Scotiabank Brasil S.A. Banco Múltiplo

Financial statements
June 30, 2019
(A free translation of the original report in Portuguese as published in Brazil containing financial information prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions authorized to operate by the Central Bank of Brazil)

KPDS 546404

Contents

Management report

In compliance to legal and statutory provisions, Executive Board of Scotiabank Brasil submits to your appreciation the financial statements for the semesters ended June 30, 2019 and 2018, accompanied of their respective notes and of the independent auditors opinion, prepared according to the accounting practices adopted in Brazil, and the Corporation Law, associated to the standards of the National Monetary Council and the Central Bank of Brazil.

Acknowledgment

Scotiabank Brasil thanks all its clients for their trust and support, and its employees and collaborators for their dedication, ethics, professionalism and commitment.

Executive Board

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Independent auditors' report on the financial statements

The Shareholders and Management of Scotiabank Brasil S.A. Banco Múltiplo
São Paulo - SP

Opinion

We have audited the financial statements of Scotiabank Brasil S.A. Banco Múltiplo (the "Bank"), which comprise the balance sheet as of June 30, 2019 and the statements of income, changes in equity and cash flows for the semesters then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Scotiabank Brasil S.A. Banco Múltiplo as of June 30, 2019, and of its financial performance and its cash flows for the semesters then ended, in accordance with accounting policies adopted in Brazil applicable to the entities authorized to operate by the Central Bank of Brazil - Bacen.

Basis for opinion

We conducted our audit in accordance with International and Brazilian Standards on Auditing. Our responsibilities, in accordance with the standards, are described in the following section entitled "Auditors' responsibilities for the audit of the financial statements". We are independent of the Bank, in accordance with relevant ethical principles established in the Accountant's Professional Code of Ethics and professional standards issued by the Federal Accounting Council (CFC), and we comply with other ethical responsibilities in accordance with the aforementioned standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and issue an auditors' report including our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that the examination performed in accordance with Brazilian and international standards on auditing will always detect possible existing material misstatements. Misstatements can arise from error or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

Additionally:

- We identify and assess the material misstatement risks in the financial statements, whether due to error or fraud. We design and perform audit procedures responsive those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations, or the override of internal control.
- We gain an understanding of the relevant internal control for the audit in order to plan audit procedures appropriate for the circumstances, but not with the objective of expressing an opinion on the effectiveness of the Bank's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- We conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. Should we reach the conclusion that there is material uncertainty, we should draw attention in our audit report to the corresponding disclosures in the financial statements or include any change in our opinion if the disclosures are inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may lead to the Bank losing its ability to continue as a going concern.
- We assessed the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that is consistent with the objective of proper reporting.

We communicate with Management with respect to, among other aspects, the scope planned, the audit timing and the significant audit findings, including possible significant weaknesses in internal control that we identified during the course of our work.

São Paulo, August 20, 2019

KPMG Auditores Independentes CRC SP014428/O-6
Original report in portuguese signed by
Giuseppe Masi
Accountant CRC 1SP176273/O-7

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
BALANCE SHEET AS OF JUNE 30, 2019
(In thousands of Reais)

	Note	2019	2018
Assets			
Current assets		**5,182,614**	**3,230,304**
Cash and cash equivalents	4	15,628	38,395
Interbank investments	5	2,246,449	1,402,614
Money market instruments		2,042,318	1,307,606
Interbank deposits		204,131	95,008
Securities and derivative financial instruments		435,136	612,254
Own portifolio	3d, 6	238,301	151,214
Subject to repurchase agreements		-	40,569
Derivative financial instruments	3e, 7	196,835	36,749
Subject to guarantees	3d, 6	-	383,722
Interbank accounts		5	4
Restricted deposits			
Deposits at the Central Bank of Brazil		5	4
Loans		907,158	682,096
Loans			
Private sector	3f, 9a	907,239	682,779
Allowance for loan losses	3g, 9c/d	(81)	(683)
Other receivables		1,577,292	493,945
Foreign exchange portifolio	10	1,628,510	516,079
Income receivable		-	4
Securities clearing accounts	3e, 7	9,710	40,939
Sundry	11	21,220	21,065
Allowance for other receivables losses	3g, 9c/d	(82,148)	(84,142)
Other assets		946	996
Prepaid expenses		946	996
Long-term receivables		**1,242,021**	**1,158,865**
Securities and derivative financial instruments		746,009	368,823
Own portifolio	3d, 6	112,554	-
Derivative financial instruments	3e, 7	15,406	19,709
Subject to guarantees	3d, 6	618,049	349,114
Loans		416,420	703,548
Loans			
Private sector	3f, 9a	416,420	705,564
Allowance for loan losses	3g, 9c/d	-	(2,016)
Other receivables		79,591	86,485
Sundry	11	79,591	86,485
Other assets		1	9
Prepaid expenses		1	9
Permanent assets	3h	**5,612**	**3,732**
Investiments		6	6
Other investiments		6	6
Premises and equipment		5,366	3,469
Other property and equipment		16,117	13,625
Accumulated depreciation		(10,751)	(10,156)
Intangible assets		240	257
Intangible assets		1,102	998
Accumulated amortization		(862)	(741)
Total assets		**6,430,247**	**4,392,901**

The notes are an integral part of these financial statements.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
BALANCE SHEET AS OF JUNE 30, 2019
(In thousands of Reais)

	Note	2019	2018
Liabilities			
Current liabilities		**4,235,633**	**2,096,033**
Deposits	12	358,199	402,839
Demand deposits		107	146
Interbank deposits		-	25,179
Time deposits		358,092	377,514
Money market funding	13	408,079	40,503
Own portfolio		-	40,503
Third-part portfolio		408,079	-
Securities issued	14	-	859
Funds from real estate, mortgage, credit bills and similar notes		-	859
Borrowings	15	1,267,809	652,032
Foreign borrowings		1,267,809	652,032
Repass borrowings	16, 26a	782,008	586,421
Foreign repass borrowings		782,008	586,421
Derivative financial instruments	3e, 7	282,681	202,267
Derivative financial instruments		282,681	202,267
Other liabilities		1,136,857	211,112
Foreign exchange portfolio	10	1,084,034	142,556
Tax and social security	17	31,233	48,381
Securities clearing accounts	3e, 7	1,012	2,967
Sundry	18	20,578	17,208
Long - term liabilities		**1,095,336**	**1,270,472**
Deposits	12	17,936	131,626
Time deposits		17,936	131,626
Borrowings	15	-	73,358
Foreign borrowings		-	73,358
Repass borrowings	16, 26a	386,420	578,280
Foreign repass borrowings		386,420	578,280
Derivative financial instruments	3e, 7	618,744	421,295
Derivative financial instruments		618,744	421,295
Other liabilities		72,236	65,913
Tax and social security	17	39,881	34,969
Sundry	18	32,355	30,944
Equity		**1,099,278**	**1,026,396**
Capital:			
Shareholder domiciled abroad	20	796,879	796,036
Profit reserves	20	263,043	204,499
Equity valuation adjustments	3d, 6	17,182	(5,890)
Retained earning		22,174	31,751
Total liabilities		**6,430,247**	**4,392,901**

The notes are an integral part of these financial statements.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
STATEMENTS OF INCOME
SEMESTERS ENDED JUNE 30, 2019

(In thousands of Reais, except net income per lot of a thousand shares - R$)

	Note	2019	2018
Financial operations income		**130,480**	**381,121**
Loans		28,277	148,039
Securities income		96,150	76,699
Derivative financial instruments	7	6,053	112,551
Foreign exchange operations		-	43,832
Financial operations expenses		**(54,008)**	**(303,268)**
Funding operations		(20,006)	(37,068)
Borrowings and repass borrowings		(19,395)	(253,648)
Foreign exchange operations		(15,812)	-
Allowance for loan losses	9d	1,205	(12,552)
Gross Income on financial operations		**76,472**	**77,853**
Other operating income (expense)		**(37,715)**	**(20,476)**
Service income		6,362	20,319
Personnel expenses		(28,159)	(24,553)
Other administrative expenses		(10,773)	(10,061)
Tax expenses		(5,319)	(8,725)
Other operating income	26b	1,257	3,242
Other operating expense	26b	(1,083)	(698)
Operating income		**38,757**	**57,377**
Non-operating income		**-**	**(12)**
Profit before taxes on income and profit sharing		**38,757**	**57,365**
Income and social contribution taxes	21	**(15,416)**	**(23,943)**
Provision for income tax		(12,265)	(17,704)
Provision for social contribution tax		(7,431)	(10,020)
Deferred tax assets		4,280	3,781
Net income for the semester		**23,341**	**33,422**
Net income per lot of a thousand shares - R$		**5.55**	**7.96**

The notes are an integral part of these financial statements.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
STATEMENTS OF CHANGES IN EQUITY
SEMESTERS ENDED JUNE 30

(In thousands of reais)

	Note	Capital	Profit reserves		Equity valuation adjustments	Retained earnings (losses)	Total
			Legal	Statutory			
Balances as of January 1, 2018		**321,121**	**19,054**	**183,774**	**408**	**-**	**524,357**
Capital increase		474,915	-	-	-	-	474,915
Equity valuation adjustments		-	-	-	(6,298)	-	(6,298)
Net income for the semester		-	-	-	-	33,422	33,422
Allocations:							
Legal reserve		-	1,671	-	-	(1,671)	-
Balances at June 30, 2018		**796,036**	**20,725**	**183,774**	**(5,890)**	**31,751**	**1,026,396**
Balances as of January 1, 2019		**796,879**	**22,007**	**239,869**	**8,534**	**-**	**1,067,289**
Equity valuation adjustments	6b	-	-	-	8,648	-	8,648
Net income for the semester		-	-	-	-	23,341	23,341
Allocations:							
Legal reserve		-	1,167	-	-	(1,167)	-
Balances at June 30, 2019		**796,879**	**23,174**	**239,869**	**17,182**	**22,174**	**1,099,278**

The notes are an integral part of these financial statements.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO

STATEMENTS OF CASH FLOWS

SEMESTERS ENDED JUNE 30

(In thousands of reais)

	Note	2019	2018
Operating activities			
Adjusted net income		**9,939**	**27,436**
Net income for the semester		**23,341**	**33,422**
Adjustments in net income		**(13,402)**	**(5,986)**
Expense on (reversal of) allowance for loan losses	9d	(2)	(780)
Expense on (reversal of) allowance for other receivables losses	9d	(1,203)	13,332
Depreciation and amortization		530	512
Loss on the write-off of premises and equipment		-	3
Deferred tax		(13,211)	(19,360)
Expense on provision for contingent liabilities and legal obligations	19d	484	307
Changes in assets and liabilities		**(691,096)**	**(829,288)**
(Increase) in interbank investments		(502,283)	(202,141)
Decrease (increase) in securities and derivative financial instruments		(29,143)	328,912
Reversal of (Increase) in deposits at the Central Bank of Brazil		(1)	-
Decrease in interbank accounts		-	113
Decrease (Increase) in interbranch accounts		(15,497)	-
Decrease (Increase) in loans		11,018	(587,177)
Decrease (increase) in other receivables		(426,647)	119,825
(Increase) in other assets		(461)	(497)
Increase (decrease) in deposits	12	62,209	(787,213)
Increase in money market repurchase commitments	13	346,006	40,503
Increase (decrease) in securities issued		(927)	63
Increase (decrease) in borrowings and repass borrowings	15, 16	(573,707)	601,634
Increase (Decrease) in other liabilities		438,377	(343,310)
(Decrease) in deferred income		(40)	-
Net cash used in operating activities		**(681,157)**	**(801,852)**
Investing activities			
Acquisition of premises and equipment		(402)	(767)
Intangible assets		(66)	-
Net cash from investing activities		**(468)**	**(767)**
Financing activities			
Capital increase in cash		-	474,915
Net cash from financing activities		**-**	**474,915**
Net (decrease) in cash and cash equivalents		**(681,625)**	**(327,704)**
Cash and cash equivalents at beginning of the semester		1,426,469	859,139
Cash and cash equivalents at the end of the semester	4	744,844	531,435
Net (decrease) in cash and cash equivalents		**(681,625)**	**(327,704)**

The notes are an integral part of these financial statements.

1. Operations

Scotiabank Brasil S.A. Banco Múltiplo (the "Bank") is organized and authorized to exercise its activity as Multiple Bank and to operate through investment and commercial portfolio, including exchange.

The Bank's shareholders are The Bank of Nova Scotia ("BNS") and BNS Investments Inc., (BNS's wholly-owned investee) both with head office in Canada.

2. Preparation and presentation of the financial statements

The financial statements have been prepared and are presented in accordance with the provisions of the Brazilian Corporate Law and the standards and instructions of the National Monetary Council (CMN) and the Brazilian Central Bank (BACEN) in the Standard Chart of Accounts for Financial Institutions (COSIF), and of the Accounting Pronouncements Committee (CPC), when applicable.

The authorization for issuance of these financial statements was given by the Executive Board on August 12, 2019.

The financial statements include estimates and assumptions, such as the measurement of the allowance for loan and other receivables losses, estimates of fair value of certain financial instruments, provisions for contingencies, other provisions and the determination of the useful life of certain assets. The effective results might be different from those estimates and assumptions.

Amounts realizable and payable in up to one year and after one year are segregated, respectively, into current and long term, according to the applicable regulation. Statements of cash flow have been prepared at the indirect method.

3. Description of significant accounting policies

a) Statement of Income

Income and expenses are recognized on the accrual basis.

For purposes of better presentation, the Bank reclassifies the exchange variation of the captions "Other operating income / expenses" directly to the respective captions "Financial operations income/ expenses" in the statement of income.

b) Current and long-term assets

These are stated at realizable value, net of the related unappropriated revenue, including, when applicable, income and inflation adjustments earned and adjusted by a provision through the balance sheet date, when applicable.

c) Cash and cash equivalents

They are represented by cash and cash equivalents in domestic currency, foreign currency and interbank investments, whose maturity of the operations on the date of the effective investment is equal to or shorter than 90 days and present insignificant risk of fair value change.

d) Securities

They are recorded at acquisition cost and presented in the Balance Sheet according to BACEN Circular No. 3,068, and are classified according to Management's intention in the following categories: "Trading securities" refers to securities acquired for the purpose of being actively and frequently traded, classified in the short term and valued at market value as a contra entry to the statement of income for the period; "Securities available for sale", that do not qualify as trading or held to maturity securities, and are adjusted to market value as a contra entry to a separate shareholders' equity account, net of tax effects, and "Securities held to maturity which have the financial capacity to be held until maturity. Recorded at cost of acquisition, plus income accrued in contra account to the statement of income for the period.

To calculate the market value of the securities portfolio, federal government bonds are adjusted to reflect the observable market price, as published by ANBIMA. In case of investment in investment fund, the restated cost reflects the market value of the respective quotas.

e) Derivative financial instruments

The Bank participates in operations involving derivative financial instruments, whose purpose is to meet own needs and clients’ needs. The purpose of these operations is to manage exposures to market risks, which are associated to potential losses resulting from variations in prices of financial assets, interest rates, currencies and indexes. The policy of operation, control, establishment of strategies of operations, as well as the limit of these positions, follow the Bank’s management guidelines.

In compliance with BACEN Circular Letter 3,082, derivative financial instruments are classified on the date of their acquisition according to the intention of Management for hedge purposes or not.

Operations that utilize derivative financial instruments carried out upon a request from clients, on the bank's own initiative, or that do not fulfill the protection criteria (especially derivatives utilized to manage global risk exposure), are recorded at market value, with realized and unrealized gains and losses, recorded directly in the statement of income.

An area independent from the operating and business areas is responsible for the evaluation and measurement of assets and liabilities existing in the Bank. The market value calculation of the portfolio of derivative financial instruments, such as swaps, terms, futures transactions and other derivatives, is based on prices, rates or information collected from independent sources, such as B3 S.A.- Brasil, Bolsa, Balcão, brokers, BACEN, ANBIMA, among others. The market and credit risks associated with these goods, as well as the operating risks, are similar to those related to other types of financial instruments. For derivative financial instruments, procedures are established and maintained to assess the need for prudential adjustments to their values, as provided for by CMN Resolution No. 4,277, regardless of the pricing methodology adopted and in compliance with prudence, relevance and reliability criteria. For over-the-counter derivative financial instruments, the adjustments reflect the risk attributable to the creditworthiness of the issuer or counterparty, measured using an internally approved methodology.

f) Loans

Recorded considering income earned recognized on a daily pro rata basis for the index change and the agreed-upon interest rate.

Income and charges of any nature relating to loan operations with delay equal to or higher than 60 days are recorded as unrecognized income and recognized in the statement of income at the time of their actual receipt.

g) Allowance for loan losses

Based on the analysis of outstanding operations conducted by management to define the proper value to absorb probable losses on their realization, considering the economic scenario and specific and global risks of the portfolio, as well as the provisions of CMN Resolution No. 2,682, which requires the regular analysis of the portfolio and its classification in nine levels, where AA corresponds to minimum risk and H to loss. Transaction in arrears classified as level “H” remain in this classification for six months, when they are written off against the existing allowance and begin to be controlled in memorandum accounts.

h) Permanent

Demonstrated by the following aspects:

- **Other investments:** Stated at acquisition cost, less provision for losses, when applicable;

- **Other property and equipment:** correspond to the assets and rights that refer to entity activities intended for the maintenance of activities with this purpose. Depreciation of property, plant and equipment is recorded based on straight-line method, considering the rates comprising the useful and economic life of assets;

- **Intangible assets:** Correspond to the rights that refer to entity property intended for the maintenance of the Company or exercised with this purpose. Intangible assets with defined useful life are amortized using the straight-line method over an estimated period of economic benefit.

i) Impairment

Pursuant to CMN Resolution No. 3,566 which approved the adoption of Technical Pronouncement CPC 01 (impairment), the recoverable value of assets is tested, at least once a year, if there are indicators of loss. When the book value of the asset exceeds its recoverable value, the impairment will be recognized directly in the statement of income.

Impairment losses were not identified on June 30, 2019 and 2018.

j) Current and long-term liabilities

Stated at known amounts or estimated, including, the charges calculated on a “pro rata” daily basis and the inflation adjustment and exchange-rate change incurred.

k) Deferred income and social contribution taxes

Provision for income tax is formed at the rate of 15% on taxable income, plus a surtax of 10%. Social contribution is calculated at the rate of 15% of taxable result.

As of June 30, 2019, the Bank has deferred tax assets from income tax and social contribution calculated, from temporary differences.

Based on CMN Resolution No. 3,059 and further changes, the historical taxable results and short and medium projections prepared by the Bank enable a reasonable estimate of term of realization of these assets (Note 21 “c”).

l) PIS and COFINS

PIS contributions are accrued at the same rate of 0.65% and for COFINS at the rate of 4%, pursuant to the legislation in force.

m) Contingent assets and liabilities and legal obligations – tax and social security

The Bank follows the guidelines of CMN Resolution No. 3,823, which approved the adoption of Technical Pronouncement CPC 25 – Procedures applicable in the recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets.

Contingent assets are not recognized in the financial statements, except when there are evidences providing guarantee of their realization, for which appeals do no longer apply.

The lawsuits are classified as probable, possible or remote loss, and a provision is recognized for those of probable loss, according to the estimate of the value of loss, based on the opinion of our legal counsel, the nature of the lawsuits and the positioning of the courts for causes of similar nature. The lawsuits classified as possible loss are only disclosed and those classified as remote loss do not require provision or disclosure.

Legal obligations are lawsuits related to tax obligations, where the subject being contested is their legality or constitutionality which, regardless of the probability of success of the lawsuits in progress, have their amounts recognized in full in the financial statements.

n) Share-based payment

Qualified employees of the Bank participate in stock-based compensation plans, which are evaluated based on the price of the common share of BNS. The Bank records its expense in the statement of income for the semester against a provision in liabilities, as established by CMN Resolution No. 3,989 which approved the adoption of Technical Pronouncement CPC 10 – Share-Based Payment (Note 23).

AS OF JUNE 30, 2019 (In thousands of Reais)

o) Post-employment employee benefits

Post-employment or long-term benefit plans are formal or informal arrangements under which the Bank undertakes to provide post-employment benefits to one or more employees, pursuant to CMN Resolution No. 4,424, which approved the CPC 33 (R1) Technical Pronouncement – Employee Benefits.

Defined contribution plans are post-employment benefit plan according to which the sponsoring entity pays fixed contributions to a separate entity (fund), without legal or constructive obligation of paying additional contributions if the fund does not have sufficient assets to pay all benefits related to services in the current and prior periods. These contributions are recognized as "Personnel Expenses" in the statement of income.

Defined benefit plans are post-employment benefit plan other than the defined contribution plan. For this type of plan, the Bank's obligation is to provide the agreed benefits to employees, assuming the potential actuarial risk that the benefits will cost more than expected (Note 24).

4. Components of cash and cash equivalents

	2019	2018
Cash and cash equivalents	15,628	38,395
Money market instruments	525,085	398,032
Interbank deposit	204,131	95,008
Total	**744,844**	**531,435**

5. Interbank investments

	2019				2018
	Up to 1 month	1 to 3 months	3 to 6 months	Total	Total
Money market instruments	**936,387**	**666,435**	**439,496**	**2,042,318**	**1,307,606**
Own portfolio	936,387	491,663	206,387	1,634,437	1,307,606
Financed Operations	-	5,519	-	5,519	-
Short position	-	169,253	233,109	402,362	-
Interbank deposits	**204,131**	**-**	**-**	**204,131**	**95,008**
Total	**1,140,518**	**666,435**	**439,496**	**2,246,449**	**1,402,614**

6. Securities

The update cost (plus income earned) and the market value of securities on June 30, 2019 and 2018 were as follows:

a) Trading securities

	2019							2018	
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 10 years	Market / book value	Update cost	Market / book value	Update cost
Own portfolio									
LTN	222,345	1,307	1,012	157		224,821	224,806	129,089	129,105
NTN	-	-	5,504	922	7,054	13,480	12,923	14,116	14,113
Total	**222,345**	**1,307**	**6,516**	**1,079**	**7,054**	**238,301**	**237,729**	**143,205**	**143,218**

AS OF JUNE 30, 2019 (In thousands of Reais)

As of June 30, 2019, the Bank does not have trading securities linked to repurchase and resale agreements (2018 - R$ 40,569) and collaterals (2018 - R$ 334,518).

b) Securities available for sale

	2019				2018	
	Without maturity	1 to 3 years	Market / book value	Restated cost	Market / book value	Restated cost
Own portfolio						
LTN		2,134	2,134	1,985		
NTN	-	110,420	110,420	105,660	-	-
Subtotal	**-**	**112,554**	**112,554**	**107,645**	**-**	**-**
Subject to guarantees provided						
LTN		585,826	585,826	562,098	371,949	381,767
Investment funds quotas	32,223	-	32,223	32,223	26,369	26,369
Subtotal	**32,223**	**585,826**	**618,049**	**594,321**	**398,318**	**408,136**
Total	**32,223**	**698,380**	**730,603**	**701,966**	**398,318**	**408,136**

c) Securities held to maturity

As of June 30, 2019, the Bank does not have securities held to maturity date (2018 under own portfolio - R$ 8,009).

Federal government bonds are held in custody by SELIC, while the investment fund shares are hold in custody by B3 S.A.- Brasil, Bolsa, Balcão.

7. Derivative financial instruments

The table below shows the reference values updated to the market price, the respective adjustments receivable and payable and net exposures in the balance sheets for derivative financial instruments on June 30, 2019 and 2018:

	2019		2018	
	Market value		Market value	
Futures Contracts	**Referential value**	**Adjustment receivable (payable)**	**Referential value**	**Adjustment receivable (payable)**
Long position	**10,697,306**	**8,233**	**8,863,012**	**38,653**
DI	966,644	1,189	816,937	446
DDI	8,816,682	7,794	7,060,133	37,868
Dollar	913,980	(750)	985,942	339
Short position	**1,540,457**	**490**	**2,565,845**	**(2,925)**
DI	380,318	(11)	1,106,078	(51)
DDI	913,871	717	874,088	(18)
Dollar	246,268	(216)	585,679	(2,856)

On June 30, 2019 the Bank did not have foreign exchange swap contracts with periodic adjustment (R$ 576,145 in 2018, short position).

On June 30, 2019, besides the daily adjustments of futures contracts, the amount of R$ 25 (R$ 20 in 2018) is also recorded under the caption “Other liabilities – negotiation and intermediation of values” in current liabilities, in respect to commissions and brokerage to be settled with B3 S.A.- Brasil, Bolsa, Balcão.

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Value of:	2019			2018		
	Market		Update cost	Market		Update cost
	Referential	Net	Net	Referential	Net	Net
Swap						
Asset position	**7,712,147**			**6,485,573**		
CDI	7,712,147	7,712,147	7,628,813	6,468,937	6,453,165	6,358,760
Dollar	-	-	-	16,636	-	-
Prudential adjustments (i)		(24)			-	
Liability position	**(8,406,610)**			**(7,067,199)**		
CDI	-	-	-	(15,772)	-	-
Dollar	(8,406,610)	(8,406,610)	(8,189,618)	(7,051,427)	(7,034,791)	(7,120,109)
Term of currencies						
Asset position	**702,963**			**585,062**		
Dollar	432,532	168,784	175,996	326,582	43,502	48,115
Fixed	270,431	-	-	258,480	-	-
Liability position	**(697,660)**			**(570,540)**		
Dollar	(263,748)	-	-	(283,080)	-	-
Fixed	(433,912)	(163,481)	(168,096)	(287,460)	(28,980)	(30,543)
Total net value		**(689,184)**			**(567,104)**	

(i) See Note 3 “e”.

The table below shows the reference values updated to the market price recorded in memorandum accounts and the respective maturities on June 30, 2019 and 2018:

	2019					2018
	Up to 1 month	1 to 6 months	6 to 12 months	> 12 months	Total	Total
Futures	2,173,680	1,381,997	1,361,987	7,320,099	12,237,763	11,428,857
Swap	(27,157)	(25,562)	(41,316)	(600,452)	(694,487)	(581,626)
Term of currencies	1,806	6,977	(594)	(2,886)	5,303	14,522

The results involving derivative financial instruments for the semesters ended June 30, 2019 and 2018 are as follows:

	2019	2018
Futures	36,746	(474,492)
Swap	(34,864)	10,973
Term of currencies	4,168	576,070
Options	3	-
Total	**6,053**	**112,551**

The derivative financial instruments are recorded at B3 S.A.- Brasil, Bolsa, Balcão.

8. Risk management

Management of operation risk

The Bank has a structure of operating risk management responsible for identifying, evaluating, monitoring, controlling, reducing and reporting its risks, which is widely spread within the organization. In this context, all employees have direct access to tools, methodologies and reports produced by the Risk Management department, facilitating the dissemination of the risk-control culture inside the Bank.

The Bank's operating risk structure also includes the participation of the Executive Board, which is immediately involved in every significant event and actively participates in the monitoring of actions for reduction and resolution of these events. In addition to the daily monitoring, the Risk Management area also reports the major events of operating risk occurred during the month in a report sent to the heads of area and to the Executive Boards of the Bank and of The Bank of Nova Scotia (BNS).

Management of market and liquidity risks

As determined by the head office and following the best practices of management of risks worldwide adopted, the Bank has a structure of management and control of risks that is comprehensive, integrated and independent from the business areas and which seeks the optimization of the risk/return relation, focusing on efficient monitoring and strict control of the risk exposure factors. An integrated set of processes using platforms of local and global systems is responsible for the determination, analysis and report of market and liquidity risks. The risk limits are determined and approved by the local Executive Board and head office and monitored on a preventive basis.

In this context, the market and liquidity risk management is performed on a daily basis using own models and instruments such as VaR - Value-at-Risk, liquidity short-term measures, projections of cash flow, stress test, back testing, analysis of sensitivity of interest, exchange and volatility.

By observing BNS's requirements, the Bank was able to meet Central Bank requirements regarding implementation of the continued and integrated risk management structure (CMN Resolution No. 4,557), more specifically regarding market and liquidity risks. In addition, the Bank now is reviewing the capital requirements due to market risk exposure under criteria established in CMN Resolution 4,193/13.

Credit risk management

In line with the rules established by the Central Bank of Brazil (CMN Resolutions 2,682, 2,844, 4,557, 4,677, 4,693, among others), and the organization's risk management philosophy, the Bank has credit risk management structure which includes individual credit limit analysis and establishment for the entire range of loan takers, as well as analysis and monitoring of the Bank's aggregate credit risk, which takes into account all product lines offered by the Bank and all economic segments where loan takers operate.

The Bank's risk culture is emphasized to all its areas and the description of the products offered to loan takers includes identification of credit, market and operating risks, as well the information systems that control them. Individual credit limits for borrowers are approved by using the Bank's own techniques and methodologies, and are reviewed at least once a year together with their ratings which, under National Monetary Council Resolution 2,682, are reviewed every six months for the operations of the same client or economic group whose amount exceeds 5% of Bank's adjusted shareholders' equity.

The Executive Board and the risk control areas actively operate in credit risk management, which includes the approval of individual credit limits and institutional policies. Additionally, they monitor the aggregate loan portfolio and evaluate the results of stress tests, which are exercises used to assess the potential impacts of adverse events on the institution's loan portfolio.

Capital management

The Bank is dedicated to maintain a robust capital basis to support risks associated to its businesses. The Bank's Continued Capital Management structure, which encompasses internal policies, actions and procedures that refer to Capital Management is in line with BNS's global policy, and complies with Brazilian Central Bank's (BACEN) requirements provided for in CMN Resolution 4,557.

The principles that govern the Bank's capital management structure intend to comply with the following aspects: regulatory agency's determinations; existence of proper governance and oversight; capital management policies, strategies and actions that focus on relations between risk propensity, risk profile and capital capacity; robust risk management process; capital adequacy evaluation process in accordance with governance and capital policies; existence of proper systems, processes and controls to aid capital planning, foresight, measurement, monitoring and reporting.

The Executive Board is directly involved in the continued capital management and is also responsible for the annual review and approval of Bank's internal policies. In addition, the Executive Board operates on monitoring level and adequacy of the Bank's capital through periodic reports produced and sent by the areas that are directly involved in the capital management process.

The description of the risk management framework and capital management framework is evidenced in a public report available at: http://www.br.scotiabank.com.

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9. Loan

a) Loan portfolio composition by type of operation, activity and maturity

	2019				2018
Private sector - due on:	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**Total**	**Total**
Bank Credit Bill (CCB)	**36,218**	**89,013**	**30,000**	**155,231**	**213,613**
Industry	31,047	19,390	-	50,437	68,609
Trade	5,171	9,301	-	14,472	33,745
Other services - Legal entities	-	60,322	30,000	90,322	111,259
Export credit notes (NCE)	**8,018**	**773,990**	**386,420**	**1,168,428**	**1,163,764**
Industry	8,018	773,990	386,420	1,168,428	1,163,764
Import financing	**-**	**-**	**-**	**-**	**10,966**
Trade	-	-	-	-	10,966
Export - ACC	**266,479**	**275,489**	**-**	**541,968**	**208,096**
Industry	266,479	275,489	-	541,968	208,096
Income receivable from Advances on Foreign Exchange Contracts	**3,050**	**3,180**	**-**	**6,230**	**3,915**
Industry	3,050	3,180	-	6,230	3,915
Export - ACE	**-**	**-**	**-**	**-**	**118,371**
Industry	-	-	-	-	118,371
ACE receivables	**-**	**-**	**-**	**-**	**401**
Industry	-	-	-	-	401
Exchange variation on ACC/ACE (i)	**(1,717)**	**(1,128)**	**-**	**(2,845)**	**41,211**
Industry	(1,717)	(1,128)	-	(2,845)	41,211
Receivables	**-**	**-**	**-**	**-**	**1,860**
Trade	-	-	-	-	1,860
Total	**312,048**	**1,140,544**	**416,420**	**1,869,012**	**1,762,197**

(i) According to the instructions of the Central Bank of Brazil (BACEN), the Bank calculates the allowance for loan losses based on the foreign currency balance of Advances on exchange contracts - Bills deliverable (ACC) and Advance on export contracts - Bills delivered (ACE), translated into Reais monthly by the exchange rate (PTAX) provided by BACEN for balance sheet purposes.

As of June 30, 2019 and 2018, the Bank had no credit assignment operations with material transfer or retention of risks and rewards, pursuant to CMN Resolution No. 3,533.

b) Credit risk concentration

	2019	2018
Largest debtor	1,168,428 **(i)**	1,163,764
Percentage of total loan portfolio	62.5%	66.0%
20 largest debtors	1,869,012	1,762,197
Percentage of total loan portfolio	100.0%	100.0%

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(i) See Note 26 “a”.

c) Allowance for loan losses

Risk level	% of provision	Total portfolio 2019	Total portfolio 2018	Allowance for loan losses 2019	Allowance for loan losses 2018
AA	0.0%	1,735,399	1,517,130	-	-
A	0.5%	16,259	93,898	(81)	(470)
C	3.0%	-	31,366	-	(2,509)
G	70.0%	117,354	119,803	(82,148)	(83,862)
Total		**1,869,012**	**1,762,197**	**(82,229)**	**(86,841)**

(i) Provision exceeding 5% over the minimum established by CMN Resolution No. 2,682.

d) Changes in allowance for loan losses

	2019	2018
Balances at the beginning of semesters	**(83,434)**	**(74,289)**
Formation of provision	(4)	(13,374)
Reversal of provision	1,209	822
Balances at the end of semesters	**(82,229)**	**(86,841)**

e) Credit renegotiated, recovered or written-off to loss

During the semester ended June 30, 2019, the amount of credit renegotiated loans totals R$ 79,754 (R$ 163,444 in 2018).

During semesters ended June 30, 2019 and 2018, there were no loan recoveries and write-offs to loss.

10. Foreign exchange portfolio – Current assets

	2019	2018
Purchased foreign exchange to be settled	1,273,170	459,422
Right on foreign exchange sales	349,110	52,341
Income receivable from granted advances	6,230	4,316
Total	**1,628,510**	**516,079**

	2019	2018
Sold foreign exchange to be settled	348,988	52,289
Foreign purchase exchange payables	1,277,014	416,734
Advances on exchange contracts	(541,968)	(326,467)
Total	**1,084,034**	**142,556**

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11. Other receivables – Sundry

	2019	2018
Deferred tax assets - IRPJ and CSLL (Note 21 "b")	52,106	60,454
Judicial deposits (Note 19 “d”)	37,901	36,677
Prepayments of IRPJ and CSLL	5,279	7,429
Receivables from related companies	4,583	133
Other	942	997
Receivables	-	1,860
Total	**100,811**	**107,550**
Current assets	21,220	21,065
Long-term assets	79,591	86,485

12. Deposits

	2019					2018
	Without Maturity	Up to 3 months	3 to 12 months	1 to 3 years	Total	Total
Demand deposits	107	-	-	-	107	146
Interbank deposits	-	-	-	-	-	25,179
Time Deposits	-	119,729	238,363	17,936	376,028	509,140
Total	**107**	**119,729**	**238,363**	**17,936**	**376,135**	**534,465**

As of June 30, 2019, the average deposit funding percentage is 100.4% of the Interbank Deposit - DI (2018 - 99.4% of DI).

13. Money market repurchase agreements

As of June 30, 2019, they are represented by obligations in purchase and sale commitments in the amount of R$ 408,079, maturing up to November 2019 at a rate of 6.4% per annum, corresponding to obligations related to the commitment to return the notes received as collateral in repurchase and resale commitments with free trading agreements. As of June 30, 2018, the amount of R$ 40,503 corresponds to repurchases to be settled on purchase and sale commitments carried out with own portfolio securities.

14. Securities issued

On June 30, 2019 the Bank does not have an obligation to issue Financial Bills (R$ 859 in 2018).

15. Borrowings

Obligations for foreign loans in the amount of R$ 1,267,809 (2018 - R$ 725,390) are basically represented by export financing operations maturing up to December 2019. Operations are restated at exchange-rate change plus interest rate that vary from 2.40% to 2.59% per annum.

16. Repass borrowings

Foreign currency trade finance repass borrowings in the amount of R$ 1,168,428 (2018 - R$ 1,164,701) are represented by external funding pursuant to CMN Resolution No. 2,921, maturing up to June 2021. Operations are restated at exchange-rate change plus interest rate that vary from 2.69% to 3.51% per annum.

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17. Other liabilities - Tax and social security

	2019	2018
Provision for deferred income tax and social contribution (Note 21 "b")	40,653	36,277
Taxes and contributions on income payable	28,627	43,302
Taxes and contributions payable	1,834	3,771
Total	**71,114**	**83,350**
Current liabilities	31,233	48,381
Non-current	39,881	34,969

18. Other liabilities - Sundry

	2019	2018
Provision for tax and labor contingencies (Note 19 “d”)	26,837	25,979
Salaries, bonuses and social charges	24,541	20,822
Accounts payable – administrative expenses	1,336	937
Other	219	414
Total	**52,933**	**48,152**
Current liabilities	20,578	17,208
Non-current	32,355	30,944

19. Legal, Tax and Social Security Contingencies and Liabilities

a) Contingent assets

The Bank does not have any contingent assets recorded in its balance sheet, just as it does not currently have lawsuits that generate expectation of future gains.

b) Contingent liabilities

The Bank is a party in lawsuits and administrative proceedings arising from the normal course of its activities, involving matters of a labor, tax and social security. The evaluation for setting up provisions is made under criteria described in Note 3 “m”.

The Bank keeps provisions for those contingent liabilities that are classified as probable losses, at amounts regarded as sufficient to cover possible losses. The amounts reserved are recorded under “Other liabilities - sundry” caption (Note 18) in long-term liabilities.

Ongoing labor lawsuits classified as possible losses amount to R$ 32,168 (R$ 30,966 in 2018). Most labor lawsuits refer to actions filed by former employees and outsource personnel to obtain indemnities, mostly regarding overtime payment and other labor rights.

There are ongoing proceedings of a tax-related nature classified as possible losses, in the amount of R$ 10,728 (R$ 10,155 in 2018), arising from taxes that the Bank has been challenging in court, basically related to a claim for offsetting the withholding income tax on financial investments in the amount of R$ 5,246 (R$ 5,141 in 2018) and a request for nullity of the tax assessment notice in the amount of R$ 5,482 (R$ 5,014 in 2018) related to taxes (ISS) claimed by the Municipal Government of São Paulo, levied on services rendered by the Bank. These proceedings have judicial deposits sufficient to cover the tax risk.

c) Legal obligations

The provision for contingencies in the main lawsuit, in the amount of R$ 18,574 (2018 - R$ 18,045), including its judicial deposit of an amount equivalent to the provision, refers to a legal challenge regarding the payment of the contribution to the Social Integration Program (PIS), pursuant to Constitutional Amendment No. 17/97 and Supplementary Law No. 7/70 regarding their legality or constitutionality.

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d) Changes in balances

	Balance at 12/31/2018	Formation	Reversal	Usage	Update	Balance at 06/30/2019	Judicial deposits (i)	
							2019	2018
Labor	705	-	(35)	(128)	16	558	219	397
Tax contingencies	-	-	-	-	-	-	10,810	10,380
Legal obligations	25,776	134	(8)	-	377	26,279	26,872	25,900
Total	**26,481**	**134**	**(43)**	**(128)**	**393**	**26,837**	**37,901**	**36,677**

(i) See Note 11.

20. Equity

The fully paid-up capital is represented by 4,204,886,326 (4,200,439,657 in 2018) nominative common shares with no par value.

Management decides on the allocation of adjusted net income each period, pursuant to article 202 of Law No. 6,404/76.

Profit reserves

The legal reserve is formed at the rate of 5% of net income for the period, up to the limit defined by the current legislation. The statutory reserve balance refers to an undistributed portion of prior-year income, which, as determined by the general meeting, was transferred to subsequent years.

21. Income and social contribution taxes

a) Calculation of the income and social contribution taxes levied on the operations

	2019		2018	
	Income tax	Social contribution	Income tax	Social contribution
Income before taxation and after profit sharing	38,757	38,757	57,365	57,365
Temporary additions (exclusions)	33,030	33,030	49,177	49,177
Mark-to-market - Securities and derivatives	23,124	23,124	29,905	29,905
Allowance for loan losses	(1,205)	(1,205)	12,552	12,552
Provision for credit risks - Debentures	(335)	(335)	(1,440)	(1,440)
Other	11,446	11,446	8,160	8,160
Permanent additions (exclusions)	81	83	76	78
Taxable base	**71,868**	**71,870**	**106,618**	**106,620**
Offsetting of tax loss and negative basis of social contribution			(6,082)	(15,188)
Tax base after offsetting	**71,868**	**71,870**	**100,536**	**91,432**
Rates	25%	15%	25%	20%
Total IRPJ and CSLL - current values before tax incentives	**(17,955)**	**(10,780)**	**(25,122)**	**(18,287)**
Tax incentives	108	-	106	-
Total income and social contribution taxes – current values	**(17,847)**	**(10,780)**	**(25,016)**	**(18,287)**
Deferred tax assets	2,675	1,605	3,441	340
Deferred tax liabilities	5,582	3,349	7,312	8,267
Total	**(9,590)**	**(5,826)**	**(14,263)**	**(9,680)**

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b) Changes in deferred income and social contribution taxes according to the nature and origin

Deferred tax assets	Balance at 12/31/2018	Formation	Realization / Reversal	Balance at 06/30/2019
Reflected in income (loss)	**47,826**	**5,046**	**(766)**	**52,106**
Allowance for loan losses	33,373	46	(528)	32,891
Provision for tax and labor risks	10,589	195	(59)	10,725
Other	3,864	4,805	(179)	8,490
Total	**47,826**	**5,046**	**(766)**	**52,106**

Deferred tax liabilities	Balance at 12/31/2018	Formation	Realization / Reversal	Balance at 06/30/2019
Reflected in income (loss)	**(38,131)**	**(9,623)**	**18,554**	**(29,200)**
Mark-to-market of derivatives	(30,288)	(9,167)	18,209	(21,246)
Mark-to-market of securities classified as trading securities	(361)	(213)	345	(229)
Inflation adjustment of judicial deposits	(7,482)	(243)	-	(7,725)
Reflected in shareholders' equity	**(5,688)**	**(7,156)**	**1,391**	**(11,453)**
Mark-to-market of securities classified as available for sale	(5,688)	(7,156)	1,391	(11,453)
Total	**(43,819)**	**(16,779)**	**19,945**	**(40,653)**

c) Estimated realization of deferred tax assets on temporary differences

Realization term	Temporary differences	Total
1st year	10,512	10,512
2nd year	7,370	7,370
3rd year	7,264	7,264
4th Year	16,227	16,227
5th Year	-	-
6th to 10th Year	10,733	10,733
Total	**52,106**	**52,106**
Present value (i)	**37,404**	**37,404**

(i) For the adjustment to present value, the projected annual CDI rate was used.

On balance sheet date, there are no deferred tax assets not recorded in assets.

22. Related parties

Operations between related parties are disclosed in conformity with CMN (National Monetary Council) Resolution 4636, in compliance with Technical Pronouncement CPC 05 (R1) – Related Parties Disclosure. These operations are carried out at usual market values, terms and average rates in effect at the respective dates.

a) Related party transactions

Operations with related parties are basically characterized by:

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	Assets / (liabilities)		Revenue / (Expenses)	
	2019	2018	01/01 to 06/30/2019	01/01 to 06/30/2018
Cash and cash equivalents	**1,518**	**1,821**	**3,021**	**(6,398)**
BNS	1,518	1,821	3,021	(6,398)
Foreign exchange portfolio - asset position	**8,251**	**8,232**	**(668)**	**199**
BNS	8,251	8,232	(668)	199
Amounts receivable (payable) related companies / service revenues (expenses)	**4,445**	**(164)**	**5,782**	**19,750**
BNS	3,380	(297)	5,207	18,469
Scotiabank & Trust (Cayman)	148	-	784	1,270
Scotiabank Inverlat (México)	-	133	(203)	11
Banco Colpatria (Colombia)	917	-	(1)	-
Scotiabank Peru	-	-	(5)	-
Borrowings	**(1,267,809)**	**(714,423)**	**1,723**	**(116,919)**
BNS	(1,267,809)	(714,423)	1,723	(116,919)
Repass borrowings	**(1,168,428)**	**(1,164,701)**	**(21,162)**	**(135,849)**
BNS	(1,168,428)	(1,164,701)	(21,162)	(135,849)
Foreign exchange portfolio - liability position	**(8,320)**	**-**	**651**	**(350)**
BNS	(8,320)	-	651	(350)

b) Management compensation

For the purpose of disclosing management remuneration, statutory directors were considered. Expenses with Directors' fees the semester ended June 30, 2019 total R$6,017 (R$ 4,982 in 2018), comprised by R$ 4,186 (R$ 3,821 in 2018), which represent salaries and payroll charges, profit sharing, and bonus and charges on bonus, denominated short-term benefits, and R$ 1,831 (R$ 1,161 in 2018) that represents share-based remuneration and charges. There are no post-employment benefits, other long-term benefits or work agreement termination benefits.

23. Share-based payment

Share-based payment plans are evaluated based on BNS common shares price traded at stock exchange in Toronto, Canada (TSX). BNS share price fluctuations change the value of units, which affects the Bank's share-based payment expenses. The portion that calculates share price fair value also varies according to the Bank's performance. These plans are settled in cash and their expenses are recognized in the statement of income for the period as a contra-entry to provision in liabilities. Eligible employees are paid through this variable remuneration according to one of the following plans: RSU, PSU or DPP.

a) Restricted RSU - *Restricted Share Unit Plan*

According to RSU plan, eligible employees will receive a bonus in restricted share units after three years. Final value to be paid varies according to BNS share price. As of June 30, 2019, amount of provisioned liability for this plan is R$ 1,749 (R$ 986 in 2018) and the total number of shares is 15,552 units measured at the weighted fair value of R$ 0.209 per share. Total expenses recorded in the period for this plan is R$ 934 (R$ 162 in 2018).

b) PSU - Performance Share Unit Plan

According to PSU plan, eligible employees will receive a bonus after three years. In addition to BNS share price variation, this bonus portion is subject to performance criteria (return on shareholders' equity and total return to shareholder) measured over a three-year period, on which a multiplying factor is applied. As of June 30, 2019, amount of provisioned liability for this plan is R$ 2,708 (R$ 3,618 in 2018) and the total number of shares is 27,846 units measured at the weighted fair value of R$ 0.209 per share. Total expenses recorded in the period for this plan is R$ 1,099 (R$ 729 in 2018).

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c) DPP - *Deferred Performance Plan*

In the ambit of the DPP plan, bonus portion received by employees eligible for this plan is allocated as units. Values of these units are defined based on BNS shares market price variation and are paid to employees at each of the three following years. As of June 30, 2019, amount of provisioned liability for this plan is R$ 1,405 (R$ 2,631 in 2018) and the number of shares is 7,133 units measured at the weighted average fair value of R$ 0.197 per share, calculated based on the original share prices when they were granted. There were no expenses recorded in the semester for this plan.

24. Post-employment benefits

For the post-employment defined contribution plan, the Bank offers its employees the supplementary private pension benefit through monthly contributions, ceasing after the employee leaves the company. During the semester ended June 30, 2019, total personnel expenses for this plan amounts to R$ 460 (R$ 428 in 2018).

Other post-employment defined contribution plans are considered short-term benefits, such as health care and profit sharing.

Bank does not have post-employment benefit plans to its employees.

25. Basel Index and Operational Limits

The Bank adopts the Basel ratio calculation based on BACEN’s guidelines. As of June 30, 2019, the Bank’s Basel Ratio is 23.54% (2018 - 28.52%), respectively, the Referential Equity was R$ 1,099,038 (2018 - R$ 1,026,139) and the Minimum equity required for risk-weighted assets (RWA) amounts is R$ 373,552 (2018 - R$ 310,328). Other operating limits are also required by the regulator, such as the Fixed Asset Ratio. At the end of these semesters, the Bank is classified into all limits.

26. Other information

a) Restricted receivables

As of June 30, 2019, the Bank has asset operations linked to CMN Resolution No. 2,921 with a single debtor, as shown in the following table:

	Assets / (liabilities)		Revenue / (Expenses)	
	2019	2018	01/01 to 06/30/2019	01/01 to 06/30/2018
Loan operations				
NCE (Note 9 "a")	1,168,428	1,163,764	20,981	134,822
Repass borrowings				
Foreign repass borrowings (Note 16)	(1,168,428)	(1,164,701)	(21,162)	(135,849)
Net income			**(181)**	**(1,027)**

The remuneration of linked asset transactions is sufficient to cover the costs of funding operations.

There are no linked asset operations in default or with any legal challenges.

These operations shall not be considered in the calculation of exposure limits per client, as provided for in CMN Resolution No. 2,844.

b) Other operating revenues/expenses

As of June 30, 2019, they are substantially related to: (i) “Other operating revenues”, income from restatement of judicial deposits and taxes, and reversal of operating provisions; (ii) “Other operating expenses”, the restatement of taxes and contributions on profits, and liability provision for tax contingencies.

c) Subsequent events

There were no subsequent events for that require adjustments or disclosures for financial statements ended June 30, 2019.

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