

THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at October 31, 2020

SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I. Profit and loss information	12 mths ended Oct-31-20 HKD'000	12 mths ended Oct-31-19 HKD'000
Interest income	670,956	820,031
Interest expense	(441,869)	(662,064)
Net interest income	229,087	157,967
Gains less losses arising from trading in foreign currencies	49,526	82,016
Gains less losses from other trading activities	37	37
Fees and commission income	138,101	119,566
Others	(1,939)	(3,234)
Operating income	414,812	356,352
Staff expenses	(201,554)	(188,206)
Other expenses	(91,635)	(110,781)
Operating expenses	(293,189)	(298,987)
Profit before taxation	121,623	57,365
Tax credit/ (charge)	36,087	(16,145)
Profit after taxation	157,710	41,220
II. Balance Sheet	Oct-31-20 HKD'000	Apr-30-20 HKD'000
Assets		
Cash and balances with banks	2,812,061	3,248,008
Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	1,155,316	5,488,038
Amount due from overseas offices of the institution	11,698,023	12,202,295
Trade bills	3,443,808	4,654,517
Loans and receivables		
Loans and advances to customers	19,572,883	16,596,858
Accrued interest and other accounts	229,182	552,615
Investment securities	5,925,616	4,330,109
Other investments	10,820	4,910,582
Total assets	44,847,709	51,983,022
Liabilities		
Deposits and balances from banks	5,015,972	10,982,614
Deposits from Central Bank	320,586	6,489,314
Deposits from customers		
Demand deposits and current accounts	12,235	39,296
Savings deposits	7,193	9,766
Time, call and notice deposits	16,974,811	10,526,056
Amount due to overseas offices of the institution	20,857,399	20,818,581
Certificates of deposit issued	1,091,580	2,561,940
Other liabilities	567,933	555,455
Total liabilities	44,847,709	51,983,022

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 October 31, 2020 (April 30, 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 October 31, 2020 (April 30, 2020: Nil).

a. Overdue advances

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

b. Rescheduled advances

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

c. Repossessed assets

	Oct-31-20 HKD'000	Apr-30-20 HKD'000
Reposessed assets - held for use	<u>38</u>	<u>37</u>

Reposessed 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

	Oct-31-20 HKD'000	Apr-30-20 HKD'000
- Direct credit substitutes	866,642	860,978
- Transaction-related contingencies	15,968	-
- Trade-related contingencies	904,683	890,184
- Other commitments	6,303,165	2,793,436
- Others	-	2,695,435
Total	<u>8,090,458</u>	<u>7,240,033</u>

b. Derivatives

	Oct-31-20 HKD'000	Apr-30-20 HKD'000
Notional Amounts:		
- Exchange rate contracts	17,163,367	86,131,173
- Interest rate contracts	124,061	2,798,330
- Others	1,627,096	4,640,566
Total	<u>18,914,524</u>	<u>93,570,069</u>

	Oct-31-20 HKD'000	Apr-30-20 HKD'000
Fair value:		
- Exchange rate contracts	413,614	8,885,333
- Interest rate contracts	91,892	789
- Others	3,853	34,812
Total	<u>509,359</u>	<u>8,920,934</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

	Oct-31-20		Apr-30-20	
	HKD'000	% of loans and advances covered by collateral	HKD'000	% of loans and advances covered by collateral
Industrial, commercial & financial				
- Property development	800,000	-	-	-
- Wholesale and retail trade	-	-	159,635	-
- Manufacturing	1,550,760	-	-	-
- Information technology	1,500,000	-	-	-
- Transport and Transport equipment	1,173,382	-	820,459	15.8%
- Others	2,365,380	16.5%	1,755,878	22.2%
Loans and advances for use in Hong Kong	7,389,522	5.3%	2,735,972	19.0%
Trade finance	352,896	-	-	-
Loans and advances for use outside Hong Kong	11,830,465	8.2%	13,860,886	6.1%
Total loans and advances to customers	19,572,883	6.9%	16,596,858	8.3%

b. Non-bank Mainland exposures

	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 Asset after provision	44,847,709		
On-balance sheet exposures as % of total asset	6.87%		
	Apr-30-20 HKD'000		
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	1,904,206	-	1,904,206
- PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JV	248,810	7,784,307	8,033,117
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	128,244	422,162	550,406
Total	2,281,260	8,206,469	10,487,729
Total assets after provision	51,983,022		
On-balance sheet exposures as % of total assets	4.39%		

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

	Oct-31-20 (HKD millions)	Apr-30-20 (HKD millions)
Hong Kong	13,827	8,939
Rest of Asia Pacific	5,451	7,077
North America	295	581
	19,573	16,597

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.

	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

	Apr-30-20 (HKD millions)				Total
	Banks	Official Sector	Non-bank private sector		
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	16,286	2,112	-	3,267	21,665
<i>of which Canada</i>	15,429	-	-	-	15,429
<i>of which Japan</i>	6	2,112	-	483	2,601
Offshore Centres	593	-	-	10,059	10,652
<i>of which Hong Kong</i>	203	-	-	9,058	9,261
Developing Asia and Pacific	9,390	222	-	3,237	12,849
<i>of which China</i>	9,274	222	-	378	9,874

VI. Currency risk

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

	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

	Apr-30-20 (HKD millions)			
	USD	CNY	CAD	TOTAL
Spot assets	24,766	845	128	25,739
Spot liabilities	(23,685)	(832)	(152)	(24,669)
Forward purchases	17,870	21,900	2,453	42,223
Forward sales	(18,415)	(21,897)	(2,453)	(42,765)
Net long (short) position	536	16	(24)	528

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

VII. Liquidity Risk Management

Liquidity risk is defined as the risk of being unable to meet financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to counterparties, and lending and pledging 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 senior management and Head Office. Senior management receives timely reports on risk exposures against approved limits. The Hong Kong Branch's Asset-Liability Committee (ALCO) provides senior management oversight on liquidity risk.

The key elements of the Bank's liquidity risk management framework are:

- Measurement and modeling – the Bank's liquidity model measures and forecasts cash inflows and outflows, including off-balance sheet cash flows on 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 Bank performs liquidity stress testing on a monthly basis, to evaluate the effect of industry-wide, Bank-specific and the combined disruptions on the Bank's liquidity position. A separate Intraday liquidity stress test is also performed at each financial quarter to evaluate impact from counterparties payment and settlement under stress event. Liquidity stress testing has many purposes including:

- Helping the Bank 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 Bank's liquidity stress tests consider the effect of changes in funding assumptions, depositor behavior and the market value of liquid assets. The Bank performs industry standard stress tests, the results of which are submitted to ALCO and reviewed by senior management in consideration of making liquidity management decisions.

The liquidity risk mitigation technique includes the below tools:

- Contingency planning – the Bank 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 Bank actively manages the diversification of its deposit liabilities by source, type of depositor, instrument, term and geography.

- Core liquidity – the Bank 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 Bank-specific events. The Bank also maintains liquid assets to support its intra-day settlement obligations in payment, depository and clearing systems.

a. *Liquidity Ratios*

The following analysis shows the liquidity position for the three months ended October 31, 2020 and its comparative period:

	3 mths ended Oct-31-20	3 mths ended Oct-31-19
Average liquidity maintenance ratio ("LMR") for the period	<u>41.8%</u>	<u>43.0%</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.

b. *Sources of funding*

The sources of funding are mainly from the following:

	Oct-31-20		Oct-31-19	
	(HKD millions)	as % of total liabilities	(HKD millions)	as % of total liabilities
Group Companies	23,748	53.0%	24,215	52.1%
Non-bank customers	17,016	37.9%	14,261	30.7%
Banks	2,144	4.8%	529	1.1%
Certificate of deposits issued	1,092	2.4%	1,587	3.4%
Central banks	321	0.7%	5,181	11.2%

SECTION B - BANK INFORMATION (CONSOLIDATED BASIS)

1. <u>Capital and capital adequacy</u>	Oct-31-20 CAD millions	Apr-30-20 CAD millions
Shareholders' equity:		
Capital stock		
- Preferred shares and other equity instruments	5,308	3,619
- Common shares and other reserves	18,599	18,590
Retained earnings	46,345	45,456
Accumulated other comprehensive income/ (loss)	(2,125)	218
Non-controlling interest	2,376	2,452
	<u>70,503</u>	<u>70,335</u>
CET1 capital ratio	11.8%	10.9%
Tier 1 capital ratio	13.3%	11.9%
Total capital ratio	15.5%	14.0%

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>	Oct-31-20 CAD millions	Apr-30-20 CAD millions
Total assets	1,136,466	1,247,073
Total liabilities	1,065,963	1,176,738
Total advances	603,263	625,186
Total customer deposits	710,754	748,805
Total deposits from banks	40,084	48,885
	12 mths ended Oct-31-20 CAD millions	12 mths ended Oct-31-19 CAD millions
Pre-tax profit	8,396	11,270
After-tax profit	6,853	8,798

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

February 26, 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.