THE BANK OF NOVA SCOTIA - HONG KONG BRANCH
Liquidity Information Disclosure Statement

Liquidity Risk Management

Liquidity risk is the risk that the Bank is unable to meet its financial obligations in a timely manner. Financial obligations include liabilities to depositors, payments due under derivative contracts, and lending and investment commitments.

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

Liquidity risk is managed within the framework of policies and limits that are approved by senior management and Head Office. Senior management receives reports on risk exposures and performance against approved limits. The Asset-Liability Committee (ALCO) provides senior management oversight of liquidity risk.

The key elements of the Bank's liquidity risk management framework are:

- Measurement and modeling – the Bank's liquidity model measures and forecasts cash inflows and outflows, including off-balance sheet cash flows on a daily basis. Risk is managed by a set of key limits over the maximum net cash outflow by currency over specified short-term horizons (cash gaps), a minimum level of core liquidity, and liquidity stress tests.

- Reporting – support the ALCO with analysis, risk measurement, stress testing, monitoring and reporting for their oversight of all significant liquidity risks.

- Stress testing – the Bank performs liquidity stress testing on a regular basis, to evaluate the effect of both industry-wide and Bank-specific disruptions on the Bank's liquidity position. Liquidity stress testing has many purposes including:
    – Helping the Bank to understand the potential behavior of various on-balance sheet and off-balance sheet positions in circumstances of stress; and
    – Based on this knowledge, facilitating the development of risk mitigation and contingency plans.

The Bank's liquidity stress tests consider the effect of changes in funding assumptions, depositor behavior and the market value of liquid assets. The Bank performs industry standard stress tests, the results of which are reviewed by senior management and are considered in making liquidity management decisions.

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

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

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

The average liquidity maintenance ratio for the financial periods ending after December 31, 2014:

	2 mths ended (Nov-Dec 14) LR	4 mths ended (Jan-Apr 15) LMR	6 mths ended LMR	6 mths ended LMR	6 mths ended LMR
	Apr-30-15		Apr-30-16	Apr-30-17	Apr-30-18
Average liquidity maintenance ratio ("LMR") / Liquidity ratio ('LR') for the period	59.5%	53.3%	45.0%	58.4%	52.0%

	2 mths ended (Nov-Dec 14) LR	10 mths ended (Jan-Oct 15) LMR	12 mths ended LMR	12 mths ended LMR	12 mths ended LMR
	Oct-31-15		Oct-31-16	Oct-31-17	Oct-31-18
Average liquidity maintenance ratio ("LMR") / Liquidity ratio ('LR') for the year	59.5%	47.1%	46.7%	57.8%	47.1%

The average liquidity maintenance ratio is the simple average of each calendar month's average ratio and has been computed in accordance with the Banking (Liquidity) Rule.