

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at October 31, 2021

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. Profit and loss information	12 mths ended Oct-31-21 HKD'000	12 mths ended Oct-31-20 HKD'000
Interest income	365,984	670,956
Interest expense	(151,445)	(441,869)
Net interest income	214,539	229,087
Gains less losses arising from trading in foreign currencies	13,282	49,526
Gains less losses from other trading activities	-	37
Fees and commission income	103,801	138,101
Others	(44)	(1,939)
Operating income	331,578	414,812
Staff expenses	(145,218)	(201,554)
Other expenses	(81,160)	(91,635)
Operating expenses	(226,378)	(293,189)
Profit before taxation	105,200	121,623
Tax (charge) / credit	(17,410)	36,087
Profit after taxation	87,790	157,710

II. Balance Sheet	Oct-31-21 HKD'000	Apr-30-21 HKD'000
Assets		
Cash and balances with banks	1,401,189	1,526,310
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,158,564	1,156,940
Amount due from overseas offices of the institution	8,551,938	7,319,096
Trade bills	7,210,795	7,792,810
Loans and receivables		
Loans and advances to customers	19,290,259	17,277,255
Accrued interest and other accounts	227,858	174,923
Investment securities	6,388,636	6,602,324
Total assets	44,229,239	41,849,658
Liabilities		
Deposits and balances from banks	3,449,406	5,470,193
Deposits from Central Bank	3,000,000	2,000,000
Deposits from customers		
Demand deposits and current accounts	14,353	6,892
Savings deposits	5,974	6,350
Time, call and notice deposits	13,809,721	13,292,313
Amount due to overseas offices of the institution	23,112,105	20,259,473
Certificates of deposit issued	500,000	500,000
Other liabilities	337,680	314,437
Total liabilities	44,229,239	41,849,658

Impairment allowance for impaired assets

Collective impairment allowances for impaired assets are maintained at overseas Head Office (The Bank of Nova Scotia, "the Bank") , while individual impairment allowances are booked in the Hong Kong Office.

No individual impairment allowance was booked for exposures maintained in the Hong Kong Office as at October 31, 2021 (April 30, 2021: Nil).

The Bank applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9 effective November 1, 2017. The impairment allowances pertaining to the exposures classified in Stages 1 and 2 under IFRS 9 are treated as collective impairment allowances and those classified in Stage 3 under IFRS 9 are treated as individual impairment allowances.

The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

III. Impaired Assets

No advances to customers, banks and other financial institutions were impaired as at October 31, 2021 (April 30, 2021: Nil).

a. *Overdue advances*

No advances to customers, banks, other financial institutions and other assets were overdue as at October 31, 2021 (April 30, 2021: Nil)

b. *Rescheduled advances*

No advances to customers, banks and other financial institutions were rescheduled as at October 31, 2021(April 31, 2021: Nil).

c. *Repossessed assets*

No repossessed assets as at October 31, 2021 (April 31, 2021: Nil).

IV. Off-Balance Sheet Exposures

	Oct-31-21 HKD'000	Apr-30-21 HKD'000
a. <i>Contingent liabilities and commitments</i>		
- Direct credit substitutes	186,168	573,683
- Transaction-related contingencies	222	15,968
- Trade-related contingencies	557,121	657,645
- Other commitments	6,272,302	6,383,794
- Others	-	-
Total	<u>7,015,813</u>	<u>7,631,090</u>
b. <i>Derivatives</i>		
Notional Amounts:		
- Exchange rate contracts	18,797,444	16,778,893
- Interest rate contracts	-	-
- Others	-	36,444
Total	<u>18,797,444</u>	<u>16,815,337</u>
Fair value:		
- Exchange rate contracts	118,593	119,486
- Interest rate contracts	-	11,982
- Others	-	1,101
Total	<u>118,593</u>	<u>132,569</u>

No bilateral netting arrangements were made for the above derivative transactions.

V. Segmental Information

a. Analysis of loans and advances to customers by sectors

	Oct-31-21		Apr-30-21	
	HKD'000	% of loans and advances covered by collateral	HKD'000	% of loans and advances covered by collateral
Industrial, commercial & financial				
- Property development	1,100,000	-	1,100,000	-
- Property investment	1,250,000	-	1,250,000	-
- Wholesale and retail trade	-	-	-	-
- Manufacturing	2,099,412	-	1,552,940	-
- Information technology	2,000,000	-	1,500,000	-
- Transport and Transport equipment	909,600	-	1,050,000	-
- Others	2,943,900	-	1,778,235	21.9%
Loans and advances for use in Hong Kong	10,302,912	-	8,231,175	4.7%
Trade finance	678,914	-	-	-
Loans and advances for use outside Hong Kong	8,308,433	4.6%	9,046,080	6.8%
Total loans and advances to customers	19,290,259	2.0%	17,277,255	5.8%

b. Non-bank Mainland exposures

	Oct-31-21 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	1,265,502	1,943,900	3,209,402
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	600,634	250,000	850,634
Total	1,866,136	2,193,900	4,060,036
Total Asset after provision	44,229,239		
On-balance sheet exposures as % of total asset	4.22%		
	Apr-30-21 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	1,386,454	1,941,175	3,327,629
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	600,435	306,781	907,216
Total	1,986,889	2,247,956	4,234,845
Total assets after provision	41,849,658		
On-balance sheet exposures as % of total assets	4.75%		

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

	Oct-31-21 (HKD millions)	Apr-30-21 (HKD millions)
Hong Kong	15,606	10,927
Rest of Asia Pacific	3,005	4,177
North America	679	2,173
	19,290	17,277

d. *International Claims*

The following table provides a breakdown of international claims by major countries and geographical segments. Only major countries or geographical locations with not less than 10% of the total international claims after taking into account any recognized risk transferred are disclosed.

	Oct-31-21 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	9,316	4,857	-	1,890	16,063
<i>of which Canada</i>	9,292	-	-	-	9,292
<i>of which Japan</i>	2	4,857	-	-	4,859
Offshore Centres	274	-	-	9,241	9,515
<i>of which Hong Kong</i>	30	-	-	8,594	8,624
Developing Asia and Pacific	8,730	396	960	-	10,086
<i>of which China</i>	8,341	396	182	-	8,919

	Apr-30-21 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	8,158	4,206	-	231	12,595
<i>of which Canada</i>	7,794	-	-	-	7,794
<i>of which Japan</i>	2	4,206	-	-	4,208
Offshore Centres	310	-	-	7,246	7,556
<i>of which Hong Kong</i>	310	-	-	6,193	6,503
Developing Asia and Pacific	9,669	513	1,354	454	11,990
<i>of which China</i>	9,365	513	189	-	10,067

VI. Currency risk

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

	Oct-31-21 (HKD millions)			
	USD	CNY	CAD	TOTAL
Spot assets	27,942	643	374	28,959
Spot liabilities	(27,039)	(1,734)	(151)	(28,924)
Forward purchases	8,953	1,462	1,620	12,035
Forward sales	(9,823)	(367)	(1,847)	(12,037)
Net long (short) position	33	4	(4)	33

	Apr-30-21 (HKD millions)			
	USD	CNY	CAD	TOTAL
Spot assets	24,662	1,578	366	26,606
Spot liabilities	(24,841)	(1,576)	(148)	(26,565)
Forward purchases	8,394	78	2,639	11,111
Forward sales	(8,179)	(78)	(2,861)	(11,118)
Net long (short) position	36	2	(4)	34

There were no structural assets and liabilities as at October 31, 2021 (April 30, 2020: Nil).

VII. Liquidity Risk Management

Liquidity risk is defined as the risk of being unable to meet financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, maturing debt obligations, and lending and pledging commitments.

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

Liquidity risk is managed within the framework of policies and liquidity risk appetite that are approved by senior management and Head Office. Senior management receives reports on risk exposures against approved limits. These limits are subject to appropriate risk governance and oversight from senior management committees including the Asset-Liability Committee (ALCO).

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

- Governance – authority for liquidity risk management is delegated by the Board to the President and CEO, who in turn delegates authority for managing risk to senior management, and the appropriate committees and departments.
- Measurement and Monitoring – the Bank measures and forecasts cash inflows and outflows, including off-balance sheet cash flows. Liquidity risk is managed by a set of key limits including net cumulative cash flow by currency over specified short-term horizons (cash flow gaps), a minimum level of core liquidity, and liquidity stress tests. These limits are reviewed and approved by the Board and/or senior management committee at least annually.
- Reporting – liquidity risk reports are provided to senior management, and appropriate committees, where ALCO provides oversight of liquidity risks.
- Stress testing – the Bank performs monthly liquidity stress testing, to evaluate the liquidity position under industry-wide, Bank-specific and combined scenarios. A separate intraday liquidity stress test is also performed at each financial quarter to evaluate impact from counterparties payment and settlement under stress event.

The Bank's liquidity stress tests consider the effect of changes in funding assumptions, depositor behavior, market value of liquid assets and contingent liabilities. The results of stress tests are submitted to ALCO and reviewed by senior management in consideration of making liquidity management decisions.

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

- 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 systems.

a. *Liquidity Ratios*

The following analysis shows the liquidity position for the three months ended October 31, 2021 and its comparative period:

	3 mths ended Oct-31-21	3 mths ended Oct-31-20
Average liquidity maintenance ratio ("LMR") for the period	<u>46.0%</u>	<u>41.8%</u>

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

b. *Sources of funding*

The sources of funding are mainly from the following:

	Oct-31-21 as % of total (HKD millions) liabilities		Oct-31-20 as % of total (HKD millions) liabilities	
Group Companies	23,297	52.7%	23,748	53.7%
Non-bank customers	13,833	31.3%	17,016	38.5%
Banks	3,278	7.4%	2,144	4.8%
Central banks	3,000	6.8%	321	0.7%
Certificate of deposits issued	500	1.1%	1,092	2.5%

c. *Liquidity Risk Mismatch*

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

Oct-31-21 (HKD millions)					
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year
Cash and balances with banks	11,119	2,556	5,058	3,505	-
Trade bills	7,211	1,491	3,929	1,791	-
Loans and advances to customers	19,301	6,101	4,059	3,694	5,447
Investment securities	6,391	6,391	-	-	-
Other assets	207	119	-	-	88
Total on-balance sheet assets	44,229	16,658	13,046	8,990	5,535
Total off-balance sheet assets	-	-	-	-	-
Deposits from banks	26,575	8,960	7,358	10,257	-
Deposits from central bank	3,000	3,000	-	-	-
Deposits from non-bank customers	13,837	2,327	7,975	3,535	-
Certificate of deposits issued	500	500	-	-	-
Other liabilities and reserves	317	108	-	2	207
Total on-balance sheet liabilities	44,229	14,895	15,333	13,794	207
Total off-balance sheet liabilities	7,971	5,143	1,008	1,528	292
Contractual maturity mismatch		(3,380)	(3,295)	(6,332)	5,036
Cumulative contractual maturity mismatch		(3,380)	(6,675)	(13,007)	(7,971)

Oct-31-20 (HKD millions)					
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 12 months	Over 1 year
Cash and balances with banks	15,701	5,666	8,870	1,165	-
Trade bills	3,444	1,069	1,864	511	-
Loans and advances to customers	19,587	4,636	7,001	2,052	5,898
Investment securities	5,929	5,929	-	-	-
Other assets	187	51	-	-	136
Total on-balance sheet assets	44,848	17,351	17,735	3,728	6,034
Total off-balance sheet assets	-	-	-	-	-
Deposits from banks	25,883	7,716	7,671	10,496	-
Deposits from central bank	321	321	-	-	-
Deposits from non-bank customers	17,025	4,988	10,874	1,163	-
Certificate of deposits issued	1,092	-	1,092	-	-
Other liabilities and reserves	527	527	-	-	-
Total on-balance sheet liabilities	44,848	13,552	19,637	11,659	-
Total off-balance sheet liabilities	8,090	7,335	63	669	23
Contractual maturity mismatch		(3,536)	(1,965)	(8,600)	6,011
Cumulative contractual maturity mismatch		(3,536)	(5,501)	(14,101)	(8,090)

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

1. <u>Capital and capital adequacy</u>	Oct-31-21 CAD millions	Apr-30-21 CAD millions
Shareholders' equity:		
Capital stock		
- Preferred shares and other equity instruments	6,052	4,549
- Common shares and other reserves	18,729	18,725
Retained earnings	51,354	48,713
Accumulated other comprehensive income/ (loss)	(5,333)	(3,979)
Non-controlling interest	2,090	2,414
	<u>72,892</u>	<u>70,422</u>
CE1 capital ratio	12.3%	12.3%
Tier 1 capital ratio	13.9%	13.6%
Total capital ratio	15.9%	15.7%

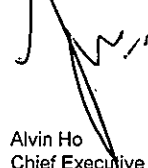
Capital adequacy ratio is calculated by dividing the components of capital by risk-weighted assets (includes assets which are subject to market risk). Capital adequacy is governed by the requirements of the Office of the Superintendent of Financial Institutions (OSFI) which are consistent with international standards set by the Bank for International Settlements (BIS).

2. <u>Other financial information</u>	Oct-31-21 CAD millions	Apr-30-21 CAD millions
Total assets	1,184,844	1,125,248
Total liabilities	1,111,952	1,054,826
Total advances	636,986	608,165
Total customer deposits	754,899	715,739
Total deposits from banks	42,360	40,922
	12 mths ended Oct-31-21 CAD millions	12 mths ended Oct-31-20 CAD millions
Pre-tax profit	12,826	8,396
After-tax profit	9,955	6,853

Disclosure Statement Available to The Public

To comply with the Banking (Disclosure) Rules, the disclosure statement is available under the "Regulatory Disclosures" Section on the Head Office's website www.scotiabank.com/global/en/country/hong-kong.html

The Bank of Nova Scotia, Hong Kong Branch



Alvin Ho
Chief Executive

February 25, 2022

Note: In the event of any difference in interpretation or meaning between the Chinese and English version of this Statement, the English version shall prevail.