



Scotiabank & Trust (Cayman) Ltd
Basel Pillar 3 Disclosure
For the quarter ended 31 January 2025

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General Overview

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

This publication presents our Q1/2025 disclosures based on our Consolidated Financial Statements and Basel Pillar II Regulatory Return for the same period. Our disclosures have been reviewed and approved by the Board of Directors of Scotiabank & Trust (Cayman) Ltd. This document is not audited.

Scotiabank & Trust (Cayman) Ltd ("STCL" or "the Bank") was incorporated under the Companies Act of the Cayman Islands on 26 August 1965, under the name of Bank of Nova Scotia Trust Company (Cayman) Limited ("Scotia Trust"). STCL was granted Unrestricted Category 'A' Banking and Trust Licenses on 11 November 1966 pursuant to the Cayman Islands' Banks and Trust Companies Act. The ultimate parent is The Group of Nova Scotia ("BNS"), a company incorporated in Canada. STCL registered office and principal place of business is 2nd Floor, 18 Forum Lane, Camana Bay, P.O. Box 689, Grand Cayman, KY1-1106, Cayman Islands. Our business activities consist of the provision of commercial and retail banking services, including the acceptance of deposits, granting of loans and the provision of foreign exchange services within the Cayman Islands, and private banking and trust, corporate, administrative, and financial services.

Part 1 – OV1 – Overview of Risk Weighted Assets

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward to maximize shareholder value. As a credit providing institution, the bank ensures that it is adequately capitalised relative to exposure measured by its risk weighted assets (RWA). Scotiabank & Trust Cayman Limited has a target capital ratio of 17% which is three hundred (300) basis points more than regulatory capital requirements of 14%.

The following table analyses the minimum capital requirement as of 31 January 2025:

| OV1: Overview of RWA | | | | |
|----------------------|--|------------------|------------------|---|
| USD (in \$000) | | a | b | c |
| | | RWA | | Minimum capital requirements ⁽¹⁾ |
| | | Q1 2025 | Q4 2024 | Q1 2025 |
| 1 | Credit risk (excluding counterparty credit risk) | 972,389 | 1,172,579 | 136,134 |
| 2 | Securitisation exposures | | | |
| 3 | Counterparty credit risk (CCR) | | | |
| 4 | Of which: Current Exposure method | - | - | |
| 5 | Of which: Standardized method | | | |
| 6 | Market risk | 240,338 | 159,703 | 33,647 |
| 7 | Of which: Equity Risk | | | |
| 8 | Operational Risk | 380,255 | 313,079 | 53,236 |
| 9 | Of which: Basic Indicator Approach | 380,255 | 313,079 | 37,275 |
| 10 | Of which: Standardized Approach | | | |
| 11 | Of which: Alternative Standardized approach | | | |
| 12 | Total (1 + 2+3+6+8) | 1,592,982 | 1,645,360 | 223,017 |

Total RWA decreased by \$52.4 million (3.2%) compared to the prior quarter. This was attributable to an increase in (1) market risk, owing to higher foreign exchange positions, and (2) operational risk, owing to higher gross income earned last year.

Part 2 – Leverage

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

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

The following table analyses the carrying values of regulatory and financial accounting disclosures as of 31 January 2025:

| LR1: Summary comparison of accounting assets vs leverage ratio expo | | |
|---|--|------------------|
| USD (in \$'000) | | Q1 2025 |
| 1 | Total consolidated assets as per published financial statements | 3,063,156 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | |
| 3 | Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference | |
| 4 | Adjustments for temporary exemption of central bank reserves (if applicable) | |
| 5 | Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | |
| 6 | Adjustments for regular way purchases and sales of financial assets subject to trade date accounting | |
| 7 | Adjustments for eligible cash pooling transactions | |
| 8 | Adjustments for derivative financial instruments | |
| 9 | Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending) | |
| 10 | Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 24,378 |
| 11 | Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital | |
| 12 | Other adjustments | 10,519 |
| 13 | Leverage ratio exposure measure | 3,098,053 |

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

2.2 – LR2: Leverage Ratio Common Disclosure

| LR2: Leverage ratio common disclosure | | | |
|---|---|------------------|------------------|
| USD (in \$'000) | | a | b |
| | | Q1 2025 | Q4 2024 |
| On-balance sheet exposures | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) | 3,063,156 | 3,400,432 |
| 2 | Gross up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework | | |
| 3 | (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | | |
| 4 | (Adjustment for securities received under securities financing transactions that are recognised as an asset) | | |
| 5 | (Specific and general provisions associated with on balance sheet exposures that are deducted from Basel III Tier 1 capital) | (6,308) | (6,731) |
| 6 | (Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments) | | |
| 7 | Total on balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6) | 3,056,848 | 3,393,701 |
| Derivative exposures | | | |
| 8 | Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | | |
| 9 | Add-on amounts for PFE associated with <i>all</i> derivatives transactions | | |
| 10 | (Exempted CCP leg of client-cleared trade exposures) | | |
| 11 | Adjusted effective notional amount of written credit derivatives | | |
| 12 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | | |
| 13 | Total derivative exposures (sum of rows 8 to 12) | | |
| Securities financing transaction exposures | | | |
| 14 | Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions | | |
| 15 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | | |
| 16 | Counterparty credit risk exposure for SFT assets | | |
| 17 | Agent transaction exposures | | |
| 18 | Total securities financing transaction exposures (sum of rows 14 to 17) | | |
| Other off-balance sheet exposures | | | |
| 19 | Off-balance balance sheet exposure at gross notional amount | 121,890 | 133,712 |
| 20 | (Adjustments for conversion to credit equivalent amounts) | (97,512) | (26,742) |
| 21 | (Specific and general provisions associated with off balance sheet exposures deducted in determining Tier 1 capital) | | |
| 22 | Off-balance sheet items (sum of rows 19 to 21) | 24,378 | 106,970 |
| Capital and total exposures | | | |
| 23 | Tier 1 capital | 987,351 | 956,992 |
| 24 | Total exposures (sum of rows 7,13,18 and 22) | 3,081,226 | 3,500,671 |
| Leverage ratio | | 32.04% | 27.34% |
| 25 | Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) | 32.04% | 27.34% |
| 25a | Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) | | |
| 26 | National minimum leverage ratio requirement | 3.00% | 3.00% |
| 27 | Applicable leverage buffers | 29.04% | 24.34% |

The Bank's leverage ratio for Q1 2025 was 32.04%, representing a 29.04% buffer above the regulator minimum requirement of 3%. The increase over the prior quarter is attributable to the increase in Tier 1 capital, driven by inclusion of current period earnings.

Part 4 – LIQ1: Liquidity Coverage Ratio (LCR)

The liquidity coverage ratio aims to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) that can be converted into cash at little or no loss of value, to meet its liquidity needs for a 30-calendar day liquidity stress scenario. The Liquidity Risk Management Rules and Guidelines (February 2022) provides that the Bank should not have a ratio that is less than 100%. STCL ensures that there is adequate monitoring of our HQLA to maintain our liquidity. The Bank's HQLA comprises mainly of marketable securities issued by highly rated sovereign.

The following table analyses the LCR as of 31 January 2025, using monthly averages:

| LIQ1: Liquidity Coverage Ratio (LCR) | | | | | |
|--------------------------------------|--|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
| USD (in \$'000) | | Q1 2025 | | Q4 2024 | |
| | | Total unweighted value (average) | Total weighted value (average) | Total unweighted value (average) | Total weighted value (average) |
| High-quality liquid assets | | | | | |
| 1 | Total HQLA | | 177,867 | | 177,308 |
| Cash Outflows | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 1,703,873 | 30,801 | 288,883 | 28,888 |
| 3 | - of which stable deposits | - | - | - | - |
| 4 | - of which less stable deposits | 1,703,873 | 30,801 | 288,883 | 28,883 |
| 5 | Unsecured wholesale funding: | 1,395,862 | 385,141 | 1,338,015 | 299,271 |
| 6 | - of which operational deposits (all counterparties) and deposits in networks of cooperative banks | 1,395,037 | 384,316 | 1,243,555 | 261,493 |
| 7 | - of which non-operational deposits (all counterparties) | 825 | 825 | 94,460 | 37,777 |
| 8 | - of which unsecured debt | - | - | - | - |
| 9 | Secured wholesale funding | - | - | - | - |
| 10 | Additional requirements: | 192,096 | 19,210 | 126,304 | 12,630 |
| 11 | - of which outflows related to derivative exposures and other collateral requirements | - | - | - | - |
| 12 | - of which outflows related to loss of funding on debt products | - | - | - | - |
| 13 | - of which credit and liquidity facilities | 192,096 | 19,210 | 126,304 | 12,630 |
| 14 | Other contractual funding obligations | 7,681 | - | 7,760 | - |
| 15 | Other contingent funding obligations | 178,745 | 31,542 | 163,109 | 24,554 |
| 16 | TOTAL CASH OUTFLOWS | | 466,694 | | 365,343 |
| Cash Inflows | | | | | |
| 17 | Secured lending (e.g. reverse repos) | | | | |
| 18 | Inflows from fully performing exposures | 2,134,724 | 1,275,234 | 2,101,757 | 1,331,287 |
| 19 | Other cash flows | | | | |
| 20 | TOTAL CASH INFLOWS | 2,134,724 | 1,275,234 | 2,101,757 | 1,331,287 |
| | | | Total adjusted value | | Total adjusted value |
| 21 | TOTAL HQLA | | 177,867 | | 177,308 |
| 22 | Total net cash outflows | | 116,674 | | 91,336 |
| 23 | Liquidity Coverage Ratio (%) | | 152% | | 194% |

The Bank's LCR for Q1 2025 was 152%, representing 52% over the regulatory minimum threshold. The decrease of 42% from the prior quarter is related to an increase in Total net cash outflows from higher unsecured wholesale funding.