

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at April 30, 2022

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. <u>Profit and loss information</u>	6 mths ended Apr-30-22 HKD'000	6 mths ended Apr-30-21 HKD'000
Interest income	201,708	181,981
Interest expense	(93,373)	(74,700)
Net interest income	108,335	107,281
Gains less losses arising from trading in foreign currencies	3,809	10,682
Fees and commission income	57,161	79,756
Others	-	(109)
Operating income	169,305	197,610
Staff expenses	(66,527)	(81,763)
Other expenses	(35,596)	(48,396)
Operating expenses	(102,123)	(130,159)
Profit before taxation	67,182	67,451
Tax (charge) / credit	(10,920)	(10,131)
Profit after taxation	56,262	57,320

II. <u>Balance Sheet</u>	Apr-30-22 HKD'000	Oct-31-21 HKD'000
Assets		
Cash and balances with banks	1,421,480	1,401,189
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,169,352	1,158,564
Amount due from overseas offices of the institution	9,118,361	8,551,938
Trade bills	3,275,428	7,210,795
Loans and receivables		
Loans and advances to customers	20,719,958	19,290,259
Accrued interest and other accounts	221,966	227,858
Investment securities	6,970,492	6,388,636
Total assets	42,897,037	44,229,239
Liabilities	Apr-30-22 HKD'000	Oct-31-21 HKD'000
Deposits and balances from banks	5,727,981	3,449,406
Deposits from Central Bank	5,200,000	3,000,000
Deposits from customers		
Demand deposits and current accounts	3,410	14,353
Savings deposits	7,988	5,974
Time, call and notice deposits	13,081,139	13,809,721
Amount due to overseas offices of the institution	18,548,373	23,112,105
Certificates of deposit issued	-	500,000
Other liabilities	328,146	337,680
Total liabilities	42,897,037	44,229,239

Impairment allowance for impaired assets

Collective impairment allowances for impaired assets are maintained at overseas Head Office (The Bank of Nova Scotia, "the Bank") incorporated in Canada, 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, 2022 (October 31, 2021: 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, 2022 (October 31, 2021: Nil).

a. Overdue advances

No advances to customers, banks, other financial institutions and other assets were overdue as at April 30, 2022 (October 31, 2021: Nil)

b. Rescheduled advances

No advances to customers, banks and other financial institutions were rescheduled as at April 30, 2022 (October 31, 2021: Nil).

c. Repossessed assets

No repossessed assets as at April 30, 2022 (October 31, 2021: Nil).

IV. Off-Balance Sheet Exposures

	Apr-30-22 HKD'000	Oct-31-21 HKD'000
a. Contingent liabilities and commitments		
- Direct credit substitutes	166,577	186,168
- Transaction-related contingencies	222	222
- Trade-related contingencies	454,743	557,121
- Other commitments	3,968,822	6,272,302
- Others	-	-
Total	<u>4,590,364</u>	<u>7,015,813</u>
b. Derivatives		
Notional Amounts:		
- Exchange rate contracts	8,066,482	18,797,444
- Interest rate contracts	196,992	-
- Others	-	-
Total	<u>8,263,474</u>	<u>18,797,444</u>
Fair value:		
- Exchange rate contracts	131,202	118,593
- Interest rate contracts	-	-
- Others	-	-
Total	<u>131,202</u>	<u>118,593</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-30-22		Oct-31-21	
	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	-	1,100,000	-
- Property investment	1,301,000	-	1,250,000	-
- Manufacturing	2,903,760	-	2,099,412	-
- Information technology	2,650,000	-	2,000,000	-
- Transport and Transport equipment	569,600	-	909,600	-
- Others	2,569,600	-	2,943,900	-
Loans and advances for use in Hong Kong	11,093,960	-	10,302,912	-
Trade finance	649,849	-	678,914	-
Loans and advances for use outside Hong Kong	8,976,149	5.3%	8,308,433	4.6%
Total loans and advances to customers	20,719,958	2.3%	19,290,259	2.0%

b. **Non-bank Mainland exposures**

	Apr-30-22 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	3,206,785	784,800	3,991,585
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	990,947	250,000	1,240,947
Total	4,197,732	1,034,800	5,232,532
Total Asset after provision	42,897,037		
On-balance sheet exposures as % of total asset	9.79%		
	Oct-31-21 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	1,265,502	1,943,900	3,209,402
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	600,634	250,000	850,634
Total	1,866,136	2,193,900	4,060,036
Total assets after provision	44,229,239		
On-balance sheet exposures as % of total assets	4.22%		

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

	Apr-30-22 (HKD millions)	Oct-31-21 (HKD millions)
Hong Kong	14,053	15,606
Rest of Asia Pacific	4,392	3,005
North America	305	679
Europe	1,970	-
	20,720	19,290

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-30-22 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Financial Institutions	Non-financial Private Sector	
Developed Countries	9,719	3,434	-	3,277	16,430
<i>of which Canada</i>	9,690	-	-	-	9,690
<i>of which Japan</i>	2	3,434	-	-	3,436
Offshore Centres	191	-	-	7,296	7,487
<i>of which Hong Kong</i>	191	-	-	6,286	6,477
Developing Asia and Pacific	5,088	384	2,183	-	7,655
<i>of which China</i>	4,780	384	1,738	-	6,902

	Oct-31-21 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Financial Institutions	Non-financial Private Sector	
Developed Countries	9,316	4,857	-	1,890	16,063
<i>of which Canada</i>	9,292	-	-	-	9,292
<i>of which Japan</i>	2	4,857	-	-	4,859
Offshore Centres	274	-	-	9,241	9,515
<i>of which Hong Kong</i>	30	-	-	8,594	8,624
Developing Asia and Pacific	8,730	396	960	-	10,086
<i>of which China</i>	8,341	396	182	-	8,919

VI. Currency risk

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

	Apr-30-22 (HKD millions)			
	USD	CNY	GBP	TOTAL
Spot assets	23,011	1,224	1,979	26,214
Spot liabilities	(23,280)	(1,118)	(1,976)	(26,374)
Forward purchases	3,977	1,074	52	5,103
Forward sales	(3,697)	(1,169)	(52)	(4,918)
Net long (short) position	11	11	3	25

	Oct-31-21 (HKD millions)			
	USD	CNY	CAD	TOTAL
Spot assets	27,942	643	374	28,959
Spot liabilities	(27,039)	(1,734)	(151)	(28,924)
Forward purchases	8,953	1,462	1,620	12,035
Forward sales	(9,823)	(367)	(1,847)	(12,037)
Net long (short) position	33	4	(4)	33

There were no structural assets and liabilities as at April 30, 2022 (October 31, 2021: Nil).

VII. Liquidity

The following analysis shows the liquidity position for the three months ended April 30, 2022 and its comparative period:

	3 mths ended Apr-30-22	3 mths ended Apr-30-21
Average liquidity maintenance ratio ("LMR") for the period	<u>46.8%</u>	<u>40.1%</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.

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

1. <u>Capital and capital adequacy</u>	Apr-30-22 CAD millions	Oct-31-21 CAD millions
Shareholders' equity:		
Capital stock		
- Preferred shares and other equity instruments	5,552	6,052
- Common shares and other reserves	18,658	18,729
Retained earnings	52,209	51,354
Accumulated other comprehensive (loss)	(6,034)	(5,333)
Non-controlling interest	<u>1,582</u>	<u>2,090</u>
	<u>71,967</u>	<u>72,892</u>
CET1 capital ratio	11.6%	12.3%
Tier 1 capital ratio	12.8%	13.9%
Total capital ratio	15.0%	15.9%

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-30-22 CAD millions	Oct-31-21 CAD millions
Total assets	1,288,506	1,184,844
Total liabilities	1,216,539	1,111,952
Total net advances	689,702	636,986
Total customer deposits	822,115	754,899
Total deposits from financial institutions	54,439	42,360
	6 mths ended Apr-30-22 CAD millions	6 mths ended Apr-30-21 CAD millions
Pre-tax profit	7,168	6,298
After-tax profit	5,487	4,854

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 29, 2022

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.