

# SCOTIABANK (HONG KONG) LIMITED

Unaudited Interim Financial Information Disclosure Statement as at April 30, 2018

## 1. Profit and loss information

	6 mths ended Apr-30-18 HKD'000	6 mths ended Apr-30-17 HKD'000
Interest income	150,752	181,728
Interest expense	(70,466)	(48,978)
<b>Net interest income</b>	<b>80,286</b>	<b>132,750</b>
Fees and commission income	11,548	8,637
Other operating loss	(284)	(519)
<b>Operating income</b>	<b>91,550</b>	<b>140,868</b>
Staff expenses	(7,500)	(7,874)
Premises and equipment expenses	(1,499)	(1,439)
Administration services fee	(6,003)	(7,289)
Other expenses	(8,672)	(1,102)
<b>Operating expenses</b>	<b>(23,674)</b>	<b>(17,704)</b>
Impairment release on impaired loans and advances	927	8,318
<b>Profit before taxation</b>	<b>68,803</b>	<b>131,482</b>
Taxation - Hong Kong Tax	(11,199)	(20,337)
- Deferred tax	(153)	(1,373)
<b>Profit after taxation</b>	<b>57,451</b>	<b>109,772</b>

## 2. Balance Sheet Information

### 2.1 Balance Sheet

	Apr-30-18 HKD'000	Oct-31-17 HKD'000
<b>Assets</b>		
Cash and balances with banks	1,565,427	1,592,969
Trade bills	804,173	-
Loans and receivables		
Loans and advances to customers	9,315,953	11,495,166
Loans and advances to banks	-	16,381
Collective impairment allowances against:		
- loans and advances to customers	(2,473)	(20,973)
- loans and advances to banks	-	(21)
	9,313,480	11,490,553
Investment securities measured at fair value through other comprehensive income	1,720,110	1,602,913
Current tax assets	-	2,908
Deferred tax assets	459	3,504
Other accounts	27,919	23,453
<b>Total assets</b>	<b>13,431,568</b>	<b>14,716,300</b>
<b>Equity and Liabilities</b>		
Deposits and balances from banks	8,021,205	9,283,365
Current taxation	8,292	-
Other liabilities	36,032	22,983
<b>Total liabilities</b>	<b>8,065,529</b>	<b>9,306,348</b>
Share Capital	2,796,181	2,796,181
Reserves		
Other comprehensive income	(17)	(204)
Retained profits	2,569,875	2,613,975
	2,569,858	2,613,771
<b>Total equity</b>	<b>5,366,039</b>	<b>5,409,952</b>
<b>Total equity and liabilities</b>	<b>13,431,568</b>	<b>14,716,300</b>

## 2.2 Impaired assets

No advances to customers, banks and other financial institutions were impaired as at April 30, 2018 (October 31, 2017: Nil).

## 2.3 Overdue advances

No advances to customers, banks and other financial institutions and other assets were overdue as at April 30, 2018 (October 31, 2017: Nil).

## 2.4 Rescheduled advances

No advances to customers, banks and other financial institutions were rescheduled as at April 30, 2018 (October 31, 2017: Nil).

## 2.5 Repossessed assets

No repossessed asset was held as at April 30, 2018 (October 31, 2017: Nil).

## 3. Off-Balance Sheet Exposures

### 3.1 Contingent liabilities and commitments

	Apr-30-18 HKD'000	Oct-31-17 HKD'000
<i>Notional amount:</i>		
- Direct credit substitutes	741,354	767,201
- Transaction-related contingencies	29,848	25,439
- Trade-related contingencies	14,591	37,043
- Other commitments with original maturity of more than 1 year	2,945,000	4,009,874
- Other commitments which are unconditionally cancellable by the institution without prior notice	3,371,165	961,638
Total	<u>7,101,958</u>	<u>5,801,195</u>
 <i>Credit risk weighted amount</i>	 <u>1,935,696</u>	 <u>2,496,266</u>

## 4. Segmental information

### 4.1 Analysis of advances to customers by industry sector

	Gross loans and advances HKD'000	Apr-30-18 % of gross loans and advances covered by collateral	Collectively assessed impairment allowance HKD'000
<i>Industrial, commercial &amp; financial</i>			
- Property development	-	-	-
- Property investment	850,000	-	40
- Wholesale and retail trade	-	-	-
- Manufacturing	2,354,670	-	434
- Transport and Transport equipment	471,303	9.1%	71
- Electricity, gas and telecommunications	-	-	-
- Others	1,775,000	43.7%	525
Loans and advances for use in Hong Kong	<u>5,450,973</u>	<u>15.0%</u>	<u>1,070</u>
Loans and advances for use outside Hong Kong	<u>3,864,980</u>	<u>3.1%</u>	<u>1,403</u>
Total advances to customers	<u>9,315,953</u>	<u>10.1%</u>	<u>2,473</u>
	Gross loans and advances HKD'000	Oct-31-17 % of gross loans and advances covered by collateral	Collectively assessed impairment allowance HKD'000
<i>Industrial, commercial &amp; financial</i>			
- Property development	915,952	-	1,164
- Property investment	948,068	-	1,857
- Wholesale and retail trade	-	-	-
- Manufacturing	2,320,540	-	2,973
- Transport and Transport equipment	512,340	9.1%	1,095
- Electricity, gas and telecommunications	285,430	-	683
- Others	1,616,897	47.9%	7,626
Loans and advances for use in Hong Kong	<u>6,599,227</u>	<u>12.5%</u>	<u>15,398</u>
Loans and advances for use outside Hong Kong	<u>4,895,939</u>	<u>4.2%</u>	<u>5,575</u>
Total advances to customers	<u>11,495,166</u>	<u>9.0%</u>	<u>20,973</u>

#### 4.2 Non-bank Mainland exposures

Non-bank Mainland exposures as at April 30, 2018 which had exceeded 10% of total loans and advances to customers were analysed as follows:

	On-Balance sheet exposure	Apr-30-18 Off-Balance sheet exposure	Total
	HKD'000	HKD'000	HKD'000
- Central government, central government-owned entities and their subsidiaries and JV	2,363,449	1,769,780	4,133,229
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	140,067	465,000	605,067
<b>Total</b>	<b>2,503,516</b>	<b>2,234,780</b>	<b>4,738,296</b>
Total assets after provision	13,431,568		
On-balance sheet exposures as % of total assets	18.64%		

	On-Balance sheet exposure	Oct-31-17 Off-Balance sheet exposure	Total
	HKD'000	HKD'000	HKD'000
- Central government, central government-owned entities and their subsidiaries and JV	3,641,699	624,824	4,266,523
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	140,058	-	140,058
<b>Total</b>	<b>3,781,757</b>	<b>624,824</b>	<b>4,406,581</b>
Total assets after provision	14,716,300		
On-balance sheet exposures as % of total assets	25.70%		

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

	Apr-30-18 HKD'000	Oct-31-17 HKD'000
Hong Kong	6,933,898	7,538,093
Asia Pacific excluding Hong Kong	2,382,055	3,957,073
	<b>9,315,953</b>	<b>11,495,166</b>

#### 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.

	Apr-30-18				
	Banks		Non-financial private sector		Total
	Official Sector	Non-bank financial institutions	Non-financial Private Sector		
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Developed Countries	8,860	1,221,490	-	-	1,230,350
<i>of which Japan</i>	-	1,221,490	-	-	1,221,490
Offshore Centres	-	-	-	3,922,800	3,922,800
<i>of which Hong Kong</i>	-	-	-	3,922,800	3,922,800
Developing Asia and Pacific	804,205	-	395,788	1,698,906	2,898,899
<i>of which China</i>	804,205	-	-	1,592,033	2,396,238

  

	Oct-31-17				
	Banks		Non-financial private sector		Total
	Official Sector	Non-bank financial institutions	Non-financial Private Sector		
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Developed Countries	6,111	1,103,888	-	-	1,109,999
<i>of which Japan</i>	-	1,103,888	-	-	1,103,888
Offshore Centres	-	-	-	4,551,954	4,551,954
<i>of which Hong Kong</i>	-	-	-	4,551,954	4,551,954
Developing Asia and Pacific	16,381	-	1,953,485	1,725,828	3,695,694
<i>of which China</i>	16,381	-	1,560,397	1,611,048	3,187,826

## 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-30-18		Total
	USD	JPY	
Spot assets	6,448,393	1,223,682	7,672,075
Spot liabilities	(6,444,135)	(1,221,823)	(7,665,958)
Forward purchases	-	-	-
Forward sales	-	-	-
Net option position	-	-	-
Net long/ (short) position	<u>4,258</u>	<u>1,859</u>	<u>6,117</u>

  

<i>Equivalent in HKD'000</i>	Oct-31-17		Total
	USD	JPY	
Spot assets	7,818,174	1,105,534	8,923,708
Spot liabilities	(7,807,067)	(1,104,142)	(8,911,209)
Forward purchases	-	-	-
Forward sales	-	-	-
Net option position	-	-	-
Net long/ (short) position	<u>11,107</u>	<u>1,392</u>	<u>12,499</u>

No structural assets and liabilities as at April 30, 2018 (October 31, 2017: Nil).

## 6. Other financial information

### 6.1 Capital adequacy ratio

	Apr-30-18	Oct-31-17
CET1 capital ratio	45.35%	41.65%
Tier 1 capital ratio	45.35%	41.65%
Total capital ratio	45.37%	41.82%

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](http://www.scotiabank.com)

### 6.2 Countercyclical Capital Buffer (CCyB) Ratio

	Apr-30-18	Oct-31-17
CCyB ratio	<u>1.58%</u>	<u>0.99%</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](http://www.scotiabank.com)

### 6.3 Leverage ratio

	Apr-30-18	Oct-31-17
Leverage ratio	<u>33.53%</u>	<u>30.68%</u>

To comply with the Banking (Disclosure) Rules, all additional information in relation to the Company's leverage 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](http://www.scotiabank.com)

#### 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, 2018 and its comparative period:

	6 mths ended Apr-30-18	6 mths ended Apr-30-17
Average liquidity maintenance ratio	<u>49.83%</u>	<u>56.29%</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.

#### 6.5 Pillar 3 disclosures

To comply with the Banking (Disclosure) Rules, all Pillar 3 interim disclosure 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](http://www.scotiabank.com)

SCOTIABANK (HONG KONG) LIMITED



Osbert H. W. Ho  
Alternate Chief Executive

July 27, 2018

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.