

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at April 30, 2020

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. <u>Profit and loss information</u>	6 mths ended Apr-30-20 HKD'000	6 mths ended Apr-30-19 HKD'000
Interest income	427,228	407,572
Interest expense	<u>(323,624)</u>	<u>(304,982)</u>
Net interest income	103,604	102,590
Gains less losses arising from trading in foreign currencies	42,233	17,993
Gains less losses from other trading activities	(781)	(287)
Fees and commission income	99,951	56,711
Others	<u>(1,471)</u>	<u>(2,108)</u>
Operating income	243,536	174,899
Staff expenses	<u>(123,393)</u>	<u>(102,545)</u>
Other expenses	<u>(49,521)</u>	<u>(53,605)</u>
Operating expenses	<u>(172,914)</u>	<u>(156,150)</u>
Profit before taxation	70,622	18,749
Taxation charge	<u>(604)</u>	<u>(4,550)</u>
Profit after taxation	<u>70,018</u>	<u>14,199</u>
II. <u>Balance Sheet</u>	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Assets		
Cash and balances with banks	3,248,008	1,226,241
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	5,488,038	5,413,709
Amount due from overseas offices of the institution	12,202,295	13,625,767
Trade bills	4,654,517	6,508,613
Loans and receivables		
Loans and advances to customers	16,596,858	12,766,402
Accrued interest and other accounts	<u>552,615</u>	<u>324,246</u>
Investment securities	4,330,109	4,338,011
Other investments	4,910,582	2,252,247
Total assets	<u>51,983,022</u>	<u>46,455,236</u>
Liabilities		
Deposits and balances from banks	10,982,614	1,526,374
Deposits from Central Bank	6,489,314	5,176,671
Deposits from customers		
Demand deposits and current accounts	39,296	46,119
Savings deposits	9,766	7,101
Time, call and notice deposits	<u>10,526,056</u>	<u>14,146,737</u>
Amount due to overseas offices of the institution	20,818,581	23,103,796
Certificates of deposit issued	2,561,940	1,567,520
Other liabilities	555,455	880,918
Total liabilities	<u>51,983,022</u>	<u>46,455,236</u>

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 April 30, 2020 (October 31, 2019: 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 April 30, 2020 (October 31, 2019: Nil).

a. *Overdue advances*

No advances to customers, banks, other financial institutions and other assets were overdue as at April 30, 2020 (October 31, 2019: Nil)

b. *Rescheduled advances*

No advances to customers, banks and other financial institutions were rescheduled as at April 30, 2020 (October 31, 2019: Nil).

c. *Repossessed assets*

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Repossessed assets - held for use	<u>37</u>	<u>39</u>

Repossessed assets considered to be held for use is measured initially at fair value and accounted for in the same manner as a similar asset acquired in the normal course of business.

IV. Off-Balance Sheet Exposures

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
a. <i>Contingent liabilities and commitments</i>		
- Direct credit substitutes	860,978	1,178,131
- Trade-related contingencies	890,184	774,656
- Other commitments	2,793,436	2,853,520
- Others	2,695,435	497,695
Total	<u>7,240,033</u>	<u>5,304,002</u>
b. <i>Derivatives</i>		
Notional Amounts:		
- Exchange rate contracts	86,131,173	80,355,168
- Interest rate contracts	2,798,330	1,382,686
- Others	4,640,566	4,625,856
Total	<u>93,570,069</u>	<u>86,363,710</u>
	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Fair value:		
- Exchange rate contracts	8,885,333	5,834,836
- Interest rate contracts	789	1,140
- Others	34,812	87,284
Total	<u>8,920,934</u>	<u>5,923,260</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**

	Apr-30-20		Oct-31-19	
	HKD'000	% of loans and advances covered by collateral	HKD'000	% of loans and advances covered by collateral
Industrial, commercial & financial				
- Wholesale and retail trade	159,635	-	734,609	-
- Transport and Transport equipment	820,459	15.8%	158,711	100.0%
- Others	1,755,878	22.2%	456,805	85.4%
Loans and advances for use in Hong Kong	2,735,972	19.0%	1,350,125	40.6%
Trade finance	-	-	1,289,764	-
Loans and advances for use outside Hong Kong	13,860,886	6.1%	10,126,513	7.5%
Total loans and advances to customers	16,596,858	8.3%	12,766,402	10.2%

b. **Non-bank Mainland exposures**

	Apr-30-20 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	1,904,206	-	1,904,206
- PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JV	248,810	7,784,307	8,033,117
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	128,244	422,162	550,406
Total	2,281,260	8,206,469	10,487,729
Total Asset after provision	51,983,022		
On-balance sheet exposures as % of total asset	4.39%		

	Oct-31-19 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	608,142	-	608,142
- PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JV	428,375	5,503,344	5,931,719
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	-	250,340	250,340
Total	1,036,517	5,753,684	6,790,201
Total assets after provision	46,455,236		
On-balance sheet exposures as % of total assets	2.23%		

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

	Apr-30-20 (HKD millions)	Oct-31-19 (HKD millions)
Hong Kong	8,939	5,436
Rest of Asia Pacific	7,077	6,040
North America	581	1,290
	16,597	12,766
	-	-

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.

	Apr-30-20 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	16,286	2,112	-	3,267	21,665
<i>of which Canada</i>	15,429	-	-	-	15,429
Offshore Centres	593	-	-	10,059	10,652
<i>of which Hong Kong</i>	203	-	-	9,058	9,261
Developing Asia and Pacific	9,390	222	-	3,237	12,849
<i>of which China</i>	9,274	222	-	378	9,874

	Oct-31-19 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	13,941	2,856	-	1,971	18,768
<i>of which Canada</i>	13,916	-	-	-	13,916
Offshore Centres	968	-	-	7,519	8,487
<i>of which Hong Kong</i>	573	-	-	6,743	7,316
Developing Asia and Pacific	10,061	449	205	4,139	14,854
<i>of which China</i>	10,061	449	205	351	11,066

VI. Currency risk

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

	Apr-30-20 (HKD millions)			
	USD	CNY	GOLD	TOTAL
Spot assets	24,766	845	8,712	34,323
Spot liabilities	(23,685)	(832)	(11,090)	(35,607)
Forward purchases	17,870	21,900	42,912	82,682
Forward sales	(18,415)	(21,897)	(40,617)	(80,929)
Net long (short) position	536	16	(83)	469

	Oct-31-19 (HKD millions)			
	USD	CNY	GOLD	TOTAL
Spot assets	27,456	485	6,386	34,327
Spot liabilities	(30,026)	(447)	(4,401)	(34,874)
Forward purchases	17,982	22,746	33,217	73,945
Forward sales	(14,987)	(22,776)	(35,242)	(73,005)
Net long (short) position	425	8	(40)	393

There were no structural assets and liabilities as at April 30, 2020 (October 31, 2019: Nil).

VII. Liquidity

The following analysis shows the liquidity position for the three months ended April 30, 2020 and its comparative period:

	3 mths ended Apr-30-20	3 mths ended Apr-30-19
Average liquidity maintenance ratio ("LMR") for the period	40.0%	47.0%

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.

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

1. <u>Capital and capital adequacy</u>	Apr-30-20 CAD millions	Oct-31-19 CAD millions
Shareholders' equity:		
Capital stock		
- Preferred shares	3,619	3,884
- Common shares and other reserves	18,590	18,629
Retained earnings	45,456	44,439
Accumulated other comprehensive income	218	570
Non-controlling interest	<u>2,452</u>	<u>2,670</u>
	<u>70,335</u>	<u>70,192</u>
CET1 capital ratio	10.9%	11.1%
Tier 1 capital ratio	11.9%	12.2%
Total capital ratio	14.0%	14.2%

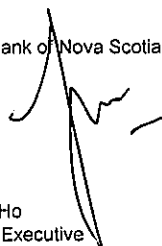
Capital adequacy ratio is calculated by dividing the components of capital by risk-weighted assets (includes assets which are subject to market risk). Capital adequacy is governed by the requirements of the Office of the Superintendent of Financial Institutions (OSFI) which are consistent with international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

2. <u>Other financial information</u>	Apr-30-20 CAD millions	Oct-31-19 CAD millions
Total assets	1,247,073	1,086,161
Total liabilities	1,176,738	1,015,969
Total advances	625,186	592,483
Total customer deposits	748,805	686,651
Total deposits from banks	48,885	46,739
	6 mths ended Apr-30-20 CAD millions	6 mths ended Apr-30-19 CAD millions
Pre-tax profit	4,544	5,629
After-tax profit	3,650	4,506

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

July 31, 2020

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.