

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at April 30, 2021

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. <u>Profit and loss information</u>	6 mths ended Apr-30-21 HKD'000	6 mths ended Apr-30-20 HKD'000
Interest income	181,981	427,228
Interest expense	<u>(74,700)</u>	<u>(323,624)</u>
Net interest income	107,281	103,604
Gains less losses arising from trading in foreign currencies	10,682	42,233
Gains less losses from other trading activities	-	(781)
Fees and commission income	79,756	99,951
Others	<u>(109)</u>	<u>(1,471)</u>
Operating income	197,610	243,536
Staff expenses	<u>(81,763)</u>	<u>(123,393)</u>
Other expenses	<u>(48,396)</u>	<u>(49,521)</u>
Operating expenses	(130,159)	(172,914)
Profit before taxation	67,451	70,622
Taxation charge	<u>(10,131)</u>	<u>(604)</u>
Profit after taxation	57,320	70,018
II. <u>Balance Sheet</u>	Apr-30-21 HKD'000	Oct-31-20 HKD'000
Assets		
Cash and balances with banks	1,526,310	2,812,061
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,156,940	1,155,316
Amount due from overseas offices of the institution	7,319,096	11,698,023
Trade bills	7,792,810	3,443,808
Loans and receivables		
Loans and advances to customers	17,277,255	19,572,883
Accrued interest and other accounts	<u>174,923</u>	<u>229,182</u>
Investment securities	6,602,324	5,925,616
Other investments	-	10,820
Total assets	41,849,658	44,847,709
Liabilities		
Deposits and balances from banks	5,470,193	5,015,972
Deposits from Central Bank	2,000,000	320,586
Deposits from customers		
Demand deposits and current accounts	6,892	12,235
Savings deposits	6,350	7,193
Time, call and notice deposits	<u>13,292,313</u>	<u>16,974,811</u>
Amount due to overseas offices of the institution	20,259,473	20,857,399
Certificates of deposit issued	500,000	1,091,580
Other liabilities	314,437	567,933
Total liabilities	41,849,658	44,847,709

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, 2021 (October 31, 2020: 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, 2021 (October 31, 2020: Nil).

a. *Overdue advances*

No advances to customers, banks, other financial institutions and other assets were overdue as at April 30, 2021 (October 31, 2020: Nil).

b. *Rescheduled advances*

No advances to customers, banks and other financial institutions were rescheduled as at April 30, 2021 (October 31, 2020: Nil).

c. *Repossessed assets*

	Apr-30-21 HKD'000	Oct-31-20 HKD'000
Repossessed assets - held for use	-	38

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

a. *Contingent liabilities and commitments*

	Apr-30-21 HKD'000	Oct-31-20 HKD'000
- Direct credit substitutes	573,683	866,642
- Transaction-related contingencies	15,968	15,968
- Trade-related contingencies	657,645	904,683
- Other commitments	6,383,794	6,303,165
- Others	-	-
Total	<u>7,631,090</u>	<u>8,090,458</u>

b. *Derivatives*

	Apr-30-21 HKD'000	Oct-31-20 HKD'000
Notional Amounts:		
- Exchange rate contracts	16,778,893	17,163,367
- Interest rate contracts	-	124,061
- Others	36,444	1,627,096
Total	<u>16,815,337</u>	<u>18,914,524</u>

	Apr-30-21 HKD'000	Oct-31-20 HKD'000
Fair value:		
- Exchange rate contracts	119,486	413,614
- Interest rate contracts	11,982	91,892
- Others	1,101	3,853
Total	<u>132,569</u>	<u>509,359</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-30-21		Oct-31-20	
	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	-	800,000	-
- Property investment	1,250,000	-	-	-
- Manufacturing	1,552,940	-	1,550,760	-
- Information technology	1,500,000	-	1,500,000	-
- Transport and Transport equipment	1,050,000	-	1,173,382	-
- Others	1,778,235	21.9%	2,365,380	16.5%
Loans and advances for use in Hong Kong	8,231,175	4.7%	7,389,522	5.3%
Trade finance	-	-	352,896	-
Loans and advances for use outside Hong Kong	9,046,080	6.8%	11,830,465	8.2%
Total loans and advances to customers	17,277,255	5.8%	19,572,883	6.9%

b. Non-bank Mainland exposures

	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 in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JV	-	-	-
- 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 Asset after provision	41,849,658		
On-balance sheet exposures as % of total asset	4.75%		
	Oct-31-20 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	2,420,978	1,078,832	3,499,810
- PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JV	58,092	-	58,092
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	600,589	258,983	859,572
Total	3,079,659	1,337,815	4,417,474
Total assets after provision	44,847,709		
On-balance sheet exposures as % of total assets	6.87%		

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

	Apr-30-21 (HKD millions)	Oct-31-20 (HKD millions)
Hong Kong	10,927	13,827
Rest of Asia Pacific	4,177	5,451
Europe	2,173	-
North America	-	295
	17,277	19,573

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-30-21 (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

	Oct-31-20 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	13,227	4,386	-	931	18,544
<i>of which Canada</i>	13,083	-	-	-	13,083
<i>of which Japan</i>	17	4,386	-	-	4,403
Offshore Centres	488	-	-	9,832	10,320
<i>of which Hong Kong</i>	487	-	-	8,732	9,219
Developing Asia and Pacific	5,636	493	2,898	1,242	10,269
<i>of which China</i>	5,281	493	1,734	188	7,696

VI. Currency risk

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

	Apr-30-21 (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

	Oct-31-20 (HKD millions)			
	USD	CNY	CAD	TOTAL
Spot assets	27,379	1,724	145	29,248
Spot liabilities	(26,413)	(1,708)	(132)	(28,253)
Forward purchases	8,418	788	2,442	11,648
Forward sales	(9,127)	(788)	(2,442)	(12,357)
Net long (short) position	257	16	13	286

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

VII. Liquidity

The following analysis shows the liquidity position for the three months ended April 30, 2021 and its comparative period:

	3 mths ended Apr-30-21	3 mths ended Apr-30-20
Average liquidity maintenance ratio ("LMR") for the period	40.1%	40.0%

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-30-21 CAD millions	Oct-31-20 CAD millions
Shareholders' equity:		
Capital stock		
- Preferred shares	4,549	5,308
- Common shares and other reserves	18,725	18,599
Retained earnings	48,713	46,345
Accumulated other comprehensive income	(3,979)	(2,125)
Non-controlling interest	2,414	2,376
	<u>70,422</u>	<u>70,503</u>
CET1 capital ratio	12.3%	11.8%
Tier 1 capital ratio	13.6%	13.3%
Total capital ratio	15.7%	15.5%

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-30-21 CAD millions	Oct-31-20 CAD millions
Total assets	1,125,248	1,136,466
Total liabilities	1,054,826	1,065,963
Total advances	608,165	603,263
Total customer deposits	715,739	710,754
Total deposits from banks	40,922	40,084
	6 mths ended Apr-30-21 CAD millions	6 mths ended Apr-30-20 CAD millions
Pre-tax profit	6,298	4,544
After-tax profit	4,854	3,650

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 30, 2021

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.