

# THE BANK OF NOVA SCOTIA

Unaudited Financial Information Disclosure Statement as at April 30, 2020

## SECTION A - BRANCH INFORMATION (HONG KONG OFFICE ONLY)

I.	<u>Profit and loss information</u>	6 mths ended		6 mths ended	
		Apr-30-20		Apr-30-19	
		HKD'000		HKD'000	
	Interest income	427,228		407,572	
	Interest expense	(323,624)		(304,982)	
	<b>Net interest income</b>	<b>103,604</b>		<b>102,590</b>	
	Gains less losses arising from trading in foreign currencies	42,233		17,993	
	Gains less losses from other trading activities	(781)		(287)	
	Fees and commission income	99,951		56,711	
	Others	(1,471)		(2,108)	
	<b>Operating income</b>	<b>243,536</b>		<b>174,899</b>	
	Staff expenses	(123,393)		(102,545)	
	Other expenses	(49,521)		(53,605)	
	<b>Operating expenses</b>	<b>(172,914)</b>		<b>(156,150)</b>	
	<b>Profit before taxation</b>	<b>70,622</b>		<b>18,749</b>	
	Taxation charge	(604)		(4,550)	
	<b>Profit after taxation</b>	<b>70,018</b>		<b>14,199</b>	
II.	<u>Balance Sheet</u>	Apr-30-20		Oct-31-19	
		HKD'000		HKD'000	
	<b>Assets</b>				
	Cash and balances with banks	3,248,008		1,226,241	
	Placements with banks which have a residual contractual maturity of more than one month but not more than 12 months	5,488,038		5,413,709	
	Amount due from overseas offices of the institution	12,202,295		13,625,767	
	Trade bills	4,654,517		6,508,613	
	Loans and receivables				
	Loans and advances to customers	16,596,858		12,766,402	
	Accrued interest and other accounts	552,615	17,149,473	324,246	13,090,648
	Investment securities		4,330,109		4,338,011
	Other investments		4,910,582		2,252,247
	<b>Total assets</b>	<b>51,983,022</b>		<b>46,455,236</b>	
	<b>Liabilities</b>	Apr-30-20		Oct-31-19	
		HKD'000		HKD'000	
	Deposits and balances from banks	10,982,614		1,526,374	
	Deposits from Central Bank	6,489,314		5,176,671	
	Deposits from customers				
	Demand deposits and current accounts	39,296		46,119	
	Savings deposits	9,766		7,101	
	Time, call and notice deposits	10,526,056	10,575,118	14,146,737	14,199,957
	Amount due to overseas offices of the institution	20,818,581		23,103,796	
	Certificates of deposit issued	2,561,940		1,567,520	
	Other liabilities	555,455		880,918	
	<b>Total liabilities</b>	<b>51,983,022</b>		<b>46,455,236</b>	

### **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, 2020 (October 31, 2019: 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, 2020 (October 31, 2019: Nil).

#### ***a. Overdue advances***

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

#### ***b. Rescheduled advances***

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

#### ***c. Repossessed assets***

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Reposessed assets - held for use	37	39

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***

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
- Direct credit substitutes	860,978	1,178,131
- Trade-related contingencies	890,184	774,656
- Other commitments	2,793,436	2,853,520
- Others	2,695,435	497,695
Total	7,240,033	5,304,002

#### ***b. Derivatives***

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Notional Amounts:		
- Exchange rate contracts	86,131,173	80,355,168
- Interest rate contracts	2,798,330	1,382,686
- Others	4,640,566	4,625,856
Total	93,570,069	86,363,710

	Apr-30-20 HKD'000	Oct-31-19 HKD'000
Fair value:		
- Exchange rate contracts	8,885,333	5,834,836
- Interest rate contracts	789	1,140
- Others	34,812	87,284
Total	8,920,934	5,923,260

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-30-20		Oct-31-19	
	HKD'000	% of loans and advances covered by collateral	HKD'000	% of loans and advances covered by collateral
<b>Industrial, commercial &amp; financial</b>				
- Wholesale and retail trade	159,635	-	734,609	-
- Transport and Transport equipment	820,459	15.8%	158,711	100.0%
- Others	1,755,878	22.2%	456,805	85.4%
Loans and advances for use in Hong Kong	2,735,972	19.0%	1,350,125	40.6%
Trade finance	-	-	1,289,764	-
Loans and advances for use outside Hong Kong	13,860,886	6.1%	10,126,513	7.5%
<b>Total loans and advances to customers</b>	<b>16,596,858</b>	<b>8.3%</b>	<b>12,766,402</b>	<b>10.2%</b>

### b. *Non-bank Mainland exposures*

	Apr-30-20		Oct-31-19
	HKD'000		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 Asset after provision	51,983,022		
On-balance sheet exposures as % of total asset	4.39%		
	Apr-30-20		Oct-31-19
	HKD'000		HKD'000
	On-Balance sheet exposure	Off-Balance sheet exposure	Total
- Central government, central government-owned entities and their subsidiaries and JV	608,142	-	608,142
- PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JV	428,375	5,503,344	5,931,719
- PRC nationals residing outside Mainland China or other entities incorporated outside Mainland China where the credit is granted or use in Mainland China	-	250,340	250,340
Total	1,036,517	5,753,684	6,790,201
Total assets after provision	46,455,236		
On-balance sheet exposures as % of total assets	2.23%		

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

	Apr-30-20	Oct-31-19
	(HKD millions)	(HKD millions)
Hong Kong	8,939	5,436
Rest of Asia Pacific	7,077	6,040
North America	581	1,290
	<b>16,597</b>	<b>12,766</b>
	-	-

**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-30-20 (HKD millions)					
	Banks	Official Sector	Non-bank private sector		Total
			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
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

Oct-31-19 (HKD millions)					
	Banks	Official Sector	Non-bank private sector		Total
			Non-bank Financial Institutions	Non-financial Private Sector	
Developed Countries	13,941	2,856	-	1,971	18,768
<i>of which Canada</i>	13,916	-	-	-	13,916
Offshore Centres	968	-	-	7,519	8,487
<i>of which Hong Kong</i>	573	-	-	6,743	7,316
Developing Asia and Pacific	10,061	449	205	4,139	14,854
<i>of which China</i>	10,061	449	205	351	11,066

**VI. Currency risk**

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

	Apr-30-20 (HKD millions)			
	USD	CNY	GOLD	TOTAL
Spot assets	24,766	845	8,712	34,323
Spot liabilities	(23,685)	(832)	(11,090)	(35,607)
Forward purchases	17,870	21,900	42,912	82,682
Forward sales	(18,415)	(21,897)	(40,617)	(80,929)
Net long (short) position	536	16	(83)	469

  

	Oct-31-19 (HKD millions)			
	USD	CNY	GOLD	TOTAL
Spot assets	27,456	485	6,386	34,327
Spot liabilities	(30,026)	(447)	(4,401)	(34,874)
Forward purchases	17,982	22,746	33,217	73,945
Forward sales	(14,987)	(22,776)	(35,242)	(73,005)
Net long (short) position	425	8	(40)	393

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

**VII. Liquidity**

The following analysis shows the liquidity position for the three months ended April 30, 2020 and its comparative period:

	3 mths ended Apr-30-20	3 mths ended Apr-30-19
Average liquidity maintenance ratio ("LMR") for the period	40.0%	47.0%

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)**

	Apr-30-20 CAD millions	Oct-31-19 CAD millions
<b>1. <u>Capital and capital adequacy</u></b>		
Shareholders' equity:		
Capital stock		
- Preferred shares	3,619	3,884
- Common shares and other reserves	18,590	18,629
Retained earnings	45,456	44,439
Accumulated other comprehensive income	218	570
Non-controlling interest	<u>2,452</u>	<u>2,670</u>
	<u>70,335</u>	<u>70,192</u>
 CET1 capital ratio	 10.9%	 11.1%
Tier 1 capital ratio	11.9%	12.2%
Total capital ratio	14.0%	14.2%

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).

	Apr-30-20 CAD millions	Oct-31-19 CAD millions
<b>2. <u>Other financial information</u></b>		
Total assets	1,247,073	1,086,161
Total liabilities	1,176,738	1,015,969
Total advances	625,186	592,483
Total customer deposits	748,805	686,651
Total deposits from banks	48,885	46,739
	6 mths ended Apr-30-20 CAD millions	6 mths ended Apr-30-19 CAD millions
Pre-tax profit	4,544	5,629
After-tax profit	3,650	4,506

**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](http://www.scotiabank.com/global/en/country/hong-kong.html)

The Bank of Nova Scotia, Hong Kong Branch

Alvin Ho  
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.