

SCOTIABANK (HONG KONG) LIMITED
Unaudited Interim Financial Information Disclosure Statement as at April 30, 2017
1. Profit and loss information

	6 mths ended Apr-30-17 HKD'000	6 mths ended Apr-30-16 HKD'000
Interest income	181,728	235,814
Interest expense	(48,978)	(39,829)
Net Interest Income	132,750	195,985
Fees and commission income	8,637	8,810
Other operating loss	(519)	(379)
Operating income	140,868	204,416
Staff expenses	(7,874)	(6,252)
Premises and equipment expenses	(1,439)	(1,451)
Administration services fee	(7,289)	(5,729)
Other expenses	(1,102)	(1,252)
Operating expenses	(17,704)	(14,684)
Impairment release on impaired loans and advances	8,318	10,804
Profit before taxation	131,482	200,536
Taxation - Hong Kong Tax	(20,337)	(31,286)
- Deferred tax	(1,373)	(1,783)
Profit after taxation	109,772	167,467

2. Balance Sheet Information
2.1 Balance Sheet

	Apr-30-17 HKD'000	Oct-31-16 HKD'000
Assets		
Cash and balances with banks	866,494	325,619
Loans and receivables		
Loans and advances to customers	14,773,637	18,745,879
Loans and advances to banks	293,782	83,921
Collective impairment allowances against:		
- loans and advances to customers	(26,986)	(35,611)
- loans and advances to banks	(446)	(139)
	15,039,987	18,794,050
Available-for-sale financial assets	1,478,235	2,478,257
Deferred tax assets	4,556	5,939
Other accounts	23,953	24,640
Total assets	17,413,225	21,628,505
Equity and Liabilities		
Deposits and balances from banks	12,046,866	16,333,204
Current taxation	16,088	55,523
Other liabilities	24,178	23,508
Total liabilities	12,087,132	16,412,235
Share Capital	2,796,181	2,796,181
Reserves		
Available-for-sale fair value reserve	(151)	(203)
Retained profits	2,530,063	2,420,292
	2,529,912	2,420,089
Total equity	5,326,093	5,216,270
Total equity and liabilities	17,413,225	21,628,505

2.2 Impaired assets

No advances to customers, banks and other financial institutions were impaired as at April 30, 2017 (October 31, 2016: Nil).

2.3 Overdue advances

No advances to customers, banks and other financial institutions and other assets were overdue as at April 30, 2017 (October 31, 2016: Nil).

2.4 Rescheduled advances

No advances to customers, banks and other financial institutions were rescheduled as at April 30, 2017 (October 31, 2016: Nil).

2.5 Repossessed assets

No repossessed asset was held as at April 30, 2017 (October 31, 2016: Nil).

3. Off-Balance Sheet Exposures

3.1 Contingent liabilities and commitments

	Apr-30-17 HKD'000	Oct-31-16 HKD'000
<i>Notional amount:</i>		
- Direct credit substitutes	793,657	819,902
- Transaction-related contingencies	29,790	29,830
- Trade-related contingencies	60,018	61,719
- Other commitments with original maturity of more than 1 year	2,769,464	1,565,000
- Other commitments which are unconditionally cancellable by the institution without prior notice	732,512	728,867
Total	<u>4,385,441</u>	<u>3,205,318</u>
 <i>Credit risk weighted amount</i>	 <u>1,909,288</u>	 <u>1,483,661</u>

4. Segmental Information

4.1 Analysis of advances to customers by industry sector

	Apr-30-17		
	Gross loans and advances HKD'000	% of gross loans and advances covered by collateral	Collectively assessed impairment allowance HKD'000
<i>Industrial, commercial & financial</i>			
- Property development	1,218,829	-	1,548
- Property investment	1,350,000	-	2,738
- Wholesale and retail trade	137,320	-	201
- Manufacturing	1,478,010	-	1,878
- Transport and Transport equipment	1,199,233	4.2%	2,128
- Electricity, gas and telecommunications	380,000	-	895
- Others	2,375,000	32.6%	9,134
Loans and advances for use in Hong Kong	<u>8,138,392</u>	10.1%	<u>18,522</u>
Loans and advances for use outside Hong Kong	<u>6,635,245</u>	6.3%	<u>8,910</u>
Total advances to customers	<u>14,773,637</u>	8.4%	<u>27,432</u>
 Oct-31-16			
	Gross loans and advances HKD'000	% of gross loans and advances covered by collateral	Collectively assessed impairment allowance HKD'000
<i>Industrial, commercial & financial</i>			
- Property development	1,662,171	-	2,161
- Property investment	1,891,791	-	3,521
- Wholesale and retail trade	136,937	-	205
- Manufacturing	1,463,438	-	1,912
- Transport and Transport equipment	1,444,620	21.1%	3,253
- Electricity, gas and telecommunications	778,567	-	1,868
- Others	3,261,849	23.8%	10,835
Loans and advances for use in Hong Kong	<u>10,639,373</u>	10.1%	<u>23,755</u>
Loans and advances for use outside Hong Kong	<u>8,106,506</u>	6.6%	<u>11,856</u>
Total advances to customers	<u>18,745,879</u>	8.6%	<u>35,611</u>

4.2 Non-bank Mainland exposures

Non-bank Mainland exposures as at April 30, 2017 which had exceeded 10% of total loans and advances to customers were analysed as follows:

	On-Balance sheet exposure	Apr-30-17 Off-Balance sheet exposure	Total
	HKD'000	HKD'000	HKD'000
- Central government, central government-owned entities and their subsidiaries and JV	3,986,093	124,464	4,110,557
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	152,049	-	152,049
Total	4,138,142	124,464	4,262,606
Total assets after provision	17,413,225		
On-balance sheet exposures as % of total assets	23.76%		

	On-Balance sheet exposure	Oct-31-16 Off-Balance sheet exposure	Total
	HKD'000	HKD'000	HKD'000
- Central government, central government-owned entities and their subsidiaries and JV	4,681,177	200,000	4,881,177
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	452,812	-	452,812
Total	5,133,989	200,000	5,333,989
Total assets after provision	21,628,505		
On-balance sheet exposures as % of total assets	23.74%		

4.3 Analysis of total advances to customers by geographic areas after risk transfer

	Apr-30-17 HKD'000	Oct-31-16 HKD'000
Hong Kong	10,453,351	13,743,486
Asia Pacific excluding Hong Kong	4,320,286	5,002,393
	14,773,637	18,745,879

4.4 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.

	Banks HKD'000	Official Sector HKD'000	Apr-30-17 Non-financial private sector		Total HKD'000
			Non-bank financial institutions HKD'000	Non-financial Private Sector HKD'000	
Developed Countries	-	978,700	-	-	978,700
<i>of which Japan</i>	-	978,700	-	-	978,700
Offshore Centres	-	-	-	5,914,270	5,914,270
<i>of which Hong Kong</i>	-	-	-	5,914,270	5,914,270
Developing Asia and Pacific	271,017	-	1,947,792	1,794,833	4,013,642
<i>of which China</i>	261,268	-	1,556,144	1,672,142	3,489,554

	Banks HKD'000	Official Sector HKD'000	Oct-31-16 Non-financial private sector		Total HKD'000
			Non-bank financial institutions HKD'000	Non-financial Private Sector HKD'000	
Developed Countries	-	1,478,627	-	-	1,478,627
<i>of which Japan</i>	-	1,478,627	-	-	1,478,627
Offshore Centres	-	-	-	6,596,550	6,596,550
<i>of which Hong Kong</i>	-	-	-	6,596,550	6,596,550
Developing Asia and Pacific	83,848	-	1,942,172	1,854,038	3,880,058
<i>of which China</i>	83,848	-	1,551,704	1,723,829	3,359,381

Claims arising between group companies were excluded.

5. Currency risk

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

<i>Equivalent in HKD'000</i>	Apr-30-17 USD	Oct-31-16 USD
Spot assets	9,393,106	9,479,840
Spot liabilities	(9,380,275)	(9,464,555)
Forward purchases	-	-
Forward sales	-	-
Net option position	-	-
Net long/ (short) position	<u>12,831</u>	<u>15,285</u>

No structural assets and liabilities as at April 30, 2017 (October 31, 2016: Nil).

6. Other financial information

6.1 Capital adequacy ratio

	Apr-30-17	Oct-31-16
CET1 capital ratio	35.57%	28.14%
Tier 1 capital ratio	35.57%	28.14%
Total capital ratio	35.75%	28.33%

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's regulatory capital disclosures are published by using the standard disclosure templates, as specified by the HKMA under the "Regulatory Disclosures" Section on the Parent Bank's website www.scotiabank.com

6.2 Countercyclical Capital Buffer (CCyB) Ratio

	Apr-30-17	Oct-31-16
CCyB ratio	<u>0.99%</u>	<u>0.50%</u>

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's CCyB ratio are published by using the standard disclosure templates, as specified by the HKMA under the "Regulatory Disclosures" Section on the Parent Bank's website www.scotiabank.com

6.3 Leverage ratio

	Apr-30-17	Oct-31-16
Leverage ratio	<u>26.99%</u>	<u>22.30%</u>

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6.4 Liquidity Risk Management

Liquidity risk is the risk that the company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to counterparties, and lending and investment 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 limits that are approved by the Board of Directors. The Board 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 liquidity risk framework are:

- Measurement and modeling – the company'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 company performs liquidity stress testing on a regular basis, to evaluate the effect of both industry-wide and company-specific disruptions on the company's liquidity position. Liquidity stress testing has many purposes including:
 - Helping the company 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 company's liquidity stress tests consider the effect of changes in funding assumptions, and the market value of liquid assets. The company 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 company 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 company actively manages the diversification of its funding liabilities by term.

- Core liquidity – the company 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 company-specific events.

The following analysis shows the liquidity position for the period ended Apr 30, 2017 and its comparative period:

	6 mths ended Apr-30-17	6 mths ended Apr-30-16
Average liquidity maintenance ratio	<u>56.29%</u>	<u>40.08%</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.

SCOTIABANK (HONG KONG) LIMITED



Andy. S.C. POON
Chief Executive

July 28, 2017

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.