

SCOTIABANK (HONG KONG) LIMITED

Unaudited Interim Financial Information Disclosure Statement as at April 30, 2020

Statement of profit or loss and other comprehensive income

	Note	6 mths ended Apr-30-20 HKD'000	6 mths ended Apr-30-19 HKD'000
Interest income	2(a)	164,451	190,325
Interest expense	2(b)	(78,647)	(111,906)
Net interest income		85,804	78,419
Fees and commission income	3	5,183	10,147
Other operating loss		(557)	(678)
Operating income		90,430	87,888
Operating expenses	4	(24,055)	(23,929)
Operating profit before impairment		66,375	63,959
Impairment (charge) /release	5	(855)	500
Profit before taxation		65,520	64,459
Income tax	6	(10,646)	(10,480)
Profit after taxation		54,874	53,979
Profit for the period		54,874	53,979
Other comprehensive income			
Investment securities measured at fair value through other comprehensive income			
- fair value changes during the period		166	(534)
- deferred taxes		41	(127)
Other comprehensive income for the period, net of tax		207	(661)
Total comprehensive income for the period		55,081	53,318

Statement of financial position

		Apr-30-20 HKD'000	Oct-31-19 HKD'000
Assets			
Cash and cash equivalents	7	3,263,139	1,000,737
Loans and advances	10(a)	7,408,099	13,046,228
Trade bills		270,482	333,460
Investment securities measured at fair value through other comprehensive income	8	636,651	1,727,347
Deferred tax assets	9(b)	411	311
Other assets		8,726	29,321
Total assets		11,587,508	16,137,404
Liabilities			
Deposits and balances from banks		6,083,169	10,666,754
Current taxation	9(a)	11,076	21,871
Other liabilities		13,635	24,232
Total liabilities		6,107,880	10,712,857
Equities			
Share Capital		2,796,181	2,796,181
Reserves		2,683,447	2,628,366
Total equity		5,479,628	5,424,547
Total liabilities and equity		11,587,508	16,137,404

Statement of changes in equity

	Share capital HKD'000	Fair value reserve on FVTOCI securities HKD'000	Retained profits HKD'000	Total equity HKD'000
At 1 November 2018	2,796,181	159	2,627,773	5,424,113
Dividend paid in respect of the previous year	-	-	(115,000)	(115,000)
Total comprehensive income for the period	-	(661)	53,979	53,318
At 30 April 2019	<u>2,796,181</u>	<u>(502)</u>	<u>2,566,752</u>	<u>5,362,431</u>
Total comprehensive income for the period	-	361	61,755	62,116
At 31 October 2019	<u>2,796,181</u>	<u>(141)</u>	<u>2,628,507</u>	<u>5,424,547</u>
Dividend paid in respect of the previous year	-	-	-	-
Total comprehensive income for the period	-	207	54,874	55,081
At 30 April 2020	<u>2,796,181</u>	<u>66</u>	<u>2,683,381</u>	<u>5,479,628</u>

Cash flow statement

	Apr-30-20 HKD'000	Apr-30-19 HKD'000
Operating activities		
Profit before taxation	65,520	64,459
Adjustment for: impairment charge / (release)	855	(500)
	<u>66,375</u>	<u>63,959</u>
(Increase)/ decrease in operating assets		
Loans and advances	5,637,527	184,922
Trade bills	63,366	9,258
Other assets	20,595	(3,246)
	<u>5,721,488</u>	<u>190,934</u>
Increase/ (decrease) in operating liabilities		
Deposits and balances of banks	(4,583,585)	(755,675)
Other liabilities	(10,715)	2,142
	<u>(4,594,300)</u>	<u>(753,533)</u>
Cash generated from / (used in) operations	<u>1,193,563</u>	<u>(498,640)</u>
Hong Kong Profits Tax paid	(21,582)	-
Net cash generated from / (used in) operating activities	<u>1,171,981</u>	<u>(498,640)</u>
Investing activities		
Decrease in investment securities measured at FVTOCI	1,086,449	323,270
Interest received	4,495	4,443
Net cash generated from investing activities	<u>1,090,944</u>	<u>327,713</u>
Financing activity		
Dividend paid	-	(115,000)
Net cash used in financing activity	<u>-</u>	<u>(115,000)</u>
Net increase / (decrease) in cash and cash equivalents	<u>2,262,925</u>	<u>(285,927)</u>
Cash and cash equivalents at beginning of the period	<u>1,000,838</u>	<u>2,352,784</u>
Cash and cash equivalents at end of the period	<u>3,263,763</u>	<u>2,066,857</u>
Cash flows from operating activities include		
Interest received	184,988	186,318
Interest paid	(91,094)	(108,551)
	<u>93,894</u>	<u>77,767</u>
Analysis of cash and cash equivalents		
Cash and cash equivalents with original maturity within three months	<u>3,263,763</u>	<u>2,066,857</u>

Notes to the financial statements

1 Basis of preparation and accounting policies

The accounting policies and methods of computation used in the preparation of the 2020 interim financial statements are consistent with those used and described in the Company's annual audited financial statements for the year ended 31 October 2019.

2 Interest income and interest expense	Apr-30-20 HKD'000	Apr-30-19 HKD'000
(a) Interest income		
Unlisted FVTOCI debt securities	4,495	4,443
Loans and advances	158,917	184,352
Deposits from banks	<u>1,039</u>	<u>1,530</u>
Interest income on financial assets that are not at fair value through profit or loss as included in the statement of profit or loss	<u>164,451</u>	<u>190,325</u>
Total interest income on all financial assets	<u>164,451</u>	<u>190,325</u>
All interest income is calculated using the effective interest rate method.		
(b) Interest expense		
Deposits from banks	77,731	110,515
Unlisted FVTOCI debt securities	<u>916</u>	<u>1,391</u>
Interest expense on financial liabilities that are not at fair value through profit or loss as included in the statement of profit or loss	<u>78,647</u>	<u>111,906</u>
Total interest expense on all financial liabilities	<u>78,647</u>	<u>111,906</u>
3 Fee and commission income	Apr-30-20 HKD'000	Apr-30-19 HKD'000
Loan fees	1,351	3,430
Trade finance fees	204	305
Administration and other service fee income earned from the ultimate holding company and fellow subsidiary company	3,628	6,410
Others	<u>-</u>	<u>2</u>
	<u>5,183</u>	<u>10,147</u>
4 Operating expenses	Apr-30-20 HKD'000	Apr-30-19 HKD'000
Staff expenses	8,649	8,190
Premises and equipment expenses	1,603	1,627
Administration services fee	7,235	8,315
Other service fees paid to the ultimate holding company	5,000	4,174
Others	<u>1,568</u>	<u>1,623</u>
	<u>24,055</u>	<u>23,929</u>
5 Impairment charge / release	Apr-30-20 HKD'000	Apr-30-19 HKD'000
Impairment allowances (charge) /release	<u>(855)</u>	<u>500</u>
At the beginning of the period	1,713	2,475
Impairment allowance charged / (released) to statement of profit or loss	855	(500)
At the end of the period	<u>2,568</u>	<u>1,975</u>
	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Stage 1 expected credit loss provision on:		
Cash and cash equivalents	624	101
Loans and advances to customers	1,719	1,117
Trade bills	22	410
Investment securities measured at FVTOCI	2	3
Contingent and loan commitments	<u>201</u>	<u>82</u>
	<u>2,568</u>	<u>1,713</u>

6	Income tax in the statement of profit or loss	Apr-30-20	Apr-30-19
		HKD'000	HKD'000
	Current tax - Hong Kong Profits Tax		
	Provision for the period	10,505	10,397
	Deferred taxation		
	Origination of temporary differences	141	83
		<u>10,646</u>	<u>10,480</u>
7	Cash and cash equivalents	Apr-30-20	Oct-31-19
		HKD'000	HKD'000
	Cash and cash equivalents	3,263,763	1,000,838
	Cash and cash equivalents in the cash flow statement	3,263,763	1,000,838
	Stage 1 expected credit loss provision	(624)	(101)
	Cash and cash equivalents in the statement of financial position	<u>3,263,139</u>	<u>1,000,737</u>
8	Investment securities measured at fair value through other comprehensive income	Apr-30-20	Oct-31-19
		HKD'000	HKD'000
	Debt securities	636,651	1,727,347
	Issued by:		
	Sovereigns	636,651	1,727,347
	Analysed by place of listing:		
	Unlisted	636,651	1,727,347
9	Income tax in the statement of financial position	Apr-30-20	Oct-31-19
		HKD'000	HKD'000
(a)	Current taxation in the statement of financial position represents:		
	Provision for Hong Kong Profits Tax for the period	10,787	22,207
	Balance of Profits Tax provision relating to prior periods	289	(336)
	Current tax (asset)/ liabilities	<u>11,076</u>	<u>21,871</u>

(b) Deferred tax assets recognised:

The components of deferred tax assets recognized in the statement of financial position and the movements during the period are as follows:

	Impairment allowance on loans and advances HKD'000	Revaluation of FVTOCI financial assets HKD'000	Total HKD'000
Deferred tax arising from:			
At 1 November 2019	282	29	311
Charged to statement of profit or loss	141	-	141
Charged to FVTOCI fair value reserve	-	(41)	(41)
At 30 April 2020	<u>423</u>	<u>(12)</u>	<u>411</u>
At 1 November 2018	408	(31)	377
Charged to statement of profit or loss	(126)	-	(126)
Charged to FVTOCI fair value reserve	-	60	60
At 31 October 2019	<u>282</u>	<u>29</u>	<u>311</u>

10 Loans and advances

(a) Analysis of advances to customers by industry sector

	Apr-30-20		
	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 investment	394,217	-	51
- Manufacturing	1,542,909	-	628
- Transport and Transport equipment	232,154	-	12
- Electricity, gas and telecommunications	2,260,878	-	607
- Others	973,864	-	143
Loans and advances for use in Hong Kong	5,404,022	-	1,441
Loans and advances for use outside Hong Kong	2,005,796	23.3%	278
Total advances to customers	7,409,818	6.3%	1,719
	Oct-31-19		
	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 investment	1,238,129	-	52
- Manufacturing	1,558,793	-	196
- Transport and Transport equipment	427,066	-	29
- Electricity, gas and telecommunications	2,258,050	-	205
- Others	2,355,331	32.9%	97
Loans and advances for use in Hong Kong	7,837,369	9.9%	579
Loans and advances for use outside Hong Kong	5,209,976	9.2%	538
Total advances to customers	13,047,345	9.6%	1,117

(b) Impaired assets

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

(c) Overdue advances

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

(d) Rescheduled advances

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

(e) Repossessed assets

No repossessed asset was held as at April 30, 2020 (October 31, 2019: Nil).

11 Contingent liabilities and commitments

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
<i>Notional amount:</i>		
- Direct credit substitutes	129,819	158,711
- Transaction-related contingencies	59,983	71,385
- Trade-related contingencies	184,932	16,746
- Other commitments with original maturity of more than 1 year	1,419,889	774,889
- Other commitments which are unconditionally cancellable	2,105,821	2,404,367
Total	3,900,444	3,426,098
<i>Credit risk weighted amount</i>	790,452	484,198

12 Non-bank Mainland exposures

Non-bank Mainland exposures as at April 30, 2020 which had exceeded 10% of total loans and advances to customers were analysed as follows:

	On-Balance sheet exposure	Apr-30-20 Off-Balance sheet exposure	Total
	HKD'000	HKD'000	HKD'000
- Central government, central government-owned entities and their subsidiaries and JV	663,074	904,859	1,567,933
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	360,144	-	360,144
Total	1,023,218	904,859	1,928,077
Total assets after provision	11,587,508		
On-balance sheet exposures as % of total assets	8.83%		

	On-Balance sheet exposure	Oct-31-19 Off-Balance sheet exposure	Total
	HKD'000	HKD'000	HKD'000
- Central government, central government-owned entities and their subsidiaries and JV	3,828,662	942,471	4,771,133
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	360,175	-	360,175
Total	4,188,837	942,471	5,131,308
Total assets after provision	16,137,404		
On-balance sheet exposures as % of total assets	25.96%		

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

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Hong Kong	6,367,882	9,133,600
Asia Pacific excluding Hong Kong	1,041,936	3,913,745
	7,409,818	13,047,345

14 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				
	Banks	Official Sector	Non- financial private sector		Total
			financial institutions	Non-financial Private Sector	
HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	
Developed Countries		436,809	-	-	436,809
<i>of which Japan</i>		436,809	-	-	436,809
Offshore Centres	-	-	-	3,111,920	3,111,920
<i>of which Hong Kong</i>	-	-	-	3,111,920	3,111,920
Developing Asia and Pacific	270,504	-	556,365	194,257	1,021,126
<i>of which China</i>	270,504	-	168,784	194,257	633,545

	Oct-31-19				
	Banks	Official Sector	Non- financial private sector		Total
			financial institutions	Non-financial Private Sector	
HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	
Developed Countries	-	1,229,435	-	-	1,229,435
<i>of which Japan</i>	-	1,229,435	-	-	1,229,435
Offshore Centres	-	-	-	3,432,784	3,432,784
<i>of which Hong Kong</i>	-	-	-	3,432,784	3,432,784
Developing Asia and Pacific	334,440	-	2,147,286	1,780,262	4,261,988
<i>of which China</i>	334,440	-	1,755,400	1,773,219	3,863,059

Claims arising between group companies were excluded.

15 Currency risk

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

Equivalent in HKD'000	Apr-30-20		
	USD	JPY	Total
Spot assets	3,839,972	439,301	4,279,273
Spot liabilities	(3,782,906)	(437,281)	(4,220,187)
Forward purchases	-	-	-
Forward sales	-	-	-
Net option position	-	-	-
Net long/ (short) position	57,066	2,020	59,086

Equivalent in HKD'000	Oct-31-19		
	USD	JPY	Total
Spot assets	7,311,057	1,231,811	8,542,868
Spot liabilities	(7,272,320)	(1,230,102)	(8,502,422)
Forward purchases	-	-	-
Forward sales	-	-	-
Net option position	-	-	-
Net long/ (short) position	38,737	1,709	40,446

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

16 Disclosure statement available to the public

To comply with the Banking (Disclosure) Rules, the interim disclosure statement and all Pillar 3 interim disclosure which are published by using the standard disclosure templates as specified by the HKMA are available under the "Regulatory Disclosures" Section on the Parent Bank's website www.scotiabank.com/global/en/country/hong-kong.html

SCOTIABANK (HONG KONG) LIMITED



Osbert H. W. Ho
Alternate 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.