place to prevent, detect and respond to important performance issues of IT systems and capacity shortages in a timely manner.

Geopolitical Environment

The conflict in Ukraine shows no signs of a resolution. With tensions remaining high, the likelihood of other geopolitical tensions increases in areas of the world that remain politically unstable (e.g., China-Taiwan). Risks from Ukraine-Russia conflict, US-China tensions, China's zero tolerance COVID policy, and political environment in LATAM countries create uncertainties in markets and headwinds to revenues.

Although the Company has no direct exposure to Russia, the threat landscape could impact operations (third parties, cybersecurity, etc.) and revenue (markets, credit risk, counterparties, funding costs, etc.).

Enhanced monitoring of the loan portfolios, trading and counterparty risks, remains in place. Management is focused not only on direct exposure to Russia but also indirect exposure through clients. Trading portfolios maintaining a conservative risk profile and mitigating any potential risk from illiquid positions.

Additional due diligence is being undertaken in the areas of cybersecurity and third-party risks. Global Sanctions actively monitors changes in the regulatory landscape and proactively engages with industry actors to help ensure sanctions lists are screened and up to date with new designations of sanctioned parties as well as provide guidance and support to business lines in addressing new or amended sanctions regulations and other sanctions-related events.

Environmental, Social and Governance (ESG)

There is increasing expectations to address social and environmental challenges (including climate change, human rights, racism and inequality) and demonstrate exemplary governance.

Following the PRA, there is increasing regulatory expectations on climate change in other jurisdictions and also from other stakeholder groups, increasing both regulatory compliance and reputational risks in this area.

The Parent's current focus is on managing compliance risk, particularly relating to environment and climate risk. Not keeping pace with the evolving stakeholder expectations on ESG can result in increased capital, business and funding costs, shareholder activism, non-compliance with regulatory requirements, as well as damage to bank assets.

Work has been undertaken on updating its Environmental Risk Management Framework to a broader ESG Risk Management Framework. Work is also being undertaken to disclose a TCFD (Task Force on Climate-Related Financial Disclosures) carbon related asset metric and incorporating ESG flags into business applications to improve identification and monitoring towards the Scotiabank's $350bn climate mobilization commitment. The Company is tracking and reporting to the Board its climate risk profile, risk appetite metrics and the CBES (the Climate Biennial Exploratory Scenario) analysis results.

Social and governance risks are managed through the implementation of several key policies and commitments, including, but not limited to, the code of conduct, corporate governance policies, human rights statement, anti-slavery and human trafficking statements and diversity, equity and inclusion goals.

CAPITAL ADEQUACY AND KEY METRICS

3.1 Key Regulatory Metrics

The following table provides a summary of the Company's main prudential and regulatory information and ratios, including Pillar 2 requirements, covered by the CRR.

The below table shows the key metrics for Scotiabank Europe Plc.

UK KM1 - Key metrics template (Note 1)
USD '000

		31st October 2022	30th April 2022	31st October 2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	1,763,826	1,762,408	1,767,644
2	Tier 1 capital	1,763,826	1,762,408	1,767,644
3	Total capital	1,763,826	1,762,408	1,767,644
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	3,108,733	4,196,149	6,093,905
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	56.74%	42.00%	29.01%
6	Tier 1 ratio (%)	56.74%	42.00%	29.01%
7	Total capital ratio (%)	56.74%	42.00%	29.01%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	1.52%	1.51%	1.50%
UK 7b	Additional AT1 SREP requirements (%)	0.51%	0.50%	0.50%
UK 7c	Additional T2 SREP requirements (%)	0.67%	0.67%	0.66%
UK 7d	Total SREP own funds requirements (%)	10.70%	10.68%	10.66%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.03%	0.02%	0.02%
11	Combined buffer requirement (%)	2.53%	2.52%	2.52%
UK 11a	Overall capital requirements (%)	13.23%	13.20%	13.18%
12	CET1 available after meeting the total SREP own funds requirements (%)	50.72%	35.99%	23.01%
	Leverage ratio (Note 2)			
13	Total exposure measure excluding claims on central banks	30,340,195	36,466,502	34,693,415
14	Leverage ratio excluding claims on central banks (%)	5.81%	4.83%	5.10%
	Liquidity Coverage Ratio (Note 3)			
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	2,494,593	2,530,836	2,426,239
UK 16a	Cash outflows - Total weighted value	2,346,872	2,402,039	1,973,891
UK 16b	Cash inflows - Total weighted value	1,633,420	1,463,680	1,022,695
16	Total net cash outflows (adjusted value)	713,452	938,359	951,195
17	Liquidity coverage ratio (%)	379.85%	284.46%	270.85%
	Net Stable Funding Ratio (Note 4)			
18	Total available stable funding	3,429,113	4,447,720	N/a
19	Total required stable funding	940,173	2,278,907	N/a
20	NSFR ratio (%)	364.73%	195.17%	N/a

1. Above table based on Template UK KM1 [PRA Rulebook Disclosure ("CRR")] excluding not applicable rows
2. 2021 Comparatives include claims on Central Banks as the rule to exclude only applied from 1 January 2022
3. LCR presented using 12-month average whereas NSFR presented on a spot basis
4. From 1 January 2023, NSFR disclosures will be calculated as an average of the preceding four quarters as per the PRA's guidance which came in effect on 1 January 2022

<u>Strong capital position</u>

The Company is well capitalised and maintains a strong capital base to support the development of the business and to ensure that the Company meets the Total Capital Requirement (TCR) and Combined CRD IV Buffer requirements at all times. As at 31 October 2022, the Company's Pillar 2 add-on was 2.62% of risk weighted assets plus USD 2.4 million static add-on for pension risk and a PRA buffer of 0.34% of risk weighted assets. The Company maintains capital ratios comfortably above minimum regulatory requirements.

<u>Movements in the capital and leverage metrics in the period</u>

As at 31 October 2022, the Common Equity Tier 1 ("CET1") capital was $1.76 billion (October 2021: $1.77 billion). The CET1 ratio was 56.74%, up compared to 29.01% as at 31 October 2021, due to reduction in Risk Weighted Assets ("RWAs"). RWAs were $3.1 billion (October 2021: $6.1 billion), decrease of $3.0 billion largely driven by a reduction in credit risk due to a decrease in the Corporate Banking loan book. Corporate Banking loan exposures are materially lower than the previous financial year in line with the current booking model and the planned restructuring whereby all refinanced facilities are being issued from the Bank of Nova Scotia London Branch

As at 31 October 2022 the Leverage Ratio was 5.81%, compared to 5.10% as at 31 October 2021 and remained in excess of the PRA expectation that firms should manage their leverage risk so that their leverage ratio does not ordinarily fall below 3.25%. The increase in the Leverage Ratio was mainly due to a decrease in the balance sheet as a result of reduced trading Assets and corporate loan exposures. Additionally, the Leverage Ratio would have increased due to the exclusion of central bank reserves following the change in Leverage Ratio Exposure calculation that applied from 1 January 2022.

SBE has retained the surplus capital resulting from reduction in risk weighted assets in order to ensure that it continues to meet the PRA Leverage Ratio expectations and the Large Exposure limits requirements.

<u>Movements in the liquidity and funding metrics in the period</u>

The Company manages both the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"), which applied from 1 January 2022, above 100% minimum regulatory requirements at all times.

The 12-month average LCR was 380% (October 2021: 271%). The increase is mainly due to a reduction in 12- month average net cash outflows driven by a reduction in undrawn Corporate Banking facilities. High Quality Liquid Assets ("HQLA") at $2.5bn has remained in line with the previous year's comparatives

The NSFR was 364.73% as at 31 October 2022.

3.2 Internal capital adequacy assessment process

The Company carries out an annual ICAAP, last performed as at 31 December 2021, which considers the adequacy of the capital held and assesses the impact of three-year forward-looking stress scenarios. The approach to the Company's assessment of the adequacy of its internal capital to support current and future activities has been to identify the material risks in the business and then determine the level of internal capital required by the Company.

The Company's management took the following steps in making its assessment:

a. undertook an adequacy assessment for each significant Pillar 1 risk;
b. identified other material Pillar 2 risks which could impact the Company and undertook further adequacy assessments to determine the Pillar 2 add-on for these risks;
c. combined the adequacy assessments for Pillar 1 and Pillar 2 risks – the adequacy assessment for aggregated required capital;
d. compared the results of the adequacy assessment with the Company's current Pillar 1 regulatory capital calculations for each risk type and took the higher charge;
e. calculated the PRA buffer, countercyclical buffer and capital conservation buffer requirements;
f. undertook stress testing using severe but plausible scenarios in order to assess future capital capacity. These scenarios were also modelled to include potential management actions to conserve capital.

Based on assessments performed, management is satisfied that the Company's available capital is sufficient to support its risk profile and strategic plans under regulatory requirements and that it has sufficient capital to cover the main elements of severe stress in the short and medium term. This will enable the Company to realise its business objectives, implement intended strategy and in the severe stress scenario execute its contingency plans. Based on the results, it was concluded that the Company would not require any future capital injections and could rely on its existing capital base.

The following summary table details the risk weighted assets amounts and Pillar 1 capital requirements of the Company. The year-on-year decrease in risk weighted assets is the net impact of the movement of positions to the Bank of Nova Scotia London Branch as part of the UKBR project.

UK OV1 – Overview of risk weighted exposure amounts

Below table shows the breakdown of the risk weighted exposure amount for Scotiabank Europe Plc.

UK OV1 – Overview of risk weighted exposure amounts
USD '000s

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements	
		31st October 2022	31st October 2021	31st October 2022	31st October 2021
1	Credit risk (excluding CCR)	904,791	2,667,969	72,383	213,438
2	Of which the standardised approach	904,791	2,667,969	72,383	213,438
3	Counterparty credit risk - CCR	1,761,174	2,234,001	140,894	178,720
4	Of which the standardised approach	1,761,174	2,234,001	140,894	178,720
5	Settlement risk	-	6	-	0
6	Position, foreign exchange and commodities risks (Market risk)	155,580	828,404	12,446	66,272
7	Of which the standardised approach	155,580	828,404	12,446	66,272
8	Large exposures	-	31,892	-	2,551
9	Operational risk	287,188	331,633	22,975	26,531
10	Of which basic indicator approach	287,188	331,633	22,975	26,531
11	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	7,328	6,957	586	557
12	**Total**	**3,108,733**	**6,093,905**	248,698	487,512

CAPITAL RESOURCES

4.1 Regulatory capital

The table below summarises the composition of the Company's regulatory capital as at 31 October 2022:

The below table includes a cross-reference to the corresponding rows in template UK CC2 to facilitate full reconciliation of accounting and regulatory own funds.

UK CC1 - Composition of regulatory own funds
USD '000s

		31st October 2022	UK CC2 Reference	31st October 2021
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	985,795	21	985,795
	of which: Instrument type 1	985,795		985,795
2	Retained earnings	789,854		789,854
3	Accumulated other comprehensive income (and other reserves)	(7,995)	22	(949)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,767,654**		**1,774,700**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(3,829)		(7,056)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(3,829)		(7,056)
29	**Common Equity Tier 1 (CET1) capital**	**1,763,825**		**1,767,644**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,763,825**		**1,767,644**
59	**Total capital (TC = T1 + T2)**	**1,763,825**		**1,767,644**
60	**Total Risk exposure amount**	**3,108,733**		**6,093,905**
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	56.74%		29.01%
62	Tier 1 (as a percentage of total risk exposure amount)	56.74%		29.01%
63	Total capital (as a percentage of total risk exposure amount)	56.74%		29.01%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	9.73%		9.68%
65	of which: capital conservation buffer requirement	2.50%		2.50%
66	of which: countercyclical buffer requirement	0.03%		0.02%
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	49.54%		21.85%
	Amounts below the thresholds for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	2,931		2,783
	Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	11,310		33,350

The below table shows a reconciliation of regulatory own funds to balance sheet in the audited financial statements cross refenced to UK CC1.

UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements
USD '000s

		Balance sheet as in published financial statements 31st October 2022	UK CC1 Reference	Balance sheet as in published financial statements 31st October 2021
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*				
1	Cash and cash equivalents	2,331,420		1,391,104
2	Trading assets	1,013,903		2,700,667
3	Derivative assets held for risk management	9,507		17,979
4	Loans and advances to customers	317,982		1,993,655
5	Reverse repurchase agreements and other similar secured lending	24,344,714		24,778,402
6	Investment securities	991,784		1,640,978
7	Property and equipment	8,433		10,562
8	Deferred tax assets	2,931		2,783
9	Other assets	837,514		122,356
	Total assets	29,858,188		32,658,486
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*				
11	Trading liabilities	1,153,902		2,681,174
12	Derivative liabilities held for risk management	7,993		15,615
13	Deposits from banks - group companies	3,201,772		4,802,493
14	Deposits from banks - others	25,932		13,230
15	Deposits from customers	-		23
16	Repurchase agreements and other similar secured	22,527,320		22,945,477
17	Current tax liabilities	5,005		2,204
18	Other liabilities	1,128,086		371,852
	Total liabilities	28,050,010		30,832,068
Shareholders' Equity				
19	Called up share capital	985,795	1	985,795
20	FVOCI reserve	(7,995)	3	(949)
21	Retained earnings	830,378		841,572
	Total shareholders' equity	1,808,178		1,826,418
	Total liabilities and equity	29,858,188		32,658,486

Called up share capital

The Company has 1 billion authorised ordinary shares, of which 617.55 million (2021: 617.55 million) are allotted, called up and paid. Each share is issued at USD 1.5963.

Accumulated other comprehensive income
The revaluation of Fair value through Other Comprehensive Income ("FVOCI") items is reflected under accumulated other comprehensive income.

Capital restrictions
As at 31 October 2022, the Company has no additional restrictions applied to the calculation of capital in accordance with the CRD IV and the capital instruments, prudential filters and deductions to which those restrictions apply (2021: Nil).

The table below shows the main features of the Company's capital instruments issued.

UK CCA: Main features of regulatory own funds instruments and eligible liabilities instruments

1	Issuer	Scotiabank Europe plc
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
2a	Public or private placement	Public
3	Governing law(s) of the instrument	English
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A
	Regulatory treatment	
4	Current treatment taking into account, where applicable, transitional CRR rules	N/A
5	Post-transitional CRR rules	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Unconsolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reportin	USD 985.8 million
9	Nominal amount of instrument	617.55 million
UK-9a	Issue price	USD 1.5963
UK-9b	Redemption price	N/A
10	Accounting classification	Allotted, called up and fully paid
11	Original date of issuance	The Company was incorporated in 1964 with two shares. Since then a number of share issuances have occurred, the last issuance being in 2000
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	See Dividends programme below
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
34a	Type of subordination (only for eligible liabilities)	N/A
UK-34b	Ranking of the instrument in normal insolvency proceedings	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
37a	Link to the full term and conditions of the intrument (signposting)	N/A

Dividends programme

The Company's Articles of Association (the "Articles") provide that the directors may pay dividends, subject to the provisions of the Articles, the Companies Acts and there being sufficient distributable reserves.

The below table shows differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk

UK LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 Oct 2022

USD '000

			Carrying values of items			
		Carrying values as reported in published financial statements	Subject to the credit risk framework	Subject to the CCR framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset class according to the balance sheet in the published financial statements					
1	Cash and cash equivalents	2,331,420	2,331,420	-	-	-
2	Trading assets	1,013,903	-	-	1,013,903	-
3	Derivative assets held for risk management	9,507	-	9,507	-	-
4	Loans and advances to customers	317,982	317,982	-	-	-
5	Reverse repurchase agreements and other similar secured lending	24,344,714	-	24,344,714	-	-
6	Investment securities	991,784	991,784	-	-	-
7	Property and equipment	8,433	8,433	-	-	-
8	Deferred tax assets	2,931	2,931	-	-	-
9	Other assets	837,514	79,754	757,760	-	-
	Total assets	29,858,188	3,732,304	25,111,981	1,013,903	-
	Breakdown by liability classes according to the balance sheet in the published financial statements					
1	Trading liabilities	1,153,902	-	-	1,153,902	-
2	Derivative liabilities held for risk management	7,993	-	7,993	-	-
3	Deposits from banks - group companies	3,201,772	-	-	-	3,201,772
4	Deposits from banks - others	25,932	-	-	-	25,932
5	Deposits from customers - others	-	-	-	-	-
6	Repurchase agreements and other similar secured borrowing	22,527,320	-	22,527,320	-	-
7	Current tax liabilities	5,005	-	-	-	5,005
8	Other liabilities	1,128,086	-	1,017,472	-	110,614
	Total liabilities	28,050,010	-	23,552,785	1,153,902	3,343,323

UK LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 Oct 2021
USD '000

			Carrying values of items			
		Carrying values as reported in published financial statements	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Subject to the market risk framework**	**Not subject to own funds requirements or subject to deduction from own funds**
	Breakdown by asset class according to the balance sheet in the published financial statements					
1	Cash and cash equivalents	1,391,104	1,391,104	-	-	-
2	Trading assets	2,700,667	-	-	2,700,667	-
3	Derivative assets held for risk management	17,979	-	17,979	-	-
4	Loans and advances to customers	1,841,496	1,841,496		-	-
5	Reverse repurchase agreements and other similar secured lending	24,744,752	-	24,744,752	24,744,752	-
6	Investment securities	1,640,978	1,640,978	-	-	-
7	Property and equipment	10,562	10,562	-	-	-
8	Deferred tax assets	2,783	2,783	-	-	-
9	Other assets	308,165	81,205	226,960	-	-
	Total assets	32,658,486	4,968,128	24,989,691	27,445,419	-
	Breakdown by liability classes according to the balance sheet in the published financial statements					
1	Trading liabilities	2,681,174	-	-	2,681,174	-
2	Derivative liabilities held for risk management	15,615	-	15,615	-	-
3	Deposits from banks - group companies	4,802,493	-	-	-	4,802,493
4	Deposits from banks - others	13,230	-	-	-	13,230
5	Deposits from customers - others	23	-	-	-	23
6	Repurchase agreements and other similar secured borrowing	22,881,228	-	22,881,228	22,881,228	-
7	Current tax liabilities	2,204	-	-	-	2,204
8	Other liabilities	436,100	-	370,479	-	65,621
	Total liabilities	30,832,067	-	23,267,322	25,562,402	4,883,571

It should be noted that The Company's balance sheet prepared for both statutory and regulatory scope of consolidation are the same and that SFTs were subject to both the CCR framework and market risk framework in 2021 prior to SBE reclassifying SFTs from the trading book to the non-trading book from 1 January 22 following the implementation of Basel III standards in the UK

The table below discloses the adjustment by categories applied to the accounting balances to derive the regulatory exposures by risk framework.

UK LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements
31 Oct 2022
USD '000

		Total	Items subject to		
			Credit risk framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	29,858,188	3,732,304	25,111,981	1,013,903
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	24,706,687	-	23,552,785	1,153,902
3	**Total net amount under the regulatory scope of consolidation**	5,151,501	3,732,304	1,559,196	(139,999)
4	**Off-balance-sheet amounts**	887,093	887,093	-	
5	*Differences in valuations*	-	-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	11,478,865	-	11,478,865	
7	*Differences due to consideration of provisions*	(391)	(391)	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(8,933,314)	-	(8,933,314)	
9	*Differences due to credit conversion factors*	(443,958)	(443,958)	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	
11	*Other differences*	-	-	-	
12	**Exposure amounts considered for regulatory purposes**	8,139,796	4,175,048	4,104,747	(139,999)

UK LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements
31 Oct 2021
USD '000

		Total	Items subject to		
			Credit risk framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)**	32,658,486	4,968,128	24,989,691	27,445,419
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)**	25,948,496	-	23,267,322	25,562,402
3	**Total net amount under the regulatory scope of consolidation**	6,709,990	4,968,128	1,722,369	1,883,017
4	**Off-balance-sheet amounts**	1,471,415	1,471,415	-	
5	*Differences in valuations*		-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	6,427,250	-	6,427,250	
7	*Differences due to consideration of provisions*	(1,103)	(1,103)	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(3,457,388)		(3,457,388)	
9	*Differences due to credit conversion factors*	(742,347)	(742,347)	-	
10	*Differences due to Securitisation with risk transfer*		-	-	
11	*Other differences*		-	-	
12	**Exposure amounts considered for regulatory purposes**	10,407,817	5,696,093	4,692,231	1,883,017

The table above shows the main sources of differences between the carrying value amounts of assets in the financial statements and the exposure amount used for regulatory purposes. These are:

- Off balance sheet items subject to credit conversion factors included as an exposure value for regulatory purposes
- The effects of netting agreements in the calculation of regulatory exposures amounts for Securities Financing Transactions (SFTs)
- The regulatory exposure calculation of derivatives derived using SA-CCR in 2022 and the Mark-to-Market method in 2021
- Market risk values included in row 3 and 12 represent balance sheet assets net of liabilities as Market risk regulatory exposure value is calculated on a different basis.

As previously mentioned, the Company's balance sheet prepared for both statutory and regulatory scope of consolidation are the same and SFTs were subject to both the CCR framework and market risk framework in 2021 prior to SBE reclassifying SFTs from the trading book to the non-trading book from 1 January 22 following the implementation of Basel III standards in the UK

CREDIT AND COUNTERPARTY CREDIT RISK

5.1 Use of External Credit Assessment Institutions

The Company uses the standardised approach when calculating credit and counterparty risk. The standardised approach requires banks to use risk assessments prepared by *External Credit Assessment Institutions ("*ECAIs") to determine the risk weightings applied to rated counterparties.

The Company uses external credit assessments provided by Moody's Investors Services ("Moody's") to determine the risk weight of rated counterparties in each of the following standardised credit risk exposure classes:

- Central governments or central banks
- Regional governments or local authorities
- Multilateral development banks
- Public sector entities
- Institutions
- Corporates
- Equity
- Exposures in default
- Other items

Moody's is recognised by the PRA as an eligible external credit assessment institution for the purposes of calculating credit risk requirements under the standardised approach. The external ratings of Moody's are mapped to the prescribed credit quality step assessment scale that in turn produces standard risk weightings.

When calculating the risk-weighted value of an exposure using ECAI risk assessments the following EBA's prescribed credit quality step mapping derived from the counterparty rating is applied.

Credit quality step	**Moody's assessments**
1	Aaa, Aa
2	A
3	Baa
4	Ba
5	B
6	Caa, Ca, C

All other exposure classes are assigned risk weightings as prescribed in the CRR.

5.2 Credit risk

Credit risk arises in the Company's direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Company. The following tables analyses regulatory credit risk weighted exposures and capital requirements.

The below table provides details only on the effects of CRM techniques recognised under CRR, along with credit conversion factors on the Company's credit risk exposures

UK CR4 – standardised approach – Credit risk exposure and CRM effects
31 Oct 2022
USD '000

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
1	Central governments or central banks	2,334,175	-	2,334,175	-	-	0.0%
2	Regional government or local authorities	20,534	-	20,534	-	10,848	52.8%
3	Public sector entities	147,399	-	147,399	-	29,480	20.0%
4	Multilateral development banks	161,163	-	161,163	-	-	0.0%
6	Institutions	730,328	-	730,328	-	146,066	20.0%
7	Corporates	323,069	886,702	323,069	442,746	702,763	91.8%
10	Exposures in default	-	-	-	-	-	-
15	Equity	1,433	-	1,433	-	1,433	100.0%
16	Other items	14,201	-	14,201	-	14,201	100.0%
17	**TOTAL**	3,732,302	886,702	3,732,302	442,746	904,791	21.7%

UK CR4 – standardised approach – Credit risk exposure and CRM effects
31 Oct 2021
USD '000

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
1	Central governments or central banks	2,147,707	-	2,147,707	-	-	0.0%
2	Regional government or local authorities	2,783	-	2,783	-	6,957	250.0%
3	Public sector entities	306,324	-	306,324	-	22,941	7.5%
4	Multilateral development banks	196,725	-	196,725	-	-	0.0%
6	Institutions	425,844	-	425,844	-	85,169	20.0%
7	Corporates	1,843,526	1,468,689	1,843,526	727,640	2,503,594	97.4%
10	Exposures in default	7,205	1,623	7,205	325	11,294	150.0%
15	Equity	1,711	-	1,711	-	1,711	100.0%
16	Other items	36,303	-	36,303	-	36,303	100.0%
17	**TOTAL**	4,968,128	1,470,312	4,968,128	727,965	2,667,969	46.8%

The below table provides a breakdown of Credit Risk exposure post Credit Conversion Factor ("CCF") and post CRM by exposure type and risk weighting.

UK CR5 – standardised approach
31 Oct 2022
USD '000

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	2,334,175	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,334,175	-
2	Regional government or local authorities	-	-	-	-	17,603	-	-	-	-	-	-	2,931	-	-	-	20,534	2,931
3	Public sector entities	-	-	-	-	147,399	-	-	-	-	-	-	-	-	-	-	147,399	-
4	Multilateral development banks	161,163	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,163	-
6	Institutions	-	-	-	-	730,328	-	-	-	-	-	-	-	-	-	-	730,328	106,559
7	Corporates	-	-	-	-	-	-	150,803	-	-	590,315	24,697	-	-	-	-	765,815	530,495
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	1,433	-	-	-	-	-	1,433	1,433
16	Other items	-	-	-	-	-	-	-	-	-	14,201	-	-	-	-	-	14,201	14,201
17	**TOTAL**	**2,495,338**	**-**	**-**	**-**	**895,330**	**-**	**150,803**	**-**	**-**	**605,949**	**24,697**	**2,931**	**-**	**-**	**-**	**4,175,048**	**655,619**

UK CR5 – standardised approach
31 Oct 2021
USD '000

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
1	Central governments or central banks	2,147,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,147,707	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	2,783	-	-	-	2,783	2,783
3	Public sector entities	191,617	-	-	-	114,707	-	-	-	-	-	-	-	-	-	-	306,324	-
4	Multilateral development banks	196,725	-	-	-	-	-	-	-	-	-	-	-	-	-	-	196,725	-
6	Institutions	-	-	-	-	425,844	-	-	-	-	-	-	-	-	-	-	425,844	246,642
7	Corporates	-	-	-	-	49,999	-	155,789	-	-	2,264,735	100,643	-	-	-	-	2,571,166	2,089,252
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	7,530	-	-	-	-	7,530	7,530
15	Equity exposures	-	-	-	-	-	-	-	-	-	1,711	-	-	-	-	-	1,711	1,711
16	Other items	-	-	-	-	-	-	-	-	-	36,303	-	-	-	-	-	36,303	36,303
17	**TOTAL**	**2,536,049**	**-**	**-**	**-**	**590,550**	**-**	**155,789**	**-**	**-**	**2,302,749**	**108,173**	**2,783**	**-**	**-**	**-**	**5,696,093**	**2,384,221**

5.3 Counterparty credit risk

An economic loss occurs if the transaction or a portfolio of transactions with the counterparty has a positive economic value at the time of default. It arises for derivatives and SFTs and is calculated in both the trading and non-trading books.

From 1 January 2022, the Company used the Standardised Approach to Counterparty Credit Risk (SA-CCR) which replaced the Mark-to-Market method when calculating the risk-weighted assets for derivatives and uses the Financial Collateral Comprehensive Method when calculating the risk-weighted assets for SFTs.

The table below sets out the methods the Company uses to calculate CCR regulatory requirements.

UK CCR1 – Analysis of CCR exposure by approach
31 Oct 2022
USD '000

	Replacement cost (RC)	Potential future exposure (PFE)	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
SA-CCR (for derivatives)	27,985	14,978	1.4	60,148	59,770	59,770	11,954
Financial collateral comprehensive method (for SFTs)				124,938,538	4,044,977	4,044,977	1,749,220
Total				**124,998,686**	**4,104,747**	**4,104,747**	**1,761,174**

UK CCR1 – Analysis of CCR exposure by approach
31 Oct 2021
USD '000

	Replacement cost (RC)	Potential future exposure (PFE)	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
Mark-to-Market Method	17,979	15,434	n/a	33,413	33,413	33,413	10,340
Financial collateral comprehensive method (for SFTs)				121,568,921	4,658,818	4,658,818	2,223,661
Total				**121,602,334**	**4,692,231**	**4,692,231**	**2,234,001**

The table below reflects the counterparty credit risk exposure by exposure class and risk weight derived from a combination of counterparty rating and exposure type.

UK CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights
31 Oct 2022
USD '000

Exposure classes	Risk weight											
	0%	2%[1]	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	1,917,505	-	-	525,827	3,231	-	-	-	-	45,758	2,492,321
Corporates	-	-	-	-	2,264	-	-	-	1,610,162	-	-	1,612,426
Total exposure value	**-**	**1,917,505**	**-**	**-**	**528,091**	**3,231**	**-**	**-**	**1,610,162**	**-**	**45,758**	**4,104,747**

UK CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights
31 Oct 2021
USD '000

Exposure classes	Risk weight											
	0%	2%	4%	10%	20%[1]	50%	70%	75%	100%	150%	Others[1]	Total exposure value
Central governments or central banks	23,839	-	-	-	-	-	-	-	-	-	-	23,839
Public sector entities	-	-	-	-	3,836	-	-	-	-	-	-	3,836
Institutions	-	-	-	-	1,275,087	-	-	-	-	-	1,567,714	2,842,801
Corporates	-	-	-	-	16,151	27,810	-	-	1,777,794	-	-	1,821,755
Total exposure value	**23,839**	**-**	**-**	**-**	**1,295,074**	**27,810**	**-**	**-**	**1,777,794**	**-**	**1,567,714**	**4,692,231**

[1] The implementation of CRR 2 from 1 January 2022 removed the alternative calculation of own funds requirement for exposures to a Qualifying Central Clearing Counterparty (QCCP) under CRR Article 310 so that Trade Exposures to QCCP (classified as exposures to institutions under the CRR) are now all risk weighted at 2%.

The table below provides a breakdown of all types of collateral posted or received to support or reduce CCR exposures related to derivative transaction and to SFTs.

UK CCR5 – Composition of collateral for CCR exposures
31 Oct 2022
USD '000

	Collateral used in derivatives transactions				**Collateral used in securities financing transactions (SFTs)**	
Collateral type	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	-	378	-	3	56,242,589	69,224,530
Debt	-	-	-	16,513	67,367,669	54,796,474
Equity	-	-	-	-	667,170	644,492
Other	-	-	-	-	-	-
Total	**-**	**378**	**-**	**16,516**	**124,277,428**	**124,665,496**

UK CCR5 – Composition of collateral for CCR exposures
31 Oct 2021
USD '000

	Collateral used in derivatives transactions				**Collateral used in securities financing transactions (SFTs)**	
Collateral type	Fair value of collateral received		Fair value of collateral posted		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash	-	-	-	-	58,501,880	66,645,021
Debt	-	-	-	-	60,628,627	53,604,229
Equity	-	-	-	-	1,130,698	1,103,453
Other	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**120,261,205**	**121,352,703**

The table below provides a breakdown of the Company's exposures to CCPs

UK CCR8 – Exposures to CCPs
31 Oct 2022
USD '000

	Exposure value	RWEA
Exposures to QCCPs (total)		43,776
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,651,474	33,029
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) SFTs	1,651,474	33,029
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	255,132	5,103
Prefunded default fund contributions	56,656	5,644
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Prefunded default fund contributions	-	-
Unfunded default fund contributions	-	-

UK CCR8 – Exposures to CCPs
31 Oct 2021
USD '000

	Exposure value	RWEA
Exposures to QCCPs (total)		284,767
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	1,922,950	260,294
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	1,805	361
(iii) SFTs	1,921,145	259,933
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	122,364	19,510
Prefunded default fund contributions	29,792	4,963
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Prefunded default fund contributions	-	-
Unfunded default fund contributions	-	-

5.4 Credit risk mitigation (CRM)

The Company's policy is to promote the use of credit risk mitigation, justified by commercial prudence and good practice as well as capital efficiency. Specific policies cover the acceptability, structuring and terms of various types of business with regard to the availability of credit risk mitigation. These policies, together with the setting of suitable valuation parameters, are subject to regular review to ensure that they are supported by empirical evidence and continue to fulfil their intended purpose.

The most common method of mitigating credit risk is to take collateral. In the commercial and industrial sectors, charges are created over business assets. Physical collateral may be taken in various forms of specialised lending

The frequency of collateral valuation depends on the class of asset. A margin requiring excess collateral value to the loan value, with triggers requiring the collateral to be increased when breached, will generally be required.

Credit risk mitigation may also be achieved through the taking of guarantees and indemnities from third parties. Where guarantees are in place, these are usually received from the parent, subsidiary or sister company of the borrower. The Company performs an annual review of the borrower and guarantor. The effectiveness of the guarantee and the financial covenants applicable to the guarantor is assessed

For Reverse repurchase agreements subject to master netting arrangements or similar agreements, the assets and liabilities are offset and the net amount is reported in the financial statements when there is a legally enforceable right to offset the recognised amounts and there is an interaction to settle on a net basis or realise the asset and settle the liability simultaneously.

The UK CR3 table below sets out all CRM techniques used by the Company regardless of whether these techniques are recognised under CRR, including all types of collateral and financial guarantees used for all secured exposures. Where CRM is eligible under the CRR it is used to reduce credit exposures in the regulatory capital calculations.

UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
31 Oct 2022
USD '000

	Unsecured carrying amount	**Secured carrying amount**	Of which **secured by collateral**	Of which **secured by financial guarantees**	Of which **secured by credit derivatives**
Loans and advances	1,480,414	23,182,284	23,182,284	-	-
Debt securities	990,349	-	-	-	
Total	2,470,763	23,182,284	23,182,284	-	-
Of which non-performing exposures	-	-	-	-	-
Of which defaulted	-	-			

UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques
31 Oct 2021
USD '000

	Unsecured carrying amount	**Secured carrying amount**	Of which **secured by collateral**	Of which **secured by financial**	Of which **secured by credit derivatives**
Loans and advances	1,845,662	24,926,396	24,768,275	158,121	-
Debt securities	1,639,268	-	-	-	
Total	3,484,930	24,926,396	24,768,275	158,121	-
Of which non-performing exposures	-	7,205	7,205	-	-
Of which defaulted	-	7,205			

IMPAIRMENT OF FINANCIAL ASSETS

6.1 Scope

The Company applies a three-stage approach to measure allowance for credit losses, using an allowance for credit loss approach under IFRS 9, for the following categories of financial instruments that are not measured at fair value through profit or loss:

- Debt securities at amortised cost;
- Debt securities classified as at fair value through other comprehensive income ("FVOCI");
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

There are no lease receivables in scope of impairment and the Company does not apply the low credit exemption for any assets in scope.

Financial assets migrate through three stages based on the change in credit risk since initial recognition.

6.2 Allowance for credit loss ("ACL") impairment model

The Company'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 ("SICR") 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 SICR 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 ("lifetime ACL)
- Stage 3 – Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses for such loans. The stage 3 lifetime ACL is calculated individually (and non-modelled) through a process that relies on both historic and forward-looking information including macroeconomic factors in the determination of the appropriate ACL amount, as well as experienced credit judgement). The ACL is made up of two components; a calculation for the amount that is required to reduce the carrying value of a credit-impaired loan to its estimated realisable amount and a calculation for the amount representing the change in the value of money between the initial date the provision is set and the expected repayment or recovery.

6.3 Measurement of the allowance for credit loss

The scope of IFRS 9 ECL requirements includes all financial assets at amortised cost, FVOCI, financial guarantees and certain loan commitments. The Company will be using the Parent's ACL model. The models and resulting ECL charge is subject to local review in the Company's Risk and Finance departments to ensure that it is fit for local use and provides appropriate provisioning.

The Company considers the calculation of ACL by multiplying the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"). These inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

6.4 Assessment of significant increase in credit risk (SICR)

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

The Company uses a risk rating scale (“IG codes”) for its exposures. All exposures have an IG code assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the IG rating. Significant increase in credit risk is evaluated based on the migration of the exposures among IG codes.

At each reporting date, the assessment of a change in credit risk will be individually assessed for all financial assets. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant. This assessment will be the result of expert credit judgement the output of which will be reflected within the respective financial assets IG ratings

The Company uses more than 30 days past due as a quantitative backstop for SICR. Loans that are more than 30 days past due will automatically be classified as SICR. However, the Company retains its option to rebut the 30 days past due presumption where appropriate for individual cases.

6.5 Impaired Assets

The Company considers that default has occurred and classifies the financial asset as impaired when it is more than 90-days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

6.6 Forborne Exposures

In certain circumstances and typically where a customer demonstrates an inability to meet its contractually agreed repayment obligations, the Company may renegotiate the terms of those loans with the customer. Where such renegotiated terms are not consistent with those readily available in the market or where concessions are granted which would otherwise not be readily available, the loans are considered to be subject to forbearance. Forbearance strategies are employed by the Company in order to assist customers who are considered to be in temporary financial distress but would otherwise be able to meet their financial obligations should those obligations be subject to amended repayment terms. Forbearance can include debt restructuring, such as a new repayment schedule, payment deferrals and tenure extensions. Due to the increased risk profile of loans subject to forbearance it is typical for the applicable interest margin to be increased and / or a restructuring fee applied.

As at 31 October 2022, the Company had no forborne loans (31 October 21: $165MM). All forborne loans as at 31st October 2021 were either repaid or disposed of during the financial year.

6.7 Loans written off

The Company writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Subsequent recoveries of amounts previously written off are credited to the income statement.

6.8 Disclosure of non-performing and forborne exposures

The following tables show a breakdown of Performing and Non-performing exposures.

UK CR1: Performing and non-performing exposures and related provisions.
31 Oct 2022
USD '000

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	2,331,420	2,331,420	-	-	-	-	-	-	-	-	-	-	-		-
010	Loans and advances	24,663,148	24,663,148	-	-	-	-	450	450	-	-	-	-	-	22,562,750	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	3,603,122	3,603,122	-	-	-	-	4	4	-	-	-	-	-	2,996,363	-
050	*Other financial corporations*	20,827,375	20,827,375	-	-	-	-	16	16	-	-	-	-	-	19,369,911	-
060	*Non-financial corporations*	232,651	232,651	-	-	-	-	430	430	-	-	-	-	-	196,476	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	990,351	990,351	-	-	-	-	2	2	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	739,358	739,358	-	-	-	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	160,766	160,766	-	-	-	-	2	2	-	-	-	-	-	-	-
130	*Other financial corporations*	90,227	90,227	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	887,093	887,093	-	-	-	-	637	637	-	-	-	-	-	-	-
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	*Other financial corporations*	116,875	116,875	-	-	-	-	3	3	-	-	-	-		-	-
200	*Non-financial corporations*	770,218	770,218	-	-	-	-	634	634	-	-	-	-		-	-
210	*Households*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220	***Total***	28,872,012	28,872,012	-	-	-	-	1,089	1,089	-	-	-	-	-	22,562,750	-

UK CR1: Performing and non-performing exposures and related provisions.
31 Oct 2021
USD '000

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	1,391,104	1,391,104	-	-	-	-	-	-	-	-	-	-	-	-	
010	Loans and advances	26,771,399	26,613,740	157,659	7,568	-	7,568	4,836	1,856	2,980	363	-	363	-	23,007,510	7,205
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	0	0	-	-	-	-	-	-	-
040	*Credit institutions*	6,132,015	6,132,015	-	-	-	-	0	0	-	-	-	-	-	4,040,829	-
050	*Other financial corporations*	20,030,071	20,030,071	-	-	-	-	37	37	-	-	-	-	-	18,568,351	-
060	*Non-financial corporations*	609,313	451,654	157,659	7,568	-	7,568	4,799	1,819	2,980	363	-	363	-	398,330	7,205
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	1,639,268	1,639,268	-	-	-	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	1,010,354	1,010,354	-	-	-	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	323,358	323,358	-	-	-	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	305,556	305,556	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1,469,792	1,458,716	11,076	1,623	-	1,623	798	761	37	-	-	-	-	-	-
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	*Other financial corporations*	173,091	173,091	-	-	-	-	1	1	-	-	-	-		-	-
200	*Non-financial corporations*	1,296,701	1,285,625	11,076	1,623	-	1,623	797	760	37	-	-	-		-	-
210	*Households*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220	***Total***	31,271,563	31,102,828	168,735	9,191	-	9,191	5,634	2,617	3,017	363	-	363	-	23,007,510	7,205

The table below lays out the maturity profile of the Company's exposures.

UK CR1-A: Maturity of exposures
31 Oct 2022
USD '000

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	8,922,044	15,703,528	37,126	-	-	24,662,698
2	Debt securities	-	990,349	-	-	-	990,349
3	*Total*	8,922,043	16,693,877	37,126	-	-	25,653,047

UK CR1-A: Maturity of exposures
31 Oct 2021
USD '000

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	14,131,072	11,509,193	1,103,232	28,561	-	26,772,058
2	Debt securities	-	1,304,096	335,172	-	-	1,639,268
3	*Total*	14,131,072	12,813,289	1,438,404	28,561	-	28,411,326

The table below details the change in non- performing loans and advance balances over the year.

UK CR2: Changes in the stock of non-performing loans and advances
31 Oct 2022
USD '000

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	7,568
020	Inflows to non-performing portfolios	-
030	Outflows from non-performing portfolios	(7,568)
040	Outflows due to write-offs	-
050	Outflow due to other situations	(7,568)
060	**Final stock of non-performing loans and advances**	-

UK CR2: Changes in the stock of non-performing loans and advances
31 Oct 2021
USD '000

		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	27,743
020	Inflows to non-performing portfolios	-
030	Outflows from non-performing portfolios	(20,175)
040	Outflows due to write-offs	(7,952)
050	Outflow due to other situations	(12,223)
060	**Final stock of non-performing loans and advances**	7,568

The table below provides a split of the Company's performing and non-performing exposures by days past due.

UK CQ3: Credit quality of performing and non-performing exposures by past due days
31 Oct 2022
USD '000

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	due > 1 year ≤ 2 years	due > 2 years ≤ 5 years	due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	2,331,420	2,331,420	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	24,663,148	24,663,148	-	-	-	-	-	-	-	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	3,603,122	3,603,122	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	20,827,375	20,827,375	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	232,651	232,651	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	990,351	990,351	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	739,358	739,358	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	160,766	160,766	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	90,227	90,227	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	887,093			-								-
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	116,875			-								-
200	*Non-financial corporations*	770,218			-								-
210	*Households*	-			-								-
220	***Total***	28,872,012	27,984,919	-	-	-	-	-	-	-	-	-	-

UK CQ3: Credit quality of performing and non-performing exposures by past due days
31 Oct 2021
USD '000

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	due > 1 year ≤ 2 years	due > 2 years ≤ 5 years	due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1,391,104	1,391,104	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	26,771,399	26,771,399	-	7,568	-	-	-	7,568	-	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	6,132,015	6,132,015	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	20,030,071	20,030,071	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	609,313	609,313	-	7,568	-	-	-	7,568	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	1,639,268	1,639,268	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	1,010,354	1,010,354	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	323,358	323,358	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	305,556	305,556	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	1,469,792			1,623								-
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	173,091			-								-
200	*Non-financial corporations*	1,296,701			1,623								-
210	*Households*	-			-								-
220	***Total***	31,271,563	29,801,771	-	9,191	-	-	-	7,568	-	-	-	-

The table below provides a split of the Company's exposures and related provision by material geographical location.

UK CQ4: Quality of non-performing exposures by geography
31 Oct 2022
USD '000

		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	**On-balance-sheet exposures**	**29,831,680**	**-**	**-**	**29,831,680**	**451**		**-**
020	France	12,357,717	-	-	12,357,717	5		-
030	UK	11,465,369	-	-	11,465,369	252		-
040	Canada	3,023,262	-	-	3,023,262	100		-
050	Japan	1,260,952	-	-	1,260,952	1		-
060	United States	389,420	-	-	389,420	1		-
070	Other	1,334,960	-	-	1,334,960	92		-
080	**Off-balance-sheet exposures**	**887,093**	**-**	**-**			**637**	
090	France	-	-	-			-	
100	UK	295,213	-	-			580	
110	Canada	21,407	-	-			-	
120	Japan	-	-	-			-	
130	United States	-	-	-			-	
140	Other	570,473	-	-			57	
150	**Total**	**30,718,773**	**-**	**-**	**29,831,680**	**451**	**637**	**-**

UK CQ4: Quality of non-performing exposures by geography
31 Oct 2021
USD '000

		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	**On-balance-sheet exposures**	**32,620,387**	**7,568**	**-**	**32,620,387**	**5,200**	**-**	**-**
020	France	6,492,369	-	-	6,492,369	1	-	-
030	UK	13,291,316	2,277	-	13,291,316	3,286	-	-
040	Canada	7,415,072	5,291	-	7,415,072	369	-	-
050	Japan	1,303,444	-	-	1,303,444	-	-	-
060	United States	1,198,919	-	-	1,198,919	-	-	-
070	Other	2,919,267	-	-	2,919,267	1,544	-	-
080	**Off-balance-sheet exposures**	**1,471,415**	**1,623**	**-**	**-**	**-**	**798**	
090	France	-	-	-	-	-	-	
100	UK	536,484	-	-	-	-	730	
110	Canada	21,739	1,623	-	-	-	1	
120	Japan	-	-	-	-	-	-	
130	United States	35,000	-	-	-	-	2	
140	Other	878,192	-	-	-	-	65	
150	**Total**	**34,091,802**	**9,191**	**-**	**32,620,387**	**5,200**	**798**	-

The below table show the credit quality of loans and advances to non-financial corporation by industry

UK CQ5: Credit quality of loans and advances to non-financial corporations by industry
31 Oct 2022
USD '000

		Gross carrying amount					
			Of which non-performing		Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
				Of which defaulte			
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	24,840	-	-	24,840	172	-
030	Manufacturing	156,538	-	-	156,538	136	-
040	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050	Water supply	-	-	-	-	-	-
060	Construction	-	-	-	-	-	-
070	Wholesale and retail trade	-	-	-	-	-	-
080	Transport and storage	51,273	-	-	51,273	122	
090	Accommodation and food service activities	-	-	-	-	-	-
100	Information and communication	-	-	-	-	-	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	-	-	-	-	-	-
130	Professional, scientific and technical activities	-	-	-	-	-	-
140	Administrative and support service activities	-	-	-	-	-	-
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	-	-	-	-	-	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Other services	-	-	-	-	-	-
200	*Total*	232,651	-	-	232,651	430	-

UK CQ5: Credit quality of loans and advances to non-financial corporations by industry
31 Oct 2021
USD '000

		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulte			
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	87,476	-	-	87,476	1,015	-
030	Manufacturing	43,364	-	-	43,364	6	-
040	Electricity, gas, steam and air conditioning supply	62,400	-	-	62,400	-	-
050	Water supply	-	-	-	-	-	-
060	Construction	-	-	-	-	-	-
070	Wholesale and retail trade	111,427	-	-	111,427	30	-
080	Transport and storage	294,744	7,568	-	294,744	3,748	-
090	Accommodation and food service activities	-	-	-	-	-	-
100	Information and communication	17,470	-	-	17,470	-	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	-	-	-	-	-	-
130	Professional, scientific and technical activities	-	-	-	-	-	-
140	Administrative and support service activities	-	-	-	-	-	-
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	-	-	-	-	-	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Other services	-	-	-	-	-	-
200	*Total*	616,881	7,568	-	616,881	4,799	-

MARKET RISK

7.1 Approach

The Company uses the standardised approach to calculate market risk for regulatory purposes, more specifically maturity-based method for calculation of general debt instruments risk

The table below provides Risk Weighted Exposure Amounts (RWEAs) and capital requirements arising from market risk. The reduction in interest rate risk RWEAs is mainly as a result of the reduction in Balance Sheet trading assets and liabilities.

UK MR1 - Market risk under the standardised approach
USD '000

		31 October 2022	31 October 2021
		RWEAs	RWEAs
	Outright products		
1	Interest rate risk (general and specific)	148,113	824,576
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	7,467	3,828
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus approach	-	-
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	**Total**	155,580	828,404

OPERATIONAL RISK

8.1 Approach

The Company uses the Basic Indicator Approach ("BIA") for calculating the capital requirement for Operational risk which is 15% of the average over three years of the relevant indicator and uses audited figures to perform the calculations. The relevant indicator is the sum of all the elements listed below:

- Interest receivable and similar income
- Interest payable and similar charges
- Income from shares and other variable / fixed – yield securities
- Commissions / fees receivable
- Commissions / fees payable
- Net profit or loss on financial operations
- Other operating income

The table below provides the risk weighted exposure amounts and capital requirements for operational risk.

UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts
31 Oct 2022
USD '000

		Relevant indicator			Own funds requirements	Risk weighted exposure
		2020	2021	2022		
1	Banking activities subject to basic indicator approach (BIA)	221,953	134,706	102,841	22,975	287,188
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA:*	-	-	-		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts
31 Oct 2021
USD '000

		Relevant indicator			Own funds requirements	Risk weighted exposure
		2019	2020	2021		
1	Banking activities subject to basic indicator approach (BIA)	173,659	221,953	134,706	26,531	331,633
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA:*	-	-	-		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

COUNTERCYCLICAL CAPITAL BUFFER

9.1 Overview

The Company is required to maintain an institution-specific Countercyclical Buffer ("CCyB"). The countercyclical capital buffer aims to ensure that banking sector capital requirements take account of the macro-economic environment in which banks operate. Its primary objective is to set a buffer of capital to achieve the broader macro prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. The buffer can be drawn down to absorb losses during stressed periods.

The Basel III countercyclical capital buffer is calculated as the weighted average of the buffers in effect in the jurisdictions to which banks have a credit exposure.

It consists entirely of Common Equity Tier 1 capital and if the minimum buffer requirements are breached, capital distribution constraints will be imposed on the Company.

The table below provides the geographical distribution of SBE credit exposures relevant for the calculation of its countercyclical capital buffer.

UK CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
31 Oct 2022
USD '000

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Breakdown by country:													
United Arab Emirates	1,069	-	-	-	-	1,069	86	-	-	86	1,069	0.0005	0.0000
Australia	125,000	-	-	-	-	125,000	5,000	-	-	5,000	62,500	0.0267	0.0000
Belgium	15,621	-	-	-	-	15,621	1,250	-	-	1,250	15,621	0.0067	0.0000
Canada	9,139	-	86,649	-	-	95,788	731	1,057	-	1,788	22,357	0.0095	0.0000
Switzerland	75,000	-	-	-	-	75,000	6,000	-	-	6,000	75,000	0.0320	0.0000
Germany	142	-	-	-	-	142	11	-	-	11	142	0.0001	0.0000
United Kingdom	1,057,618	-	-	-	-	1,057,618	83,432	-	-	83,432	1,042,906	0.4453	0.0000
Hong Kong	19,897	-	-	-	-	19,897	1,592	-	-	1,592	19,897	0.0085	1.0000
Kuwait	14,286	-	-	-	-	14,286	1,143	-	-	1,143	14,286	0.0061	0.0000
Cayman Islands	593,501	-	-	-	-	593,501	47,480	-	-	47,480	593,501	0.2534	0.0000
Luxembourg	31,375	-	-	-	-	31,375	2,510	-	-	2,510	31,375	0.0134	0.5000
Netherlands	261,120	-	-	-	-	261,120	21,878	-	-	21,878	273,469	0.1168	0.0000
Norway	23,654	-	-	-	-	23,654	1,892	-	-	1,892	23,654	0.0101	1.5000
United States	121,458	-	-	-	-	121,458	9,717	-	-	9,717	121,458	0.0519	0.0000
South Africa	44,998	-	-	-	-	44,998	3,600	-	-	3,600	44,998	0.0192	0.0000
Total	**2,393,878**	-	**86,649**	-	-	**2,480,527**	**186,322**	**1,057**	-	**187,378**	**2,342,233**	1	

UK CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer
31 Oct 2021
USD '000

	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Breakdown by country:													
United Arab Emirates	83,259	-	-	-	-	83,259	3,461	-	-	3,461	43,263	0.0098	0.0000
Australia	136,802	-	-	-	-	136,802	5,944	-	-	5,944	74,300	0.0169	0.0000
Belgium	41,722	-	-	-	-	41,722	3,338	-	-	3,338	41,725	0.0095	0.0000
Bermuda	68,722	-	-	-	-	68,722	5,498	-	-	5,498	68,725	0.0156	0.0000
Canada	12,742	-	285,973	-	-	298,715	1,109	4,140	-	5,249	65,613	0.0149	0.0000
Switzerland	124,680	-	-	-	-	124,680	11,362	-	-	11,362	142,025	0.0323	0.0000
China, People's Republic	101,867	-	-	-	-	101,867	8,149	-	-	8,149	101,863	0.0232	0.0000
Germany	15	-	-	-	-	15	1	-	-	1	13	0.0000	0.0000
France	111,439	-	-	-	-	111,439	8,915	-	-	8,915	111,438	0.0254	0.0000
United Kingdom	2,532,438	-	-	-	-	2,532,438	200,912	-	-	200,912	2,511,400	0.5713	0.0000
Hong Kong	13,046	-	-	-	-	13,046	1,044	-	-	1,044	13,050	0.0030	1.0000
Jersey	45,794	-	-	-	-	45,794	3,363	-	-	3,363	42,038	0.0096	0.0000
Kuwait	28,574	-	-	-	-	28,574	2,286	-	-	2,286	28,575	0.0065	0.0000
Cayman Islands	439,484	-	-	-	-	439,484	35,159	-	-	35,159	439,488	0.1000	0.0000
Luxembourg	49,670	-	-	-	-	49,670	3,974	-	-	3,974	49,675	0.0113	0.5000
Netherlands	314,589	-	-	-	-	314,589	26,323	-	-	26,323	329,038	0.0749	0.0000
Norway	48,201	-	-	-	-	48,201	3,856	-	-	3,856	48,200	0.0110	1.0000
United States	190,406	-	-	-	-	190,406	15,232	-	-	15,232	190,400	0.0433	0.0000
South Africa	95,013	-	-	-	-	95,013	7,601	-	-	7,601	95,013	0.0216	0.0000
Total	**4,438,463**	-	**285,973**	-	-	**4,724,436**	**347,527**	**4,140**	-	**351,667**	**4,395,842**	1	

The table below discloses the regulatory countercyclical buffer capital requirement which is driven by the Company's specific buffer rate and the overall risk exposure.

UK CCyB2 - Amount of institution-specific countercyclical capital buffer

31 Oct 2022

USD '000

1	Total risk exposure amount	3,108,733
2	Institution specific countercyclical capital buffer rate	0.03034%
3	Institution specific countercyclical capital buffer requirement	943

UK CCyB2 - Amount of institution-specific countercyclical capital buffer

31 Oct 2021

USD '000

1	Total risk exposure amount	6,093,905
2	Institution specific countercyclical capital buffer rate	0.01956%
3	Institution specific countercyclical capital buffer requirement	1,192

INTEREST RATE RISK IN THE BANKING BOOK (IRBBB)

10.1 Definition, Measurement, Mitigation and Control

IRRBB is defined as interest rate risk arising from banking activities due to unmatched assets and liabilities. The risk measurements are applied to the Bank's non-trading (banking) books. SBE considers gap risk as the main types of interest rate risk. It is measured by Annual Income (AI equivalent to NII) and Economic Value of shareholders' equity (EV equivalent to EVE). The measurement is based on outcomes of both indicators, arising from the appropriate range of interest rate shock and stress scenarios.

EV measures the adverse net impact of a change in interest rates on the present value of assets and liabilities. The calculation measures the impact of a 100bps parallel interest rate shock. AI measures the adverse impact of interest rate changes on the Bank's expected income over the next 12 months. The calculation is based upon the assumption that all assets and liabilities repricing within 12 months are subject to a 100bps parallel interest rate shock. Assets or liabilities that re-price overnight have the least impact on EV but have the most impact on AI. Hard limits are in place to control IRRBB and form part of the risk appetite framework metrics.

Basel III standards require that, to be included in the trading book, a position must be revalued at fair value on at least a daily basis and the changes in the value of those positions must be reported in the profit and loss account of the firm. The PRA implemented this requirement from 1 January 2022. Following this, SBE reclassified Securities Financing Transactions (SFTs) from the trading book to the non-trading book. The impact of this reclassification has been included in the calculation of Interest Rate Risk in the Banking Book (IRRBB) as at 31 October 2022.

has been included in the calculation of Interest Rate Risk in the Banking Book (IRRBB) as at 31 October 2022.

10.2 IRRBB management and mitigation strategies.

In SBE, the core banking activity is from treasury funding and liquidity activities, and the repo business. SBE manages to its own limits and early warning indicators to control IRRBB. These limits are set well below the parent bank's overall risk appetite. The main banking book activity includes:

1) HQLA portfolio (USD2.6bn) held as liquidity buffer to ensure compliance with regulatory and internal liquidity requirements. The HQLA portfolio tenor is quite short (weighted average maturity of 277 days), and is funded in similar tenor by termed deposits or evergreen borrowing from the parent.

2) In the repo business interest rate risk arises from mismatch of repo and reverse repo tenor and balances (repo balance mismatch USD3.2bn). Interest rate risk limits are in place on SBE repo desk by currency and tenor, as well as notional and cash gap limits to control the size of the book and mismatch of cashflow. This risk is hedged by interest rate futures and swaps with matching tenor.

3) Loans are match funded to the next reset date. The maturity mismatch between the reset and the final maturity of the facility is managed at the Parent Bank, by Group Treasury based on the bank's risk appetite and hedging strategy.

10.3 Frequency of calculation of IRRBB measures and specific risk measures to gauge sensitivity to IRRBB

Table UK IRRBB1 below provides information on the two metrics measured that SBE uses to gauge its sensitivity to IRRBB. These are:

1. Economic Value of Equity (EVE) - The cash flows for all repriced assets and liabilities at present value, using the swap curve to discount.

2. Net Interest Income (NII) - The impact to the Bank's earnings is limited to assets and liabilities that reprice over the measurement period.

SBE has the following corresponding limits:

Corresponding limits	Definition	Frequency of calculation
Annual Income (AI)	Measure of the impact of interest rate changes to the Bank's expected income over a period of 12 months	Daily basis
Economic Value (EV)	Change in present value of the balance sheet due to a 100bps shock to the discounting curve	Daily basis
Outlier test	Measure of the impact of interest rate shocks listed below applied to the banking book cashflows for all currencies and individual currencies against the capital	Monthly basis
DV01 limits for treasury desk and repo desk.	Measures the Dollar Value of a negative 1 bps parallel movement in the yield curve	Daily basis

10.4 Interest rate shock and stress scenarios used to estimate changes in economic value and in earnings.

Alongside measuring annual Income and economic value, the following shocks as prescribed by the Internal Capital Adequacy Assessment (ICAA) section of the PRA Rulebook from 31 December 2021 are applied –

1. 100bps shift up
2. 100bps shift down
3. Parallel shock up
4. Parallel shock down
5. Steepener shock (short rates down and long rates up)
6. Flattener shock (short rates up and long rates down)
7. Short rates shock up
8. Short rates shock down

SBE also runs an alternative simulation on AI within the ICAAP document.

10.5 Key modelling and parametric assumptions used in calculating change in economic value of equity (ΔEVE) and change in net interest income (ΔNII) in UK IRRBB

The key assumptions used in these calculations are as follows:

- Static balance sheet assumptions mean that the results will not reflect aspects of business such as, growth strategies or booking model changes as a result of regulatory changes.
- AI and EV are aggregated based on scenario which assumes no divergence in the major central banks rate policies
- No embedded option risk and behavioural assumptions as SBE treasury match funding to the loan's next reset date.
- Discounting rate is implied from the bank's internal interest rate curves and model.

UK IRRBB1 - Quantitative information on IRRBB

	USD '000s	a	b	c	d	e	f
	In reporting currency	**ΔEVE**		**ΔNII**		**Tier 1 capital**	
	Period	31 October 2022	31 October 2021	31 October 2022	31 October 2021	31 October 2022	31 October 2021
010	Parallel shock up	(47,580)	(24,270)	3,160	4,420		
020	Parallel shock down	24,550	7,164	(38,510)	(19,720)		
030	Steepener shock	16,960	5,378				
040	Flattener shock	(42,170)	(19,520)				
050	Short rates shock up	(54,610)	(26,861)				
060	Short rates shock down	28,320	7,164				
070	**Maximum**	(54,610)	(26,860)	(38,510)	(19,720)		
080	**Tier 1 capital**					1,763,826	1,767,644

10.6 Hedging of IRRBB

SBE can hedge the IRRBB using interest rate swaps or futures. The interest rate risk from treasury and liquidity activity is match funded where possible, the residual risk is stable and relatively short term in nature. The interest rate risk from repo book is hedged by interest rate swaps which is treated as trading book. These IRRBB hedges are not booked in SBE, but booked in The Bank of Nova Scotia, London Branch.

LEVERAGE RATIO

11.1 Overview

The leverage ratio is a transparent, comparable measure not affected by risk weightings. It is calculated as tier 1 capital divided by total exposure measure .

As at 31 October 2022 the leverage ratio was 5.81% (2021: 5.10%), significantly above the PRA expectation to maintain a Leverage Ratio of at least 3.25% and above the internal minimum requirement set by the Board of Directors.

The level of leverage is actively monitored by the company's Board of Directors, ALCO and Risk Committee and is regularly assessed alongside capital ratios. The committees also monitor compliance with risk management, assist in assessing market trends, economic and political developments, and providing global strategic direction for all aspects of risk management. Additionally, Risk Committee of the Board provides a forum for in-depth review and analysis of the risks to which the Company is subject.

See Key Regulatory Metrics (section 2.3) for commentary on increase in Leverage ratio.

The table below show a reconciliation between the assets per the published financial statements and the leverage exposure.

UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures
USD '000

		31 October 2022	31 October 2021
1	Total assets as per published financial statements	29,858,188	32,658,486
2	(Adjustment for exemption of exposures to central banks) - see note 1 below	(1,604,430)	
3	Adjustment for derivative financial instruments	31,637	15,434
4	Adjustment for securities financing transactions (SFTs)	1,640,275	1,292,592
5	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	443,604	733,959
6	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(3,829)	(7,056)
7	Other adjustments - see note 1 below	(25,250)	
8	**Total exposure measure**	30,340,195	34,693,415

Note 1: As part of the CRR2 changes, from 1st January 2022 exposures to central banks could be excluded from the Leverage exposure measure provided they are denominated in the national currency of the central bank. Additionally excess collateral placed with triparty agents could be excluded from the leverage exposure calculation.

The table below shows a breakdown of the components of the Leverage ratio exposure.

UK LR2 - LRCom: Leverage ratio common disclosure
USD '000

		Leverage ratio exposures	
		31 October 2022	**31 October 2021**
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	5,000,070	7,853,177
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(3,829)	(7,056)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**4,996,241**	**7,846,121**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	16,206	19,636
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	24,938	13,776
13	**Total derivatives exposures**	**41,144**	**33,412**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	42,758,326	43,012,476
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(17,909,715)	(18,225,145)
16	Counterparty credit risk exposure for SFT assets	1,640,275	1,292,592
18	**Total securities financing transaction exposures**	**26,488,886**	**26,079,923**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	886,703	1,471,415
20	(Adjustments for conversion to credit equivalent amounts)	(443,099)	(737,456)
22	**Off-balance sheet exposures**	**443,604**	**733,959**
	Excluded exposures		
UK-22g	(Excluded excess collateral deposited at triparty agents) - see note 1	(25,250)	-
UK-22k	**(Total exempted exposures)**	**(25,250)**	-
	Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	1,763,826	1,767,644
24	Total exposure measure including claims on central banks	31,944,625	34,693,415
UK-24a	(-) Claims on central banks excluded - see note 1	(1,604,430)	-
UK-24b	**Total exposure measure excluding claims on central banks**	**30,340,195**	-
	Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	5.81%	-
UK-25c	Leverage ratio including claims on central banks (%)	5.52%	5.10%

Note 1: As part of the CRR2 changes, from 1st January 2022 exposures to central banks could be excluded from the Leverage exposure measure provided they are denominated in the national currency of the central bank. Additionally excess collateral placed with triparty agents could be excluded from the leverage exposure calculation (see other adjustments in UK LR1).

The table below shows an analysis of the on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) for the leverage ratio exposure.

UK LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
USD '000s

		31 October 2022	**31 October 2021**
		Leverage ratio exposures	**Leverage ratio exposures**
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	5,000,070	7,853,177
UK-2	Trading book exposures	1,211,968	2,768,679
UK-3	Banking book exposures, of which:	3,788,102	5,084,498
UK-5	Exposures treated as sovereigns	2,495,338	2,536,050
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	167,933	117,490
UK-7	Institutions	786,985	548,208
UK-10	Corporates	322,211	1,837,531
UK-11	Exposures in default	-	7,205
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	15,635	38,014

ASSET ENCUMBRANCE

12.1 Overview

An asset would be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any transaction from which it cannot be freely withdrawn.

The Pillar 3 asset encumbrance disclosure templates, shown below, have been compiled in accordance with the PRA Rulebook Section Disclosures (CRR) for encumbered and unencumbered assets which requires that the data is presented as a median calculation rather than point in time. Movements in Asset Encumbrance between 31 October 2021 and 31 October 2022 follow increasing trends in balance sheet size and encumbrance for which the Corporate Banking book has decreased and encumbrance is largely driven by collateral usage by the CMF desk.

UK AE1, UK AE2 and UK AE3 below reflect the median of the last four quarters as at 31 October 2022:

UK AE1 - Encumbered and unencumbered assets
USD '000

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	2,449,050	974,439			31,254,823	1,023,490		
030	Equity instruments	-	-			1,582	-		
040	Debt securities	1,548,175	974,439	1,548,175	974,439	1,577,342	1,023,490	1,577,342	1,023,490
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	1,208,598	974,439	1,208,598	974,439	1,183,013	1,023,490	1,183,013	1,023,490
080	of which: issued by financial corporations	343,108	-	343,108	-	472,606	-	472,606	-
090	of which: issued by non-financial corporations	24,774	-	24,774	-	5,168	-	5,168	-
120	Other assets	911,457	-			983,727	-		

UK AE2 - Collateral received
USD '000

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	37,539,173	36,354,493	3,700,955	2,592,289
140	Loans on demand	-	-	-	-
150	Equity instruments	610,049	-	121,110	-
160	Debt securities	36,929,638	36,354,493	3,537,758	2,592,289
170	of which: covered bonds	-	-	-	-
180	of which: asset-backed securities	-	-	-	-
190	of which: issued by general governments	36,911,932	36,354,493	3,430,639	2,592,289
200	of which: issued by financial corporations	15,055	-	93,875	-
210	of which: issued by non-financial corporations	1,753	-	10,423	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	-	-	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			-	-
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	39,684,163	36,965,608		

UK AE3 - Sources of encumbrance
USD '000

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities
		010	030
010	**Carrying amount of selected financial liabilities**	**43,414,371**	**37,956,930**

UK AE4 - Information on importance of encumbrance

As an integral aspect of its business, the Company engages in activities that result in certain assets being encumbered. The majority of encumbrance arises from its secured financing transactions, including repos/reverse repos and securities lending. Other sources of encumbrance are collateral placed at CCPs and clearing banks (including default funds and initial margins) and the minimum reserves placed at Bank of England.

The Company primarily adopts standard collateral agreements and collateralises based on industry standard contractual agreements (mostly CSA, ISDA, PSA or GMRA).

The majority of the unencumbered assets are reverse repurchase agreements and stock borrowing receivables and loans and advances. Other unencumbered assets include cash, derivative assets, property and equipment, deferred tax assets and other assets.

UK AE1, UK AE2 and UK AE3 below reflect the median of the last four quarters as at 31 October 2021:

UK AE1 - Encumbered and unencumbered assets
USD '000

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	2,861,323	1,987,672			28,226,289	1,321,214		
030	Equity instruments	-	-			2,166	-		
040	Debt securities	2,673,368	1,987,672	2,673,368	1,987,672	2,031,612	1,321,214	2,031,612	1,321,214
050	of which: covered bonds	-	-	-	-	-	-	-	-
060	of which: asset-backed securities	-	-	-	-	-	-	-	-
070	of which: issued by general governments	2,400,822	1,987,672	2,400,822	1,987,672	1,525,208	1,321,214	1,525,208	1,321,214
080	of which: issued by financial corporations	267,372	-	267,372	-	481,055	-	481,055	-
090	of which: issued by non-financial corporations	15,332	-	15,332	-	17,102	-	17,102	-
120	Other assets	187,955	-			1,064,720	-		

UK AE2 - Collateral received
USD '000

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	32,330,655	31,082,975	4,573,913	4,374,584
140	Loans on demand	-	-	-	-
150	Equity instruments	5,268	-	24,959	-
160	Debt securities	32,325,431	31,082,975	4,524,737	4,374,584
170	of which: covered bonds	-	-	-	-
180	of which: asset-backed securities	-	-	-	-
190	of which: issued by general governments	31,367,668	31,082,975	4,459,973	4,374,584
200	of which: issued by financial corporations	950,333	-	46,655	-
210	of which: issued by non-financial corporations	727	-	6,703	-
220	Loans and advances other than loans on demand	-	-	-	-
230	Other collateral received	-	-	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	-	-	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**			-	-
250	**TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED**	35,191,978	33,346,327		

UK AE3 - Sources of encumbrance
USD '000

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs
		010	030
010	**Carrying amount of selected financial liabilities**	**37,449,742**	**35,042,174**

LIQUIDITY COVERAGE RATIO

13.1 Overview

The liquidity coverage ratio (LCR) aims to ensure that credit institutions maintain an adequate liquidity buffer to cover the net liquidity outflows under gravely stressed conditions over a period of 30 days. The LCR is an important regulatory ratio covering liquidity, as it provides essential information for the assessment of liquidity risk management and for the decision-making processes of market participants.

QUALITATIVE INFORMATION ON LCR – UK LIQA – LIQUIDITY RISK MANAGEMENT

The below table provide qualitative information on the LCR:

Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding,	There are three key components of SBE's Liquidity Risk Management: - Understanding the liquidity risk profile: identifying, defining, and evaluating the key sources of funding and liquidity risk. - Conducting risk analysis: stress testing is one of the key tools for the assessment of liquidity risk. Stress scenarios and assumptions should adequately address the impact of key risks in order to evaluate and identify vulnerabilities and quantify the Bank's risk capacity. This will form a critical component of the Bank's liquidity risk tolerance. - Management Actions: developing strategies to prevent, control and/or mitigate liquidity risk arising from the Bank's operations, businesses, and products. This includes establishing the suite of limits and metrics designed to control key risks in order to maintain SBE's funding and liquidity risk within an operating range consistent with Board risk tolerance. These 3 components are described in detail in the SBE ILAAP, including liquidity metrics, stress testing, risk limits, liquidity related policies, and the SBE governance structure.
Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)	The Board is supported by four board committees: the Risk Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board is also supported in its governance of Scotiabank Europe plc by other management committees in London, which include the Executive Committee ("EXCO"), the Assets and Liabilities Committee ("ALCO") and other Committees.
A description of the degree of centralisation of liquidity management and interaction between the group's units	The SBE Treasurer is responsible for the management and adherence to SBE's Liquidity requirements. The actual reporting is delegated to Finance and TFRM provide oversight and monitoring of Treasuries Treasury's management of the process. Liquidity is a key subject discussed at the Monthly ALCO meeting where business lines provide input as to future requirements and Treasury discusses and key issues regarding liquidity within SBE. The full costs of holding the HQLA portfolio are allocated to the business lines as appropriate and therefore this drives their behaviour in ensuring that the business lines operate within an effective liquidity regime.
Scope and nature of liquidity risk reporting and measurement systems	The reporting systems used by SBE are based on external vendor platforms which are adequate for the size and scope of the bank. Regular and periodic reconciliations are performed to the general ledger to ensure alignment of liquidity measures. SBE liquidity stress testing is performed daily based on centralised internal system ALRE. The stress testing approach is aligned with the Parent Bank Liquidity Stress Test Framework, but the parameters have been tailored to ensure they are appropriate for SBE's activities and risk profile.
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	The SBE ILAAP provides the framework which SBE Treasury uses to manage the liquidity risk within SBE. This framework consolidates the individual limits surrounding HQLA, DV01, AI/EV. Also within the SBE recovery plan there are policies on Contingency funding and Early Warning indicators along with general process and procedures, which provide a consolidated framework to all combine to mitigate and monitor any potential liquidity risks.

An outline of the bank`s contingency funding plans	The contingency funding strategy ensures that SBE meets all its financial obligations and exceeds Regulatory requirements whilst looking to manage liquidity and funding costs in the most efficient manner SBE has its own unencumbered HQLA portfolio and access to intergroup funding from BNS London, via an authorised credit limit. A conservative trading asset strategy, which means that both the Corporate Banking and Fixed Income assets are of high quality, that both business lines are able to self-fund and or easily dispose of the assets in a stressed scenario
An explanation of how stress testing is used.	Stress testing is used to assess and manage the maturity and single currency profiles of the entity.
A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.	The SBE ILAAP, recommended approved by ALCO and the Risk Committee of the to the SBE Board for approval states that SBE's holding of HQLA, its internal policies related to the management of liquidity risks (aligned to SBE's Risk Appetite Framework), together with its liquidity risk management processes and governance structure are satisfactory to adequately manage liquidity risks within SBE's business.
A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the UK LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body. These ratios may include: Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank · Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity Balance sheet and off-balance sheet items broken down into maturity buckets and the resultant liquidity gaps	An effective Liquidity risk management is critical for SBE to meet its financial obligations in a timely manner at reasonable prices. SBE uses the Liquidity Coverage Ratio and the Survival Horizon as appropriate metrics to monitor and manage its liquidity profile. The details provided in the SBE Board approved ILAAP document demonstrate that SBE meets the PRA's Overall Liquidity Adequacy Rule. Specifically, it demonstrates that SBE holds sufficient High-Quality Liquid Assets (HQLA) along with a prudent funding profile to meet the SBE Board defined limits for liquidity stress testing and LCR reporting. The Net Stable Funding Ratio is included in the monitoring as from when it was implemented in 2022. SBE Board has defined a Pillar 2 LCR of 110% as the liquidity risk appetite limit for the firm, along with an All-Currency Survival Horizon limit of 90 days (the survival horizon limit is expressed as the minimum amount of time, expressed in days, in which SBE can continue to operate without materially adjusting its business model by covering stressed net cash outflows from liquidity reserves). In addition, SBE has defined limits for Single Currency Survival Horizons (for significant currencies), Cash Gap limits for secured financing, HQLA asset quality limits, etc., to manage its liquidity risk profile

Quantitative information of LCR

The below table shows the quantitative information for the LCR.

UK LIQ1 - Quantitative information of LCR
31 Oct 2022
USD '000s

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYY)	T (Sept 22)	T-1(June 22)	T-2 (Mar 22)	T-3 (Dec 21)	T (Sept 22)	T-1(June 22)	T-2 (Mar 22)	T-3 (Dec 21)
UK 1b	Number of data points used in the calculation of averages	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					2,536,183	2,592,885	2,514,698	2,509,398
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	727,357	855,946	884,866	858,384	727,349	855,461	883,902	856,950
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	727,357	855,946	884,866	858,384	727,349	855,461	883,902	856,950
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					1,048,842	1,010,759	813,408	582,205
10	Additional requirements	1,406,177	1,479,063	1,603,986	1,791,837	265,518	283,404	318,024	376,829
11	*Outflows related to derivative exposures and other collateral requirements*	72,547	80,518	80,140	81,202	72,547	80,518	80,140	81,202
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	1,333,630	1,398,544	1,523,846	1,710,636	192,971	202,886	237,883	295,627
14	Other contractual funding obligations	2,884,685	3,355,787	3,649,726	3,749,940	282,214	339,169	263,010	288,307
15	Other contingent funding obligations	33,646	53,656	70,523	76,797	3,339	5,339	6,995	7,559
16	TOTAL CASH OUTFLOWS					2,327,262	2,494,133	2,285,338	2,111,850
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	33,796,959	32,017,229	29,944,950	27,556,341	1,045,346	1,035,085	863,588	571,722
18	Inflows from fully performing exposures	420,654	299,427	249,250	229,750	414,476	297,057	246,108	226,514
19	Other cash inflows	209,533	308,259	306,701	328,413	199,726	293,144	288,974	314,663
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	34,427,146	32,624,915	30,500,901	28,114,504	1,659,548	1,625,287	1,398,670	1,112,900
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	34,239,993	32,275,639	30,146,663	27,755,736	1,659,548	1,625,287	1,398,670	1,112,900
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					2,503,553	2,592,885	2,514,698	2,509,398
22	TOTAL NET CASH OUTFLOWS					768,775	919,990	918,768	998,950
23	LIQUIDITY COVERAGE RATIO					359%	305%	296%	267%

UK LIQ1 - Quantitative information of LCR
31 Oct 2021
USD '000s

		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYY)	T (Sept 21)	T-1(June 21)	T-2 (Mar 21)	T-3 (Dec 20)	T (Sept 21)	T-1(June 21)	T-2 (Mar 21)	T-3 (Dec 20)
UK 1b	Number of data points used in the calculation of averages	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months	12 prior months
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					2,400,914	2,462,176	2,557,259	2,522,564
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	*Stable deposits*	-	-	-	-	-	-	-	-
4	*Less stable deposits*	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	690,662	640,501	599,308	545,879	688,773	638,627	597,456	543,951
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	690,662	640,501	599,308	545,879	688,773	638,627	597,456	543,951
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					588,803	549,077	609,429	723,136
10	Additional requirements	1,954,134	2,213,834	2,418,236	2,661,348	457,740	599,532	760,126	929,418
11	*Outflows related to derivative exposures and other collateral requirements*	84,689	109,367	192,853	298,113	84,689	109,367	192,853	298,113
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	1,869,445	2,104,467	2,225,384	2,363,235	373,051	490,165	567,274	631,305
14	Other contractual funding obligations	3,792,125	3,712,785	3,166,004	3,092,226	267,726	228,374	249,601	235,305
15	Other contingent funding obligations	89,827	90,871	97,235	99,564	8,788	8,833	9,463	9,640
16	TOTAL CASH OUTFLOWS					2,011,830	2,024,442	2,226,076	2,441,449
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	25,314,502	22,398,652	19,771,293	17,790,833	562,643	517,862	575,759	652,269
18	Inflows from fully performing exposures	219,812	266,109	294,559	416,504	214,634	255,661	276,114	397,631
19	Other cash inflows	307,995	261,609	267,544	323,192	299,665	258,758	267,544	323,192
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	25,842,309	22,926,369	20,333,396	18,530,529	1,076,941	1,032,282	1,119,418	1,373,091
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	25,455,183	22,530,027	19,843,100	17,917,773	1,076,941	1,032,282	1,119,418	1,373,091
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					2,400,914	2,462,176	2,557,259	2,522,564
22	TOTAL NET CASH OUTFLOWS					934,889	992,160	1,106,658	1,068,358
23	LIQUIDITY COVERAGE RATIO					272%	266%	234%	241%

Table UK LIQB on qualitative information on LCR, which complements template UK LIQ1.

The below table provide additional qualitative information on the LCR:

Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	The main driver of the LCR relate to movements in funding requirement of the trading desks in SBE, which move depending on trading volumes and underlying assets being traded. As we are currently in the execution phase of UKBR, the trade volumes are decreasing but the liquidity buffer remains high to cover any unforeseen events in trade migration.
Explanations on the changes in the LCR over time	The liquidity management function have focused on maintaining the LCR surplus, which is a measure of the excess HQLA held over the Board LCR limit, rather than a target ratio. As we work through the execution stage of UKBR, the surplus is higher than historic averages to cover any issues which might arise as trades are migrated. As the assets are migrating out of SBE, the standalone funding from Capital and Reserves is become proportionally higher. .
Explanations on the actual concentration of funding sources	As a UK subsidiary of a Canadian Bank, SBE is reliant upon intergroup and internal funding to provide its funding needs; external funding accounting for less than 1% of requirements. The principal funding requirements are provided by Internal Capital & Reserves and 1-year Evergreens from BNSL, denominated in EUR, GBP and USD. The balance of the funding utilises principally an uncommitted lending facility with BNSL, together with other Intergroup fixed term deposit. SBE Treasury maintains a standalone HQLA portfolio which is split across the 3 major currencies and aligned closely to the SBE balance sheet currency split. This ensures that SBE is compliant with the PRA given regulatory requirements. A series of internal limits including a DV01, all currency Stress test, Single currency stress test, Aggregate FX forwards, HQLA policy and AI/EV limits; are established to ensure that the Funding and liquidity strategy remains within the SBE Risk appetite.
High-level description of the composition of the institution`s liquidity buffer.	The liquidity buffer is mainly comprised of Withdrawable Central Bank deposits and Level 1 Central Government bonds. There are also small holdings of L1 Public Sector Entities, L1 Multi-lateral Development Banks and L2A public sector assets
Derivative exposures and potential collateral calls	For agreements where the posting of margin or collateral is specified, a margin call will be generated due to a collateral event. For example, for a new agreement, initial margin may be required. Variation margin may be required due to changes in exposure values, changes in collateral values or counterparty ratings changes. Through a series of feeds from the upstream source systems, Vermeg Colline aggregates the exposures by counterparty and compares these against agreed upon terms and conditions of each CSA. In doing so, it facilitates netting of exposures on a bilateral basis and generates margin calls against specified thresholds.

Currency mismatch in the LCR	SBE looks to borrow funds in the underlying currency and match the deposit portfolio to the breakdown of the asset currencies. For minor currencies or illiquid currency funding, SBE will use FX cross currency arbitrage to provide funding. The cross-currency risk is managed through limits set against the aggregate FX forward contracts, internal 14 day stress test by currency, USD EUR and GBP, Secured 30 day maximum negative cash gap and the individual monthly calculated single currency LCR are monitored at ALCO, together with the quarterly monthly currency breakdown of the SBE Balance sheet.
Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	Key items are captured in other sections of the disclosure template

REMUNERATION

The Bank of Nova Scotia Compensation Policy provides a governance framework and guidelines for the compensation of employees of the Bank, including those located in the UK. The Policy sets out a pay-for-performance and conduct culture philosophy that supports our strategic focus, encourages strong corporate performance including against environmental, social and governance (”ESG”’) objectives, and helps the Bank create and sustain shareholder value over the long term. The UK Compensation Policy Addendum, together with the BNS Compensation Policy, Clawback Policy, Fixed Pay Allowance Policy and the Global Banking and Markets Incentive Plan (“GBMIP”) deferred compensation guidelines, set out the remuneration policy for Scotiabank UK. Consistent with UK regulatory requirements and best practices, Scotiabank UK’s approach to compensation is gender neutral.

All staff are employed by the London branch of the Parent and those who provide services to the Company do so either under internal secondment arrangements or pursuant to intragroup service level agreements. As SBE and the London branch are proportionality level two firms, Scotiabank UK documents its remuneration policies, practices and procedures, and assesses its compliance with the Remuneration Part of the PRA Rulebook on an annual basis using the PRA’s Remuneration Policy Statement template for Proportionality Level Two firms.

14.1 Qualitative Disclosure

14.1.1 Governance

Role of the Parent’s Human Capital and Compensation Committee

The Parent has an established Human Capital and Compensation Committee (“HCOB”) of its Board of Directors, which is responsible for setting global bank-wide compensation policies for Scotiabank, including Scotiabank UK, on overseeing the compensation governance framework and ensuring that compensation arrangements are consistent with and promote effective risk management. In addition, the HCOB annually approves the Remuneration Policy Statement that applies to the Company and the remuneration section of the SBE Pillar 3 Disclosure, as well as individual awards to Material Risk Takers (“MRTs”), in accordance with the Remuneration Code for Firms that are dual regulated by the FCA and the PRA.

The HCOB also reviews the total compensation principles and material compensation programmes applicable to Scotiabank UK, approves total compensation to be paid or awarded to executive officers of Scotiabank UK, and recommends to the Parent board the general criteria and design of the material compensation plans applicable to the Company, and the basis and allocation for distribution of awards relating to various other incentive plans.

Decision-making process of the Human Capital and Compensation Committee

The HCOB assumes decision-making responsibilities relating to compensation and annual disclosure. It reviews and recommends to the Parent Board the content and effectiveness of compensation policy, as informed by group human resources and independent advisors, and ensures they align with Scotiabank and Scotiabank UK’s strategic objectives.

To achieve this, the HCOB is responsible for:

- *Leadership and succession planning* – overseeing management succession plans to ensure effective leadership.
- *Compensation philosophy and human resources policies and practices* – overseeing alignment with Scotiabank’s pay-for-performance strategy and risk appetite.
- *Compensation Programmes* – overseeing material compensation programmes and incentive plans and making recommendations to the Parent board with respect to these programmes. Reviewing compensation disclosure and recommending approval to the Parent board prior to publication.
- *Compensation governance* – reviewing evolving governance practices and the alignment of compensation policies with best practices including the remuneration-related requirements of the FSB, FCA, PRA and proxy voting guidelines of shareholder advisory firms such as ISS and Glass Lewis, and monitoring compliance.

- *Managing compensation risk* – meeting with the Parent Board's Risk Committee to review jointly and recommend to the Parent's Board all key elements of material compensation plans, including plan design, targets, metrics and potential payouts.

The HCOB held seven meetings in 2022 (2021: seven meetings), including one joint session with the Parent Board's Risk Committee.

More information on HCOB compensation decision-making can be found in the Parent's Management Proxy Circular at https://www.scotiabank.com/ca/en/about/investors-shareholders/annual-reports.html

Composition of the Human Capital and Compensation Committee

Current members of the HCOB are: Nora Aufreiter (Chair), Guillermo Babatz, Una Power, Aaron Regent and Calin Rovinescu. The members of the HCOB are all non-executive directors of the Parent Board.

External Consultants

The HCOB retains external, qualified third parties to advise them on compensation matters. The HCOB has policies which make sure the advisors are independent. The HCOB has retained Hugessen Consulting Inc. ("Hugessen") as its independent advisor since 2019. The HCOB also retained Semler Brossy Consulting Group LLC ("Semler Brossy") to collaborate with Hugessen to provide a broader global perspective on executive compensation practices and related compensation governance matters. In 2022, Hugessen and Semler Brossy working without direction from management, provided the HCOB with updates on ongoing and emerging trends in executive compensation, regulatory developments and governance, competitive analysis of the Parent's President and CEO compensation, review of materials in advance of HCOB meetings, and identification of discussion points and issues for the HCOB's consideration when evaluating compensation plan design features. Hugessen and Semler Brossy are independent executive compensation consulting firms based in Toronto and Los Angeles.

Role of the SBE Remuneration Committee, Senior Management Function 12 and the Remuneration Oversight Committee

While the HCOB acts as the Parent's remuneration committee, the Company's Remuneration Committee ("RemCo") is responsible for ensuring compliance with all UK remuneration-related regulatory requirements, including those of the PRA and the FCA, and making recommendations to the Company Board. SBE RemCo and the SMF 12 are responsible for being aware of any matters to be discussed or decisions made by the HCOB which are relevant to the Company and provide local oversight, review and input on remuneration matters. The SBE RemCo consists of the Senior Management Function 12 ("SMF 12", who fulfils the PRA's function of chairman of the remuneration committee) and three independent Non-Executive Directors ("iNEDs").

As of 31 October 2022, membership of the SBE RemCo comprised Kerry Spooner (RemCo Chair), Phil Cutts, Noel Harwerth and Julie Currie. Senior management may be invited to the meetings. RemCo met five times during 2022 fiscal year.
The RemCo Chair and SBE RemCo were supported in executing their remuneration mandate by the UK Remuneration Oversight Committee ("UK ROC", a management committee) and associated sub-committees. The UK ROC is responsible for overseeing the implementation of BNS Human Resources and compensation policies and procedures. The SBE Remco's and UK ROC's remuneration responsibilities include:

- Reviewing and approving the list of UK Material Risk Takers ahead of submission to the RemCo, Compensation Review Committee ("CRC") and HCOB.
- Reviewing and approving the Material Risk Taker Identification Procedure, in accordance with the Remuneration Part of the PRA Rulebook, and prior to submission to SBE RemCo and BNS HCOB
- Reviewing and approving the Remuneration Policy Statement or equivalent documentation for purposes of recording relevant policies, practices and procedures to comply with PRA requirements, for submission to the SBE RemCo and HCOB for approval.
- Reviewing and approving the Pillar 3 Disclosure (Remuneration section), prior to submission to the RemCo, SBE Board and HCOB.

- Reviewing and approving the High Earners Report and the MRT Exclusion Report for submission to the RemCo and HCOB for approval prior to filing with the PRA.
- Reviewing the mandatory Gender Pay Gap Report prior to providing to the RemCo and publication on the website.
- Annually reviewing a proportionality assessment of SBE and BNSL, prepared by Finance, which categorises the entities by tier level based on total assets at financial year-end, for purposes of determining applicable remuneration rules, as specified by the PRA in its 2020 Supervisory Statement. The RemCo and HCOB are updated on the results of the proportionality assessment.
- Reviewing and approving The Bank of Nova Scotia Compensation Policy, UK Compensation Policy Addendum and other pertinent supplementary remuneration materials to the Compensation Policy, prior to submission to the RemCo and HCOB for review and adoption/approval.
- Annually reviewing BNSL and SBE compliance with the Remuneration Code for Dual Regulated Firms.
- Reviewing remuneration-related publications from the PRA and FCA to determine impact and if any changes are required.
- Reviewing annual memoranda by the Chief Risk Officer and the Heads of Compliance and Finance, prior to incentive payment and prior to submission to the RemCo and HCOB.
- Regularly, and at least annually, providing reporting to the Senior Manager Function 12 of SBE, the RemCo and HCOB with respect to the above activities and attesting to compliance with the Code.
- Through a sub-committee, the Conduct Committee, reviewing all UK-related risk or misconduct incidents on a quarterly basis for submission to the CRC and recommending ex-ante and/or ex-post (percentage) adjustments to individual incentive awards for UK MRTs and for other UK employees involved in a material risk or misconduct incident, if any, to the Adjustment Committee and / or the CRC as applicable.
- Through another sub-committee, the Adjustment Committee, determining individual UK MRT incentive awards and adjustments (quantum), and reviewing MRT compensation recommendations from the Conduct Committee for submission to Business Unit / Control Function Heads for approval.

MRT Criteria

Material Risk Takers are broadly comprised of the management body and senior management, employees who are authorised to commit the Company to risk-taking transactions and heads of business units, and control and support functions, and employees whose total remuneration falls within the PRA and FCA quantitative criteria. The Company follows the PRA's remuneration rules, and identifies the following groups of employees as MRTs based on qualitative criteria (related to the role and decision-making authority of employees) and quantitative criteria (related to the level of total gross remuneration in absolute or relative terms):

(a) Directors of the SBE Board including Non-Executive Directors.
(b) Members of Scotiabank UK Executive Committee.
(c) Employees with managerial responsibility for legal affairs, the soundness of accounting policies and procedures, finance including taxation and budgeting, performing economic analysis, prevention of money laundering and terrorist financing, human resources, development or implementation of remuneration policy, information technology and information security, and managing outsourcing arrangements of a critical or important function, where a defect or failure in the performance of that function would materially impair the continuing compliance of the firm with the conditions and obligations of its authorisation, financial performance, or the soundness or continuity of its services and activities.
(d) Employees with managerial responsibilities for the following risk categories: credit and counterparty risk, residual risk, concentration risk, securitization risk, market risk, interest risk arising from non-trading book activities, operational risk, liquidity risk and risk of excessive leverage, or the employee is a voting member of a committee responsible for the management of a risk category.
(e) Employees leading business line functions with a significant proportion of revenues, numbers of front-office staff and/or capital usage.
(f) Employees leading control and stewardship functions including compliance, finance, legal, risk, audit and HR.
(g) Employees responsible for developing and implementing Scotiabank UK and business line strategy.
(h) All voting members of Scotiabank UKs credit committee.
(i) All traders with primary responsibility for a trading book or with supervisory responsibility in Capital Markets and Treasury business lines.
(j) Senior management whose activities are deemed to have a material impact on the Company's risk profile in the UK.
(k) Higher earners and employees involved in trading activities who have a material impact on the Company's risk profile.

In addition to the criteria above, the Company also considers individuals who can expose the firm to a material level of harm, including reputational harm, when identifying MRTs. Material Risk Takers are annually notified of their MRT status and specific remuneration-related regulatory requirements, and are asked to acknowledge their understanding of such.

14.1.2 Link between pay and performance

In addition to base salary and fixed pay allowance (i.e., role-based allowance), the Parent's compensation programme for UK-based staff includes a mix of annual and deferred incentives – which together are variable remuneration and known as "pay-at-risk" since they are not guaranteed and subject to performance and the BNS Clawback Policy. The Company has capped variable pay to a maximum ratio of 100% of fixed compensation for its MRTs and has not sought shareholder approval to increase the ratio to a maximum of 200%.

Annual incentives reward employees for meeting annual corporate objectives (financial and non-financial) and individual deliverables. The main performance objectives in our Annual Incentive Plan ("AIP") for non-revenue generating roles, typically in control and support functions, include Net Income Attributable to Common Shareholders ("NIACS"), operating leverage and a customer metric. These performance metrics are used to determine an all-Bank business performance factor ("BPF") that may be adjusted based on a Strategic & Operational Modifier focusing on meeting key objectives in the areas of culture and leadership, balance sheet management/quality of earnings, risk and regulatory governance, and environmental, social and governance, reflecting a holistic view of the Bank's performance, as well as other factors as appropriate. The adjusted all-Bank BPF may be further adjusted based on performance relative to our peers. Front-office revenue-generating employees receive incentives through the Global Banking and Markets Incentive Plan, where a discretionary bonus pool is funded based on year-over-year performance of business line Net Income Before Bonus and Tax ("NIBBT") and GBM's Net Income After Tax ("NIAT"), and may be further adjusted based on performance relative to peers and overall Scotiabank performance. Both AIP and GBMIP bonus pools can be adjusted by the BNS HCOB and BNS Risk Committee, based on recommendations from the BNS Chief Risk Officer and his assessment of the risk taken to achieve performance outcomes. Additionally, the Scotiabank UK CRO can make recommendations to the SBE RemCo to adjust the Scotiabank UK incentive spend.

Total remuneration of Scotiabank UK's employees, including MRTs, may comprise fixed remuneration (i.e., base salary, fixed pay allowance, non-discretionary pension, other benefits and all allowances, including mobility-related allowances) and variable remuneration (i.e., annual incentives including AIP and GBMIP schemes and deferred incentives including Europe Restricted Share Units ("RSUs") and Deferred Cash). In determining the appropriate mix of fixed and variable remuneration, an employee's ability to affect results over the longer term, the mix for similar positions in the markets in which Scotiabank UK competes and market practice are all considered.

Scotiabank UK typically provides severance at or above UK statutory requirements and in-line with market practice in the UK. In accordance with the Remuneration Code for Dual Regulated Firms, any early termination payments reflect performance achieved over time and do not reward for failure or misconduct and are made consistent with appropriate risk management. Severance payments to MRTs are in compliance with the remuneration requirements of the Code. Severance pay, if any, is determined on a case-by-case basis and involves legal, human resources and the advice of external counsel if required, to ensure any severance payments are sound, appropriate, proportionate and in line with regulatory guidelines and The Bank of Nova Scotia, London Branch ('BNSL') Employee Severance Payment Guidelines.

Guaranteed variable remuneration is not part of Scotiabank UK's remuneration approach and is discouraged in keeping with the Bank's Compensation Policy. One-time awards may be selectively provided to new-hire employees in their first year of employment to compensate for variable remuneration foregone from a previous employer in adherence to the provisions of the Code, including application of deferral and clawback arrangements. Additionally, retention awards, if any, are made by Scotiabank UK in exceptional circumstances only. Retention awards for MRTs are only awarded with the approval of the PRA and FCA in advance of making the award. Retention awards are not made to compensate staff for other variable remuneration that will not be paid or will be paid at a lower level.

Furthermore, Scotiabank UK employees at the BNS executive or managing director level are required to hold equity in BNS to ensure their interests are aligned with those of BNS shareholders. Common shares, outstanding share units (example: restricted share units), holdings through the BNS Employee Share Ownership Plan and UK employee Share Incentive Plan scheme all count towards meeting this requirement.

14.1.3 Design and Structure of Remuneration

Fixed Remuneration

Fixed remuneration includes base salary, fixed pay allowance, non-discretionary pension, and other benefits and allowances, including mobility-related allowances. The fixed remuneration of MRTs reflects their professional experience and organizational responsibility taking into account the level of education, the degree of seniority, the level of expertise and skills, the constraints (e.g., social, economic, cultural or other relevant factors) and job experience, the relevant business activity and local remuneration levels.

Salary

Base salary is paid in non-deferred cash and compensates employees for fulfilling their day-to-day roles and responsibilities, including leadership and management duties. Total compensation, including base salary and incentives, is reviewed annually and adjusted where appropriate based on each employee's role and experience, sustained performance, internal job value and local external market practice.

Fixed Pay Allowance ("FPA")

Fixed pay allowances (if provided) are paid in non-deferred cash and form an element of an eligible employee's fixed annual pay. The amount of the fixed pay allowance is determined based on role, function and/or organisational responsibility and experience in that capacity (i.e., education, seniority, expertise and skill, job experience, business activity), and are set at a level that is determined to be appropriate taking into account market remuneration for the employee's role. The allowance is provided as long as there are no material changes regarding the responsibilities and authorities of the role. Our FPA Policy meets the remuneration-related regulatory requirements in that FPAs are pre-determined, permanent, non-revocable, transparent to staff, non-discretionary, not linked to measures of performance, and are not an incentive for risk-taking.

Benefit Pension Plan

The Scotiabank UK Pension Scheme (UK & CI), a registered defined benefit pension plan was closed to new members in July 2005 and was closed to future accruals effective 31 October 2016. Starting 1 November 2016, all employees are eligible to participate in the Scotiabank Group Personal Pension Plan ("GPPP"), an approved defined contribution plan. Participants in the GPPP have the option to be either contributory or non-contributory members.

Variable Remuneration

Variable pay is comprised of annual incentives (paid in non-deferred cash or a mix of non-deferred cash and immediately-vested RSUs) and deferred incentives (paid in RSUs or a mix of deferred cash and RSUs) for all employees, including material risk takers, the management body and control function staff. For all back- and middle-office employees, including employees in control functions (i.e., risk management, compliance, internal audit and finance) and supporting personnel who are not client-facing, these incentives are delivered through the Annual Incentive Plan and deferred compensation programmes. For GBM front-office employees, these incentives are delivered through the Global Banking and Markets Incentive Plan where a portion of the GBMIP award is delivered as upfront incentives and a portion is delivered as deferred incentives. See 16.1.4 and 16.1.5 below.

The separate plans outlined above ensure independence of incentives for control functions from the front-office business they support.

14.1.4 Annual Incentives (Upfront Variable Remuneration)

Rationale & Eligibility Criteria

All employees are eligible to participate in an annual incentive programme. Annual incentives are designed to reward employees for their contribution to the achievement of annual financial and non-financial goals.

Scotiabank UK has two annual incentive programmes for employees in the UK including MRTs, designed to reward employees for their contribution to the achievement of annual goals:

- AIP for all back- and middle-office employees, including employees in control function roles and supporting personnel who are not client facing.
- GBMIP for Global Banking and Markets front-office employees, in designated units and roles that support revenue generation. The GBMIP programme includes an upfront component and a deferred component. That is, a portion of the annual GBMIP award is paid upfront and the remainder is deferred to provide alignment with BNS' longer-term performance (see 16.1.5 below).

Performance Measurement/Assessment

The AIP programme, rewards employees based on Scotiabank's performance on financial and customer metrics for the fiscal year as well as individual performance, which has a significant impact on final awards. The AIP includes risk-adjusted measures that reflect a full range of potential risks. The aggregate AIP pool is determined based on Scotiabank's achievement on a scorecard of all-Bank measures: NIACS, operating leverage and customer goals that may be adjusted based on a Strategic & Operational Modifier and adjusted for performance relative to peers, as well as a discretionary risk adjustment that is approved by the Parent Board after considering performance against Scotiabank's Risk Appetite Framework.

The GBMIP programme is designed to reward eligible employees of GBM for the achievement of GBM's overall and business line objectives. The aggregate GBMIP pool is determined based on year-over-year performance of business line NIBBT and GBM's NIAT, adjusted for performance relative to peers and overall Scotiabank performance, as well as a discretionary risk adjustment that is approved by the Parent Board after considering performance against Scotiabank's Risk Appetite Framework. Individual awards are based on individual and business line performance, as well as market position and the pool of funds available.

Risk Adjustment

Prior to incentive awards being approved, the Parent's Chief Risk Officer assesses whether there are any other potential risks that should be reflected in the incentive pool funding and recommends adjustments – where appropriate – to the HCOB and Risk Committee. Additionally, Scotiabank UK's Chief Risk Officer assesses risks undertaken by Scotiabank UK including compensation plan design, conduct considerations, considerations on performance against risk appetite, input from the Company's compliance and finance functions, the use of financial resources within Scotiabank UK in conducting its activities during the fiscal year, and may recommend adjustments to the aggregate UK bonus spend, if necessary to the SBE RemCo and to the HCOB and Risk Committee (in a joint meeting). For further details please refer to section 16.1.6.

The Company's Chief Financial Officer also carries out an annual Prudent Valuation Adjustment ("PVA") calculation that looks at the year-to-year movement of the Company's prudent valuation return. Any required adjustments are reflected in employee's individual AIP or GBMIP awards to reflect the PVA-adjusted profit.

Additionally, the Company's Head of Compliance assesses annually all remuneration programmes against the FCA Remuneration Code for Dual Regulated Firms and the Remuneration Part of the PRA Rulebook and provides assurances to the UK ROC, SBE RemCo, SBE Board and the HCOB, on any areas of concern about the conduct of MRTs or the riskiness of business undertaken.

Deferral and Vesting

For participants in the AIP programme:

- MRTs receive 50% of their AIP award in immediately-vested Restricted Share Units pursuant to The Bank of Nova Scotia Europe Restricted Share Unit Plan and the remainder is paid in non-deferred cash.
- Exempt[2] MRTs and other employees participating in AIP receive their full AIP award in non-deferred cash. There is no regulatory restriction on how the payment of their annual incentive should be made.

For participants in the GBMIP programme:

- A portion of the GBMIP award is paid up front and the remainder is deferred (see section 16.1.5). The percentage of the award comprising the upfront portion varies between 40% - 85% depending on GBM job level.
- MRTs receive 50% of their GBMIP upfront portion in immediately-vested RSUs pursuant to the Europe RSU Plan and the remainder is paid in non-deferred cash.
- Exempt[2] MRTs and other front-office GBMIP employees receive their full GBMIP upfront portion in non-deferred cash.

RSUs awarded to all MRTs do not attract reinvested dividend equivalents and are subject to a 12-month retention period prior to payment. Payment of the RSUs will be based on the value of the units at the time of payment in cash.

Note:
[2] Exempt per FCA's SYSC 19D.3.3. Certain MRT remuneration rules may be disapplied for exempt MRTs including deferral and vesting requirements.

14.1.5 Deferred Incentives (Deferred Variable Remuneration)

Rationale & Eligibility Criteria

Material Risk Taker staff are subject to deferred compensation policies and practices as referenced in the Parent's Compensation Policy or the variable remuneration rules by the PRA and the FCA, as applicable. The following are considerations in setting the actual deferral period and proportion to be deferred:

- Responsibilities and authorities by MRTs and the tasks they perform.
- Business cycle and nature of Scotiabank UK's activities.
- Expected fluctuations in the economic activity and performance and risks of Scotiabank UK and the impact of MRTs on these fluctuations.
- Ratio between variable and fixed compensation, and the absolute amount of variable and total remuneration.
- Variable remuneration, minimum deferral requirements, vesting periods and schedule as required by PRA and FCA

A portion of the incentive awards made to MRTs is deferred to reward them for sustained performance over a four- to seven-year period. Deferred incentive awards include RSUs and Deferred Cash Awards.

For AIP participants, the Europe RSU Plan is intended for key individuals who have the ability to assist in creating future shareholder value. Back and middle-office employees, including employees in control function roles and supporting personnel who are not client-facing at the internal director level and above, may be eligible to receive grants of deferred compensation.

For GBMIP participants, a portion of the GBMIP award is received as deferred compensation which includes Europe RSUs, where the portion of total deferred compensation is dependent on the total variable compensation award and may vary between 15% and 60% depending on GBM job level. The Europe RSU Plan is an integral part of the GBMIP designed to align the interests of GBM employees with those of Scotiabank's shareholders. All GBM front-office employees in client-facing roles and roles that support revenue generation are eligible to participate.

Deferred Cash Awards are intended for MRTs only. All MRTs in the UK are eligible to receive Deferred Cash Awards, and such awards make up 50% of the total deferred incentive. Exempt MRTs receive their full deferred incentive awards in RSUs.

Performance Measurement/Assessment

For AIP participants, the Europe RSU Plan is designed to reward nominated employees at the internal director level in Support and Control Functions and certain executives in the UK for delivering sustained shareholder value. RSUs gain value with the appreciation in the Parent's common share price.

For GBMIP participants, the Europe RSU Plan allows GBM employees to receive a portion of their total incentive as RSUs tied to Scotiabank's common share price.

Deferral and Vesting

AIP participants in the UK at the internal director level and above may be eligible to receive grants of deferred compensation in addition to an AIP award. Deferred compensation and vesting of deferred incentives for MRTs are as follows:

- MRTs receive 50% of their deferred award in RSUs and 50% as Deferred Cash Awards. Both RSUs and Deferred Cash Awards vest pro-rata over a four- to seven-year deferral period depending on the MRT's role. The portion of the total incentive deferred varies between 40% and 60% in accordance with the Remuneration Code for Dual-Regulated Firms.
- Exempt[2] AIP-eligible MRTs and other AIP-eligible employees, depending on seniority, may receive deferred compensation on a discretionary basis based on individual performance and potential, and awards typically range between 0% - 40% of total incentives received. Awards are made entirely in RSUs that vest 100% at the end of three years.

GBMIP participants receive a portion of their award as deferred compensation.

- MRTs who are GBMIP participants have the same vesting and deferral criteria as MRT participants of the AIP programme (see above).
- Exempt[2] MRTs and other GBMIP participants receive their entire deferred award in RSUs that vest in equal instalments over three years. The portion of total deferred incentive varies between 15% - 60% of total incentives received depending on GBM job level.

RSUs awarded to MRTs do not attract reinvested dividend equivalents and vested awards are subject to a 12-month retention period prior to payment. Payment of the RSUs will be based on the value of the units at the time of payment in cas

Risk Adjustments

Prior to the awards vesting, the Parent's Chief Risk Officer assesses whether there are any other potential risks that should be reflected in the amount vesting and recommends adjustments – where appropriate – to the HCOB and Risk Committee. Additionally, Scotiabank UK's Chief Risk Officer produces a risk assessment on operations and adherence to business risk appetite. For further details please refer to section 16.1.6.

14.1.6 Risk Management and Risk Adjustment

Scotiabank and Scotiabank UK's approach to risk management and compensation is designed to ensure alignment of compensation with the respective organisations' risk profile and risk time horizon. Scotiabank's compensation programme takes into account the risks that employees take on behalf of Scotiabank and Scotiabank UK, and ensures compensation takes into consideration prospective risks and outcomes. In designing employee compensation programmes, care is taken to ensure that:

1. Risk is carefully managed, so that all business performance targets and individual/department objectives can be accomplished within established risk policies, limits, processes and standards. The key metrics on which incentive compensation plans are based are approved by the Parent Board.
   - Employees are discouraged from taking unreasonable and excessive risks through a strong internal risk culture that is reinforced by compensation programmes. By delivering incentive compensation through a combination of annual, mid-term and long-term incentives that reflect Scotiabank and Scotiabank UK's risk profile and by deferring a substantial portion of the incentive compensation paid to senior executives and other employees whose actions can have a material impact on risk, employees are discouraged from taking unreasonable and excessive risks. Caps are also placed on annual incentive funding in conjunction with stress-testing potential payouts and implementing share ownership and post-retirement share retention requirements to ensure shareholder alignment on a long-term basis.
   - The Parent's Chief Risk Officer and Global Risk Management function review all material compensation plans from a design perspective to ensure that they reflect the risk appetite framework of Scotiabank. The Parent's Chief Risk Officer assesses whether there are other potential risks that should be adjusted for in incentive pool funding (such as concentration risk, off-balance-sheet risk and liquidity risk) or, for individuals, monitors all material compensation plans for adherence with Scotiabank's risk appetite, and recommends adjustments to the Parent Board's Human Capital and Compensation and Risk Committees, if warranted.
   - As part of the Parent's Chief Risk Officer's risk assessment, prudent valuations for capital adequacy are conducted to ensure Scotiabank is appropriately managing its capital to produce shareholder returns. As each business line is allocated equity which reflects their respective economic capital, the capital adequacy assessment ensures that capital is adequate to meet current and future risk and achieve strategic objectives. These prudent valuations ensure business lines are being charged adequately for the risk inherent in their respective business, and feed into the determination of incentive pools.

2. The Company has a local compensation adjustment process for all employees, the purpose of which is to maintain the alignment between risk and rewards to ensure that variable remuneration is paid / vests only if it is sustainable, taking into account the financial situation of the Company, and justified on the basis of the performance of the Company, the business area and the individual(s) concerned. Under this framework, the Company may take action to adjust variable remuneration either individually or collectively. This process includes Scotiabank UK's Chief Risk Officer assessing the risks undertaken by Scotiabank UK, which include compensation plan design, conduct considerations, considerations on performance against risk appetite, input from Scotiabank UK compliance and finance functions, and the use of financial resources within Scotiabank UK in conducting its activities during the fiscal year, and recommending adjustments to the aggregate UK bonus spend – if necessary – to the SBE RemCo and to the HCOB and Risk Committee (in a joint meeting). Additionally, the Company's Board assesses the achievement of performance targets and the need for ex-post risk adjustment, including any proposed application of malus and clawback arrangements in Scotiabank UK. Finally, the process includes input from Scotiabank UK Finance on the quality and sustainability of net income and profit that feed into the determination of bonus spend in the Company, and valuations conducted for the Company through its ICAAP to ensure the Company has been prudent in managing its capital.

3. The Parent Board's Risk Committee participates in reviews of the design and results of incentive programmes: The Risk Committee members and the HCOB members jointly review and approve the design, metrics, targets, and payouts of material compensation programmes. In addition, Scotiabank UK's Chief Risk Officer produces a risk assessment analysis on operations and adherence to business risk appetite.

4. The SMF 12 and SBE RemCo is supported in executing the remuneration aspects of their mandate by the UK ROC and associated sub-committees, responsible for ensuring compliance with UK remuneration regulatory requirements and overseeing the implementation of new policies and procedures to support the requirements, including those of the PRA

and FCA. Core members of the UK ROC are the UK Heads of Human resources, Compliance, Finance and Risk management (or their delegates), the VP Total Rewards – Executive and Global Banking and Markets, Senior Manager, Compensation Policy and Governance as well as the Head of Global Banking and Markets Europe who acts as Chair of the Committee. The UK Heads of Legal and Audit are optional meeting attendees.

5. Adherence to business values, code of conduct, risk and compliance-related policies are key considerations when determining individual compensation awards. For material risk impact employees throughout the Parent organisation and MRTs in the UK, the Parent's Compensation Review Committee (whose membership includes the global heads of finance, risk management, legal, compliance, internal audit, human resources, and the SVP Total Rewards) reviews possible breaches in conduct to ensure appropriate linkage between incentive compensation and risk. Through a conduct sub-committee, the UK ROC reviews and approves the list of UK-related risk or misconduct incidents for submission to the CRC and recommends compensation adjustments to individual incentive awards for UK MRTs and other UK employees involved in a material risk or misconduct incident, if any to the CRC. The SBE RemCo is updated on the activities and decisions of the UK ROC and associated sub-committees.

6. Measures for incentive programmes are thoroughly reviewed by the Parent's senior executive leadership team – a committee has been established, consisting of the President and CEO of the Parent and his direct reports, the Human Capital Committee, that provides senior leaders with the opportunity to review and evaluate the key aspects of material compensation programmes from an overall policy and comprehensive risk basis.

7. Control and support functions, including risk management, legal, compliance and anti-money laundering, finance, internal audit, and human resources, are independent from the business units they oversee and have responsibility independent from the business to provide objective assessment, reporting and / or assurance. Control functions have appropriate authority and are remunerated in accordance with their functional objectives and all-Bank performance. The remuneration of control functions is overseen by the SBE Board and the HCOB and is predominantly fixed, to reflect the nature of their responsibilities. These employees participate in the Bank's global compensation programme and are excluded from any incentive programme offered by the business line they support. Control and support function management have day-to-day responsibility and ultimate accountability for control and support function employees including hiring decisions, performance appraisals, and compensation.

8. Clawback and malus provisions: The Bank of Nova Scotia Clawback Policy applies to covered individuals and employee groups, including MRTs. Employees may forfeit outstanding awards, be required to repay previous compensation or have future grants reduced under a variety of triggering events including employee misconduct, misbehaviour, fraud or gross negligence; material risk management failure of the firm and/or business unit; material misstatement or downturn of the Parent's or a business of the Parent's financial results or financial performance; significant increases in the Parent's or business line's economic or regulatory capital base; any regulatory sanctions where the conduct of the covered individual contributed to the sanctions; or there is reasonable evidence of a MRT engaging in misbehaviour/misconduct or committing a material error.

9. Anti-hedging and non-assignability provisions prohibit employees from utilizing hedging strategies or derivatives to circumvent the risk alignment effects of the Parent's compensation programmes.

10. Compensation programmes are reviewed independently of management. The Parent's internal audit group conducts an annual review of compensation programmes and practices, reporting directly to the HCOB. The review includes all material compensation plans and programmes, and assessment of the appropriateness of these plans and programmes against organisational goals and risk profile, as well as the Financial Stability Board ("FSB") principles and standards, and an assessment of appropriateness of payouts relative to performance and risk.

11. Biennially, Scotiabank UK Internal Audit provides an independent opinion on the design and operating effectiveness of internal controls to ensure that remuneration policies and procedures in Scotiabank UK comply with the applicable regulation of the PRA and the FCA. Additionally, Scotiabank UK Compliance conducts an annual compliance testing to provide an opinion on the adequacy of and adherence to the applicable regulation and controls related to remuneration in order to mitigate regulatory and/or other compliance risks.

14.2 Quantitative Disclosure

The tables below summarise total remuneration earned during the 2022 fiscal year for MRTs and include variable remuneration awards made after the end of the fiscal year to reflect decisions made during the compensation planning cycle. The Deferred Remuneration Outstanding table is a snapshot of outstanding deferred remuneration as of October 31, 2022 and deferred remuneration awarded/paid during the fiscal year. The quantitative tables have been produced using remuneration disclosure templates as presented in Annex XXXIII of the PRA Rulebook, effective January 1, 2022. The information is reported by major business area, control function, and management group.

2022 Fiscal Year

Table UK REM1 – Remuneration awarded for the fiscal year

Fixed and Variable Remuneration for fiscal 2022 MRTs (pro-rated for part-year MRTs)

	Management Body Supervisory function(1)	Management Body Management function(2)	Other senior management	Other identified staff
FIXED REMUNERATION				
Number of identified staff	**5**	**13**		**29**
Total fixed remuneration	**481**	**5,927**	**-**	**11,526**
Cash	481	5,927	-	11,526
VARIABLE REMUNERATION				
Number of identified staff	**-**	**13**	**-**	**29**
Total variable remuneration		**3,280**	**-**	**4,074**
Cash	-	1,640	-	2,106
Cash deferred	-	829	-	791
Shares	-	-	-	-
Shares deferred	-	-	-	-
Share-linked instruments	-	1,640	-	1968
Share-linked deferred	-	8,29	-	818
Other instruments	-	-	-	-
Other instruments deferred	-	-	-	-
Other forms	-	-	-	-
Other forms deferred	-	-	-	-
Total Remuneration	**481**	**9,207**	**-**	**15,600**

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors

(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

(3) Includes base salary, pension, benefits and aggregate allowances

Table UK REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile

During 2022, one guaranteed variable remuneration award was provided to an MRT to compensate for variable compensation forfeited from a previous employer, and one MRT received severance payments.

	Management Body Supervisory function(1)	Management Body Management function(2	Other senior management	Other identified staff
Guaranteed variable remuneration				
Number of identified staff	0	1	0	0
Total amount	0	81	0	0
Paid during the FY	0	24	0	0
Severance payments awarded in previous periods, that have been paid out during the FY				
Number of identified staff	0	0	0	0
Total amount	0	0	0	0
Severance payments awarded during the FY				
Number of identified staff	0	1	0	0
Total amount	0	74	0	0
Paid during the financial year	0	74	0	0
Deferred	0	0	0	0
Not taken into account in the bonus cap	0	0	0	0
Highest payment awarded to a single person	0	74	0	0

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors

(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

Table UK REM3 – Deferred remuneration

Deferred remuneration outstanding as at October 31, 2022 and awarded or paid in fiscal 2022

The values of outstanding awards are estimated using the closing share price of the Parent's common shares on October 31, 2022 of C$65.85. The table includes former MRTs who remain entitled to deferred compensation (i.e., deferred cash, deferred share-linked instruments), as well as prior awards granted to MRTs including grants when the employees were employed by Scotiabank UK but not in MRT roles. The table does not include deferred remuneration that was awarded in December 2022 in respect of fiscal 2022 – these awards will be included in the 2023 Pillar 3 disclosure table.

Deferred and retained remuneration	Awarded	Vested	Unvested	Performance adjustment to deferred remuneration vesting in the FY	Performance adjustment to deferred remuneration vesting in future performance years	Adjustment during the FY due to ex post implicit adjustments	Paid out	Vested but subject to retention
Management Body Supervisory function[(1)]								
Cash	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Management Body Management function[(2)]								
Cash-based	2,197	-	2,197	0	0	0	163	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	4,092	271	3,821	0	0	0	389	271
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other senior management								
Cash-based	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other identified staff								
Cash-based	1,605	-	1,605	0	0	0	572	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	4,019	908	3,111	0	0	0	1,285	908
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total amount	**11,913**	**1,179**	**10,734**	**-**	**-**	**-**	**2,409**	**1,179**

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors

(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

Table UK REM4 – Remuneration of 1 million EUR or more per year

The figures below reflect the full value of remuneration awarded to MRTs, the cost of which is borne by both the Parent and the Company. There were 4 employees that received total remuneration exceeding EUR 1 million in fiscal 2022.

Total Remuneration Band (EUR)	2022 Number of MRTs
1 000 000 to 1 500 000	2
1 500 000 to 2 000 000	1
2 000 000 to 2 500 000	1
2 500 000 to 3 000 000	Nil
3 000 000 to 3 500 000+	Nil
Total	**4**

The information in the above High Earners Report is denominated in Euro, converted by reference to the European Commission for financial programming and budget's exchange rate, for December 2022.

Table UK REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile

	MB Supervisory function[(1)]	MB Management function[(2)]	Total MB[(3)]	Investment banking	Retail banking[(3)]	Asset manageme nt	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff 2022										**47**
Management Body	5	13	18							
Other senior mgt.				-	-	-	-	-	-	
Other identified staff				17	4	-	4	4	-	
Total remuneration of identified staff 2022	**481**	**9,207**	**9,688**	**11,125**	**2,189**	**-**	**1,078**	**1,208**	**-**	
Variable remuneration	-	3,280	3,280	2,640	759	-	327	348	-	
Fixed remuneration	481	5,927	6,408	8,485	1,430	-	751	860	-	

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors

(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

(3) Retail Banking included for the purposes of the Pillar 3 disclosure only and encompasses MRTs whose roles are predominantly, but not limited to wholesale lending. SBE does not have a retail banking division in the UK.

2021 Fiscal Year

Table UK REM1 – Remuneration awarded for the fiscal year

Fixed and Variable Remuneration for 2021 MRTs (pro-rated for part-year MRTs)

	Management Body Supervisory function(1)	Management Body Management function(2)	Other senior management	Other identified staff
FIXED REMUNERATION				
Number of identified staff	**5**	**11**		**26**
Total fixed remuneration	**467**	**6,768**	**-**	**10,105**
Cash	467	6,768	-	10,105
VARIABLE REMUNERATION				
Number of identified staff	**-**	**11**	**-**	**26**
Total variable remuneration		**3,664**	**-**	**4,848**
Cash	-	1,826	-	2,645
Cash deferred	-	913	-	842
Shares	-	-	-	-
Shares deferred	-	-	-	-
Share-linked instruments	-	1,838	-	2,203
Share-linked deferred	-	1,033	-	1,132
Other instruments	-	-	-	-
Other instruments deferred	-	-	-	-
Other forms	-	-	-	-
Other forms deferred	-	-	-	-
Total Remuneration	**467**	**10,432**	**-**	**14,953**

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors

(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

(3) Includes base salary, pension, benefits and aggregate allowances

Table UK REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile
During 2021, no sign-on award was provided to an MRT (2020: one), and one MRT received severance payments during fiscal 2021 (2020: seven).

	Management Body Supervisory function(1)	Management Body Management function(2	Other senior management	Other identified staff
Guaranteed variable remuneration				
Number of identified staff	0	0	0	0
Total amount	0	0	0	0
Paid during the FY	0	0	0	0
Severance payments awarded in previous periods, that have been paid out during the FY				
Number of identified staff	0	0	0	0
Total amount	0	0	0	0
Severance payments awarded during the FY				
Number of identified staff	0	0	0	1
Total amount	0	0	0	369
Paid during the financial year	0	0	0	369
Deferred	0	0	0	0
Not taken into account in the bonus cap	0	0	0	0
Highest payment awarded to a single person	0	0	0	369

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors
(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

Table UK REM3 – Deferred remuneration

Deferred remuneration outstanding as at October 31, 2021 and awarded or paid in fiscal 2021

The values of outstanding awards are estimated using the closing share price of the Parent's common shares on October 31, 2021 of C$81.14. The table includes former MRTs who remain entitled to deferred compensation (i.e., deferred cash, deferred share-linked instruments), as well as prior awards granted to MRTs including grants when the employees were employed by Scotiabank UK but not in MRT roles. The table does not include deferred remuneration that was awarded in December 2021 in respect of fiscal 2021 – these awards will be included in the 2022 Pillar 3 disclosure table.

Deferred and retained remuneration	Awarded	Vested	Unvested	Performance adjustment to deferred remuneration vesting in the FY	Performance adjustment to deferred remuneration vesting in future performance years	Adjustment during the FY due to ex post implicit adjustments	Paid out	Vested but subject to retention
Management Body Supervisory function[(1)]								
Cash	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Management Body Management function[(2)]								
Cash-based	783	-	1,704	0	0	0	85	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	2,288	51	5,104	0	0	0	774	51
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other senior management								
Cash-based	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other identified staff								
Cash-based	558	-	1,561	0	0	0	578	-
Shares	-	-	-	-	-	-	-	-
Share-linked instruments	2,210	650	4,846	0	0	0	1,672	650
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total amount	**5,839**	**701**	**13,215**	**-**	**-**	**-**	**3,109**	**701**

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors

(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

Table UK REM4 – Remuneration of 1 million EUR or more per year

The figures below reflect the full value of remuneration awarded to MRTs, the cost of which is borne by both the Parent and the Company. There were 6 employees that received total remuneration exceeding EUR 1 million in fiscal 2021 (5 employees in prior year).

Total Remuneration Band (EUR)	2021 Number of MRTs	2020 Number of MRTs
1 000 000 to 1 500 000	4	4
1 500 000 to 2 000 000	1	Nil
2 000 000 to 2 500 000	1	1
2 500 000 to 3 000 000	Nil	Nil
3 000 000 to 3 500 000+	Nil	Nil
Total	**6**	**5**

The information in the above High Earners Report is denominated in Euro, converted by reference to the European Commission for financial programming and budget's exchange rate, for December 2021.

Table UK REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile

	MB Supervisory function(1)	MB Management function(2)	Total MB(3)	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff										**42**
Management Body	5	11	16							
Other senior mgt.				-	-	-	-	-	-	
Other identified staff				19	4	-	-	3	-	
Total remuneration of identified staff	**467**	**10,432**	**10,899**	**11,735**	**2,340**	**-**	**-**	**878**	**-**	
Variable remuneration	-	3,664	3,664	3,783	809	-	-	256	-	
Fixed remuneration	467	6,768	7,235	7,952	1,531	-	-	622	-	

(1) For purposes of the Pillar 3 disclosure, Management Body Supervisory function is defined as SBE's Non-Executive Directors

(2) For purposes of the Pillar 3 disclosure, Management Body Management function is defined as members of the Executive Committee

Appendix 1 – Acronyms

AC	Audit Committee
AI	Annual Income
AIP	Annual Incentive Plan
ALCO	Assets and Liabilities Committee
AVA	Additional Valuation adjustments
BIA	Basic Indicator Approach
BNS	The Bank of Nova Scotia
CCF	Credit Conversion Factor (“CCF”)
CCP	Central Clearing Counterparty
CCyB	Countercyclical Buffer
Company	Scotiabank Europe plc
CRM	Credit Risk Mitigation
CRR	Capital Requirements Regulation (Regulation (EU) No. 575/2013)
CSA	Credit Support Annex
DV01	Dollar Duration
EBA	European Banking Authority
ECAIs	External Credit Assessment Institutions
ECL	Expected Credit Losses
EU	European Union
EV	Economic Value
ExCo	Executive Committee
FCA	Financial Conduct Authority
FPA	Fixed Pay Allowance
FSB	Financial Stability Board
FVOCI	Fair Value through Other Comprehensive Income
GBM	Global Banking and Markets
GBMIP	Global Banking and Markets Incentive Plan
GL	EBA Guidelines on disclosure requirements
GMRA	Global Master Repurchase Agreement
GPPP	Group Personal Pension Plan
G-SII	Globally Systemically Important Institutions
HCC	Human Capital Committee
HQLA	High Quality Liquid Assets
HRC	Human Resources Committee
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
IFRS	International Financial Reporting Standards
IG	Internal Grade
ILAAP	Internal Liquidity Adequacy Assessment Process
iNED	Non-Executive Director
IPV	Independent Price Verification adjustments
IROC	Investment Industry Regulatory Organisation of Canada
ISDA	International Swaps and Derivatives Association
ITS	Implementing Technical Standard

KRI	Key Risk Indicator
LCC	London Credit Committee
LCR	Liquidity Coverage Ratio
LCS	Limit Control Sheets
LR	Leverage Ratio
Moody’s	Moody’s Investors Services
MRTs	Material Risk Takers
NIAT	Net Income after Tax
NIBBT	Net Income before Bonus and Taxes
NIRA	New Initiative Risk Assessment
ORX	Operational Risk Data Exchange Association
OSFI	Office of the Superintendent of Financial Institutions Canada
O-SII	Other Systemically Important Institutions
OTC	Over-The-Counter
Parent	The Bank of Nova Scotia
PRA	Prudential Regulation Authority
PRA	Productivity Ratio
PSA	Public Securities Association
PVA	Prudent Valuation Adjustment
RAF	Risk Appetite Framework
RC	Risk Committee
RemCo	Remuneration Committee
NomCo	Nomination Committee
ROC	UK Remuneration Oversight Committee
ROE	Return on Equity
RSUs	Restricted Share Units
SA	Standardised Approach
SBE	Scotiabank Europe plc
Scotiabank	The Bank of Nova Scotia and subsidiaries
Scotiabank UK	The Bank of Nova Scotia. London Branch and Scotiabank Europe Plc
SFT	Securities Financing Transactions
SICR	Significant Increase in Credit Risk
SMF 12	Senior Management Function 12
sVaR	Stressed Value at Risk
TFRM	Trade Floor Risk Management
UK	United Kingdom
VaR	Value at Risk