# Scotiabank Brasil S.A. Banco Múltiplo

**Financial statements**
**June 30, 2020**
*(A free translation of the original report in Portuguese as disclosed 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 739908

# Contents

# MANAGEMENT REPORT

## PRESENTATION

We present the financial statements of Scotiabank Brasil for the semester ended June 30, 2020, accompanied by Notes and independent auditors' report, prepared in accordance with Brazilian accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil, set forth by Corporation Law.

## PERFORMANCE FOR THE SEMESTER

Scotiabank Brasil ended the first semester of 2020 with net income of R$ 47,990, which represents an annualized return on equity of 8.55%. The Basel capital ratio was 19.49% and the minimum notional capital requirement for risk weighted assets (RWA) was R$ 470,913.

Since the beginning of the pandemic, the Bank is in full operational capacity and its actions follow the guidelines of the Ministry of Health. The financial statements were not impacted by the effects arising from Covid-19 and several measures were taken by Management to protect and support its employees, keeping most of them in the remote work regime. The Bank continues its conservative policy regarding liquidity management and risk parameters appropriate to the institution's activities.

## OTHER INFORMATION

In accordance with the provisions of Article 8 of Bacen Circular n°. 3,068/01, the Bank declares to have financial capacity and intention to hold securities classified in the "Held-to-maturity securities" category until maturity.

## ACKNOWLEDGMENT

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

Executive Board

# AUDIT COMMITTEE REPORT

The Audit Committee of Scotiabank Brasil S.A. wasestablished through the Minutes of the Ordinary and Extraordinary General Meeting held on March 31, 2020.

It is incumbent upon the Committee to ensure the quality and completeness of Bank's financial statements, compliance with legal and regulatory requirements, the performance, independence and quality of the work performed by the internal audit and the external audit function, and the quality and effectiveness of the internal control and risk management systems.

Committee's evaluations are based on information received from the Management, from internal audit, external auditors, people responsible for managing risks and internal controls, and own analyses from direct note.

## Internal controls and risk management systems

The Audit Committee evaluated, in meetings with the Risks & Compliance Department, aspects related to the management and control of credit, market and liquidity risks.

Based on the results of the Independent Audit and Internal Audit works, the Committee considered that the controls and procedures exercised by the Bank are adequate and sufficient.

## Compliance with Laws, Regulations and Internal Rules

The Audit Committee considers that the assignments and responsibilities, as well as the procedures related to the assessment and monitoring of legal risks, are defined and continue to be carried out in accordance with corporate guidelines.

The Committee, based on the information received from the responsible areas, on the work of the Internal Audit and reports produced by the External Audit, concludes that there were no failures in complying with the legislation, regulations and internal rules that could jeopardize the continuity of the Organization's activities.

## Internal Audit

The Audit Committee followed the audit process developed by the Internal Audit, through the holding of periodic meetings and the approval of its strategic and tactical plans for the year 2020, and the monitoring of their implementation.

The Committee considers the coverage and quality of the work carried out by the Internal Audit to be adequate. The results of this work, presented at the Committee's working sessions, did not show the existence of residual risks that could affect the Organization's solidity and going concern.

## External Audit

The Committee maintains a regular communication channel with the external auditors for a wide discussion of the results of its work and relevant accounting aspects, allowing its members to substantiate their opinion on the completeness of the financial statements.

The Committee considers the volume and quality of the information provided by KPMG to be fully satisfactory, which supports its opinion on the completeness of the financial statements. It has not identified situations that could affect the objectivity and independence of the external auditors.

## Financial statements

The Committee analyzed the Financial Statements together with the Explanatory Notes and discussed them with KPMG and with the Organization's executives before their publication. It was verified that they are in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil.

## Conclusion

The Audit Committee, duly considering its responsibilities and the natural limitations arising from the scope of its work, hereby certifies that the information contained in this Report is true, meets the requirements defined in CMN Resolutions n°. 2.554/98 and n°. 3.198/04, and that the control system of Scotiabank Brasil S.A. is adequate to the complexity and risks of its businesses.

São Paulo, August 26, 2020.

**Audit Committee**
Paulo André Campos Bernardo
Alexandre Hideo Yoda
Antonio Pianucci

KPMG Auditores Independentes
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# Independent auditors' report on the financial statements

To 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, 2020 and the statements of income, changes in equity and cash flows for the semester 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, 2020, and of its financial performance and its cash flows for the semester 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.

## Other information accompanying the financial statements and auditors' report

Management is responsible for that other information comprising the Management Report. Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise, appears to be materially misstated. If, based on the work performed, we conclude that there is material misstatement in the Management Report, we are required to report on such fact. We have nothing to report on this respect.

## Responsibilities of Management 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 27, 2020

KPMG Auditores Independentes
CRC 2SP014428/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, 2020 AND DECEMBER 31, 2019

**(In thousands of reais)**

| **Assets** | **Note** | **2020** | **2019** |
|---|---|---|---|
| **Cash and cash equivalents** | 4 | **3,076,959** | **313,987** |
| **Financial assets** | | **9,167,616** | **6,103,909** |
| Interbank investments | 5 | 4,295,870 | 2,399,296 |
| Securities | 3d, 6 | 929,877 | 765,904 |
| Derivative financial instruments | 3e, 7 | 114,593 | 140,211 |
| Loans | 3f, 9a | 1,826,657 | 1,764,016 |
| Foreign exchange operations | 10 | 1,952,426 | 993,501 |
| Other financial assets | 11a | 48,193 | 40,981 |
| **Provisions for expected losses associated with credit risk** | 3g, 9c/d | **(138,686)** | **(86,317)** |
| Securities | | (693) | - |
| Loans | | (80) | (78) |
| Other Receivables from Credit Granting | | (137,913) | (86,239) |
| **Tax credits** | 3l, 19b/c | **89,331** | **56,606** |
| **Investments** | 3 h | **6** | **6** |
| Other investments | | 6 | 6 |
| **Property, plant and equipment for use** | 3 h | **4,623** | **4,917** |
| Property for use | | 891 | - |
| Other property for use | | 15,485 | 16,001 |
| Accumulated depreciation | | (11,753) | (11,084) |
| **Intangible assets** | 3 h | **1,512** | **1,095** |
| Intangible Assets | | 2,282 | 1,746 |
| Accumulated amortization | | (770) | (651) |
| **Other assets** | 3b, 11b | **15,731** | **19,362** |
| **TOTAL ASSETS** | | **12,217,092** | **6,413,565** |

The notes are an integral part of these financial statements.

# SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO

## BALANCE SHEET

## AS OF JUNE 30, 2020 AND DECEMBER 31, 2019

**(In thousands of reais)**

| **Liabilities** | **Note** | **2020** | **2019** |
|---|---|---|---|
| **Financial liabilities** | | **10,893,459** | **5,187,103** |
| Deposits | 3j, 12 | 110,248 | 1,050,999 |
| Money market borrowings | 3j, 13 | 824,942 | 424,583 |
| Borrowings | 3j, 14 | 1,624,665 | 569,415 |
| Foreign onlendings | 3j, 15, 24a | 1,639,926 | 1,623,753 |
| Derivative financial instruments | 3e, 7 | 5,543,747 | 935,070 |
| Foreign exchange operations | 10 | 1,128,348 | 491,208 |
| Other financial liabilities | 16a | 21,583 | 92,075 |
| **Deferred tax obligations** | **19b** | **18,878** | **36,416** |
| **Provisions for contingencies** | **17d** | **27,560** | **27,181** |
| **Other liabilities** | **3k, 16b** | **128,189** | **66,874** |
| **Equity** | | **1,149,006** | **1,095,991** |
| Capital | 18 | 796,879 | 796,879 |
| Profit reserves | 18 | 294,867 | 292,468 |
| Other comprehensive income | 3d, 6 | 11,669 | 6,644 |
| Retained earnings | | 45,591 | - |
| **Total liabilities** | | **12,217,092** | **6,413,565** |

The notes are an integral part of these financial statements.

# SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
## STATEMENT OF INCOME
## JUNE 30, 2020 AND 2019

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

| | Note | 1st Semester 2020 | 1st Semester 2019 |
|---|---|---|---|
| **Financial operations income** | | **910,374** | **130,480** |
| Loans | 9f | 478,794 | 28,277 |
| Securities income | | 134,186 | 96,150 |
| Derivative financial instruments | 7 | (10,280) | 6,053 |
| Foreign exchange operations | | 307,674 | - |
| **Financial operations expenses** | | **(731,394)** | **(55,213)** |
| Funding operations | | (38,796) | (20,006) |
| Borrowings and onlendings | | (692,598) | (19,395) |
| Foreign exchange operations | | - | (15,812) |
| **Income (loss) from financial intermediation** | | **178,980** | **75,267** |
| **Income (loss) from provision for expected losses associated with credit risk** | | **(52,369)** | **1,205** |
| Securities | | (693) | - |
| Loans | 9d | (3) | 2 |
| Other Receivables from Credit Granting | 9d | (51,673) | 1,203 |
| **Gross income on financial operations** | | **126,611** | **76,472** |
| **Other operating revenues (expenses)** | | **(44,091)** | **(37,231)** |
| Service revenues | | 8,182 | 6,362 |
| Personnel expenses | | (32,349) | (28,159) |
| Other administrative expenses | | (11,105) | (10,773) |
| Tax expenses | | (11,744) | (5,319) |
| Other operating revenues | 24b | 3,197 | 1,222 |
| Other operating expenses | 24b | (272) | (564) |
| **Reversals / (Expenses) from provisions for contingencies** | | **(379)** | **(484)** |
| Labor | | (17) | 19 |
| Tax | | (362) | (503) |
| **Operating income** | | **82,141** | **38,757** |
| **Non-operating income** | | **(5)** | **-** |
| **Profit before taxes on income and profit sharing** | | **82,136** | **38,757** |
| **Income and social contribution taxes** | 19a | **(34,146)** | **(15,416)** |
| Provision for income tax | | (38,528) | (12,265) |
| Provision for social contribution tax | | (28,343) | (7,431) |
| Deferred tax assets | | 32,725 | 4,280 |
| **Net income for the semesters** | | **47,990** | **23,341** |
| **Net income per lot of a thousand shares - R$** | | **11.41** | **5.55** |

The notes are an integral part of these financial statements.

# SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
## STATEMENT OF COMPREHENSIVE INCOME
## JUNE 30, 2020 AND 2019

**(In thousands of reais)**

| | Note | 1st Semester 2020 | 1st Semester 2019 |
|---|---|---|---|
| **Net earnings for the period** | | **47,990** | **23,341** |
| **Items that can be reclassified to income (loss):** | | | |
| **Changes in the fair value of financial assets available for sale** | | **5,025** | **8,648** |
| Securities | | 9,136 | 14,413 |
| Tax impact | 19b | (4,111) | (5,765) |
| **Comprehensive income** | | **53,015** | **31,989** |

The notes are an integral part of these financial statements.

# SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
## STATEMENT OF CHANGES IN EQUITY
## JUNE 30

**(In thousands of reais)**

| | Note | Capital | Profit reserves | | Equity valuation adjustments | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | | | Legal | Statutory | | | |
| **Balances at January 1, 2019** | | **796,879** | **22,007** | **239,869** | **8,534** | **-** | **1,067,289** |
| Equity valuation adjustments | | - | - | - | 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** |
| **Balances at January 1, 2020** | | **796,879** | **26,737** | **265,731** | **6,644** | **-** | **1,095,991** |
| Equity valuation adjustments | 6b | - | - | - | 5,025 | - | 5,025 |
| Net income for the semester | | - | - | - | - | 47,990 | 47,990 |
| Allocations: | | | | | | | |
| Legal reserve | 18 | - | 2,399 | - | - | (2,399) | - |
| **Balances at June 30, 2020** | | **796,879** | **29,136** | **265,731** | **11,669** | **45,591** | **1,149,006** |

The notes are an integral part of these financial statements.

# SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
## STATEMENT OF CASH FLOWS
## SEMESTERS ENDED JUNE 30

**(In thousands of reais)**

| | Note | 2020 | 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| **Adjusted net income** | | **47,152** | **9,939** |
| **Net income for the semesters** | | **47,990** | **23,341** |
| **Adjustments to net income** | | **(838)** | **(13,402)** |
| Expense (reversal) of provision for expected losses associated with credit risk | | 52,369 | (1,205) |
| Depreciation and amortization | | 788 | 530 |
| Deferred taxes | 19a,19b | (54,374) | (13,211) |
| Expense on provision for contingent liabilities and legal obligations | 19d | 379 | 484 |
| **Changes in assets and liabilities** | | **2,716,731** | **(691,096)** |
| (Increase) in interbank investments | | (1,896,574) | (502,283) |
| (Increase) in securities | | (154,837) | (46,294) |
| Decrease in derivative financial instruments | | 4,634,295 | 17,151 |
| Decrease (Increase) in loans | | (62,641) | 11,018 |
| Decrease (Increase) in foreign exchange operations | 10 | (321,785) | 42,094 |
| (Increase) in other financial assets | 11a | (7,212) | (4,635) |
| Increase (decrease) in other assets | 11b | 3,631 | 15,463 |
| Increase (decrease) in deposits | 12 | (940,751) | 62,209 |
| Increase in money market borrowings | 13 | 400,359 | 346,006 |
| (Decrease) in acceptances and endorsements | | - | (927) |
| Increase (decrease) in borrowings and onlending | 14, 15 | 1,071,423 | (573,707) |
| (Decrease) in other financial liabilities | 16a | (70,492) | (31,283) |
| Increase (decrease) in other liabilities | 16b | 61,315 | (25,908) |
| **Net cash (invested in)/from operating activities** | | **2,763,883** | **(681,157)** |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment for use | | (375) | (402) |
| Investments in intangible assets | | (536) | (66) |
| **Net cash invested in investing activities** | | **(911)** | **(468)** |
| **Net increase (decrease) in cash and cash equivalents** | | **2,762,972** | **(681,625)** |
| Cash and cash equivalents at the beginning of the semesters | | 313,987 | 1,426,469 |
| Cash and cash equivalents at the end of the semesters | 4 | 3,076,959 | 744,844 |
| **Net increase (decrease) in cash and cash equivalents** | | **2,762,972** | **(681,625)** |

The notes are an integral part of these financial statements.

# Notes to the financial statements

***(In thousands of reais)***

## 1 Operations

Scotiabank Brasil S.A. Banco Múltiplo ("Bank") is organized and authorized to operate as a multiple bank by means of its investment and commercial portfolios, including foreign exchange.

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

## 2 Preparation and presentation of financial statements

The financial statements have been prepared in accordance with accounting policies established by corporate legislation, the standards and instructions of the National Monetary Council (CMN) and by the Central Bank of Brazil (BACEN), in accordance with the Standard Chart of Accounts for Financial Institutions (COSIF), and by the Committee for Accounting Pronouncements (CPC), when applicable.

The issuance of these financial statements was authorized by the Executive Board on August 26, 2020.

The financial statements include estimates and assumptions, such as measurement of provisions for expected losses associated with credit risk, estimates of the fair value of certain financial instruments, provisions for contingencies, other provisions and the determination of the useful life of certain assets. Actual results may differ from those estimates and assumptions.

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

### Changes in presentation of financial statements

Based on CMN Resolution n°. 4720 and BACEN Circular n°. 3959, the Bank made changes to the presentation of the financial statements for the semester ended June 30, 2020, in compliance with the requirements of the respective standards. We highlight the main changes below:

***Balance sheet***

- Presentation of assets and liabilities exclusively in order of liquidity and enforceability. The breakdown of current and non-current is being disclosed in the respective notes;

- Adoption of new nomenclature and grouping of asset items, such as: financial instruments, provisions for losses associated with credit risk, deferred tax assets, other assets, deposits and other financial instruments, deferred tax obligations, provision for contingencies and other liabilities.

***Statement of income***

- Opening of provision expenses segregated by the most relevant classes presented in the caption "Income (loss) from provision for expected losses associated with credit risk";

- Change in the allocation of "Income (loss) from provision for expected losses associated with credit risk", starting to be presented immediately after "Gross income on financial operations";

- Presentation of the provision for contingencies in a specific caption at: "Reversals / (Expenses) from provisions for contingencies".

***Notes***

- Disclosure of the fair value hierarchy and sensitivity analysis based on CMN Resolution n°. 4748.

***Presentation of comparison balances***

The Balance Sheet balances for the period are presented in comparison with the end of the immediately previous year, while the other statements are compared with the same periods of the previous year for which they were presented.

## 3 Description of significant accounting policies

### a. Statement of income

Income and expenses are recognized on the accrual basis.

For better presentation purposes, the Bank reclassifies exchange variation from the "Other operating revenues / expenses" accounts directly to the corresponding accounts "Financial operations revenue / expenses" in the statement of income.

### b. Other assets

These are stated at realization value, less, when applicable, the corresponding unearned income, including the yields and monetary and foreign exchange variations earned and adjusted by provisions, when applicable, up to the reporting date.

### c. Cash and cash equivalents

They are represented in local currency, foreign currency and interbank investments and repurchase and resale agreements - own portfolio and investments in interbank deposits, 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 the cost of acquisition and presented in the Balance Sheet in accordance with the BACEN Circular n°. 3068, and classified according to the Management's intention in the following categories: "Trading securities", related to securities acquired with the purpose of trading them in an active and frequent manner, which are classified in the current and adjusted at fair value against the statement of income for the period, "Available-for-sale securities", and do not fall within the trading nor the held-to-maturity categories, are adjusted at fair value against the highlighted equity accounts, less the tax effects and "Held-to-maturity securities", for which there is financial ability for their maintenance in portfolio up to maturity. They are recorded at acquisition cost plus yields earned in contra-entry to the statement of income for the period.

In order to have the fair value of the securities portfolio, federal government bonds have their prices adjusted in order to reflect the observable price in the market, as published by the National Association of Financial and Capital Markets (ANBIMA). For private securities, such as debentures, the determination of market value for this category is based on an independent pricing model, which consists of calculating the future value of cash flows plus monetary correction, which are discounted to their present value by the fixed interest rate plus the credit spread. The Bank records the estimated provision for expected losses associated with the debentures' credit risk, observing the criteria determined in Note 3g. In the case of investment in investment fund, the updated cost reflects the fair value of the corresponding quotas.

## e. Derivative financial instruments

The Bank carries out operations involving derivative financial instruments whose purpose is to meet its own and its clients' needs. These operations are intended to manage market risk exposure to potential losses caused by fluctuations in the price of financial assets and variations in interest rates, currencies and indexes. The Bank's Management sets guidelines concerning the operation policy, control, establishment of strategies, as well as the limit of these positions.

In accordance with the BACEN Circular n°. 3082, derivative financial instruments are classified on the date of their acquisition according to the Management's intention of using them for hedging purposes, or not.

Operations which use derivative financial instruments performed at the request of clients, at the Bank's expense, which do not meet the hedging criteria (principally derivatives used for managing the overall exposure to risk), are accounted for at fair value, including realized and unrealized gains and losses, directly recognized in the statement of income.

An area independent of the operating and business areas is responsible for the evaluation and measurement of assets and liabilities existing in the Bank. The fair value calculation of portfolio regarding derivative financial instrument such as swaps, forward, futures and other derivatives are based on prices, taxes or information collected from independent sources such as B3 S.A.- Brasil, Bolsa, Balcão, securities brokers, BACEN, and ANBIMA, among others. The market and credit risk associated with these products, as well as the operational 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 n°. 4277, 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

These are recorded based on the yields obtained, and recognized on a per day pro rata basis, according to the changes in the index and interest rates agreed upon.

Revenues and charges of any nature related to loans which have been in arrears for a period of

60 days or more are recorded as unrecognized income and recognized in the statement of income when they are actually received.

## g. Provision for expected losses associated with credit risk

Based on the analysis of outstanding operations conducted by the Management in order to conclude on the appropriate amount to absorb probable losses from their realization, considering the economic scenario and both the specific and global risks of the portfolio, as well as the provisions set forth in the CMN Resolution n°. 2682, which requires periodic analysis of the portfolio and its classification into nine levels, where "AA" corresponds to minimum risk and "H" to loss. Transactions in arrears classified as level “H” remain under this classification for six months, after which they are written off against the recorded provision and controlled in memorandum accounts.

## h. Permanent assets

- **Property, plant and equipment for use:** corresponds to the rights that refer to corporeal personal property intended for the maintenance of Bank’s activities with this purpose. Depreciation of property, plant and equipment is calculated and recorded under straight-line method, considering the useful lives of the assets;

- **Intangible assets:** corresponds to the acquired rights that refer to corporeal personal property intended for the maintenance of the Bank 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;

- **Other investments:** stated at acquisition cost, less provision for losses, when applicable.

## i. Impairment loss

Pursuant to the CMN Resolution n°. 3566 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 carrying value of the asset exceeds its recoverable value, the loss will be recognized directly in the statement of income.

No impairment loss had been identified as of June 30, 2020 and December 31, 2019.

## j. Deposits, money market repurchase commitments, borrowings and onlendings

Deposits and money market borrowings are stated at the amounts of the liabilities and consider, when applicable, the charges enforceable up to the balance sheet date, recognized on a “pro rata” basis.

Costs incurred in the form of funding that are classified as transaction costs are recognized in the statement of income on the accrual basis for the term of the original operations.

## k. Other liabilities

Current and long-term liabilities are stated at known or measurable amounts, including charges and monetary fluctuations (on a "pro rata" basis) and foreign exchange variations incurred.

## l. Income and social contribution taxes

The provision for income tax is recorded at the rate of 15% on taxable profit, plus a 10% surtax.

Social contribution tax is calculated at the rate of 20% on taxable income as set forth by Federal Revenue Service's Regulatory Instruction 1942/2020.

Pursuant to Constitutional Amendment n°. 103, as of March 1, 2020, the social contribution (CSLL) tax rate is 20% (it was previously 15%).

As of June 30, 2020, the Bank has deferred tax credits of unrecorded income and social contribution tax resulting from temporary differences.

Based on the CMN Resolution n°. 3.059 and subsequent amendments, the historical taxable income and short-term and medium-term forecasts prepared by the Bank enable a reasonable estimate of the realization term of these assets (note 19c).

### m. PIS (Contribution for Social Integration Program) and COFINS (Tax for Social Security Financing)

PIS and COFINS contributions are provisioned for at the rate of 0.65% and 4%, respectively, in accordance with the legislation in force.

### n. Contingent assets and liabilities and legal obligations (tax and social security)

The Bank follows the guidelines set forth in the CMN Resolution n°. 3823, which approved the adoption of Technical Pronouncement CPC 25 - Procedures applicable to 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 that ensure their realization, given that a final judgment has been rendered on the case.

Lawsuits are classified as probable, possible or remote according to the risk of loss, where a provision is made for those classified as probable loss, according to the estimated amount of the loss, based on the opinion of our legal advisers, the nature of the lawsuits and previous rulings delivered by courts for similar cases. 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, whose matter of dispute is their legality or constitutionality. Regardless of the evaluation of the likelihood of favorable outcome, the amounts are fully recognized in the financial statements.

### o. 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 The Bank of Nova Scotia (BNS). The Bank records its expense in the Statement of income for the semester against a provision in Liabilities, as established by the CMN Resolution n°. 3989, which approved the adoption of the Technical Pronouncement CPC 10 - Share-Based Payment (note 21).

### p. Post-employment 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 n°. 4424, 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. Contributions made to this effect are recognized as personnel expenses in the statement of income.

Defined benefit plans are post-employment benefits other than defined contribution plans. For this type of plan, the Bank's obligation is to provide the agreed upon benefits with its employees, assuming the potential actuarial risk that the benefits may cost more than expected (note 22).

# 4 Components of cash and cash equivalents

| | 06/30/2020 | 12/31/2019 |
|---|---|---|
| **Cash and cash equivalents** | **46,961** | **11,911** |
| Cash and cash equivalents in domestic currency | 1,400 | 816 |
| Cash and cash equivalents in foreign currency | 45,561 | 11,095 |
| **Interbank investments** | **3,029,998** | **302,076** |
| Money market instruments | 3,029,998 | 292,004 |
| Interbank deposit investments | - | 10,072 |
| **Total** | **3,076,959** | **313,987** |

# 5 Interbank investments

| | 06/30/2020 | | | 12/31/2019 |
|---|---|---|---|---|
| | 1–3 months | 3–6 months | Total | Total |
| **Money market instruments** | **2,968,728** | **1,142,163** | **4,110,891** | **2,218,041** |
| Own portfolio | 2,280,455 | 1,008,437 | 3,288,892 | 1,793,876 |
| LTN | 2,280,455 | 1,008,437 | 3,288,892 | 1,793,876 |
| Short position | 688,273 | 133,726 | 821,999 | 424,165 |
| LTN | 688,273 | 133,726 | 821,999 | 424,165 |
| **Interbank deposit investments** | **184,979** | **-** | **184,979** | **181,255** |
| Interbank deposits | 184,979 | - | 184,979 | 181,255 |
| **Total** | **3,153,707** | **1,142,163** | **4,295,870** | **2,399,296** |

# 6 Securities

The corrected cost (plus yield earned) and the market value of securities were as follows:

## a. Trading securities

| | | | | | | 06/30/2020 | | 12/31/2019 | |
|---|---|---|---|---|---|---|---|---|---|
| | **Up to 3 months** | **3–12 months** | **1–3 years** | **3–5 years** | **3–5 years** | **Fair/book value** | **Update cost** | **Fair/book value** | **Update cost** |
| **Own portfolio** | | | | | | | | | |
| LTN | 600 | - | 1,365 | - | - | 1,965 | 1,906 | 152,691 | 152,663 |
| NTN | - | 9,766 | 2,135 | 6,958 | 6,958 | 20,937 | 20,538 | 15,551 | 15,246 |
| **Total** | **600** | **9,766** | **3,500** | **6,958** | **6,958** | **22,902** | **22,444** | **168,242** | **167,909** |

## b. Available-for-sale securities

| | 06/30/2020 | | | | | | | 12/31/2019 | |
|---|---|---|---|---|---|---|---|---|---|
| | **Without maturity** | **3–12 months** | **1–3 years** | **3–5 years** | **5–10 years** | **Fair/book value** | **Update cost** | **Fair/book value** | **Update cost** |
| **Own portfolio** | | | | | | | | | |
| LTN | - | 291,973 | - | - | - | 291,973 | 291,959 | - | - |
| **Subtotal** | **-** | **291,973** | **-** | **-** | **-** | **291,973** | **291,959** | **-** | **-** |
| **Subject to guarantees** | | | | | | | | | |
| LTN | - | 99,475 | 259,261 | 84,037 | - | 442,773 | 421,570 | 487,966 | 475,885 |
| Investment Fund Quotas | 33,586 | - | - | - | - | 33,586 | 33,586 | 32,477 | 32,477 |
| **Subtotal** | **33,586** | **99,475** | **259,261** | **84,037** | **-** | **476,359** | **455,156** | **520,443** | **508,362** |
| **Total** | **33,586** | **391,448** | **259,261** | **84,037** | **-** | **768,332** | **747,115** | **520,443** | **508.362** |

### c. Held-to-maturity securities

| | 06/30/2020 | | | | | | | 12/31/2019 | |
|---|---|---|---|---|---|---|---|---|---|
| | **Up to 3 months** | **3–12 months** | **1–3 years** | **3–5 years** | **5–10 years** | **Update cost** | **Fair value** | **Update cost** | **Fair value** |
| **Own portfolio** | | | | | | | | | |
| Debentures | 1,167 | 3,917 | 26,796 | 106,763 | - | 138,643 | 159,812 | 77,219 | 77,448 |
| **Total** | **1,167** | **3,917** | **26,796** | **106,763** | **-** | **138,643** | **159,812** | **77,219** | **77,448** |

Federal government bonds are kept under the custody of SELIC, debentures in another financial institution and the investment fund quotas, under the custody of B3 S.A.- Brasil, Bolsa, Balcão.

## 7 Derivative financial instruments

The tables below show the reference values corrected to the market price, the respective adjustments receivable and payable and net exposures in the balance sheets to derivative financial instruments:

| | 06/30/2020 | | 12/31/2019 | |
|---|---|---|---|---|
| | Fair value | | Fair value | |
| | **Reference value** | **Adjustment receivable (payable)** | **Reference value** | **Adjustment receivable (payable)** |
| **Futures** | | | | |
| **Long position** | **24,056,110** | **1,879** | **9,332,210** | **(12,824)** |
| DI | 2,234,097 | 1,096 | 544,936 | 301 |
| DDI | 21,738,504 | 198 | 8,519,913 | (12,092) |
| Dollar | 83,509 | 585 | 267,361 | (1,033) |
| **Short position** | **687,657** | **1,168** | **739,909** | **2,111** |
| DI | 107,141 | (12) | 253,685 | (5) |
| DDI | 135,793 | (953) | 271,490 | 1,046 |
| Dollar | 444,723 | 2,133 | 214,734 | 1,070 |

On June 30, 2020, besides the daily adjustments of futures contracts, the amount of R$ 16 (R$ 27 in 2019) is also recorded under the caption "Other financial liabilities" in current liabilities, in respect to commissions and brokerage to be settled with B3 S.A.- Brasil, Bolsa, Balcão.

| | 06/30/2020 | | | 12/31/2019 | | |
|---|---|---|---|---|---|---|
| **By index** | **Reference value** | **Cost value** | **Fair value** | **Reference value** | **Cost value** | **Fair value** |
| ***Swap*** | | | | | | |
| **Asset position** | **8,301** | **345** | **333** | **2,928,187** | **69,937** | **132,817** |
| CDI | - | - | - | 2,928,187 | 69,937 | 132,817 |
| Dollar | 8,301 | 345 | 333 | - | - | - |
| **Liability position** | **14,988,154** | **(4,993,785)** | **(5,510,897)** | **6,649,780** | **(780,252)** | **(926,475)** |
| CDI | 14,788,154 | (4,905,640) | (5,423,315) | 6,449,780 | (768,407) | (917,105) |
| Fixed | 200,000 | (88,145) | (87,582) | 200,000 | (11,845) | (9,370) |
| **Forward operations** | | | | | | |
| **Asset position** | **546,748** | **119,477** | **114,260** | **323,059** | **8,484** | **7,394** |
| Dollar | 399,618 | 112,957 | 107,310 | 180,545 | 6,455 | 5,195 |
| Fixed | 147,130 | 6,520 | 6,950 | 142,514 | 2,029 | 2,199 |
| **Liability position** | **373,181** | **(31,051)** | **(32,850)** | **310,365** | **(6,241)** | **(8,595)** |
| Dollar | 78,053 | (2,885) | (4,007) | 257,290 | (5,616) | (8,099) |
| Fixed | 295,128 | (28,166) | (28,843) | 53,075 | (625) | (496) |
| **Total** | **15,916,384** | **(4,905,014)** | **(5,429,154)** | **10,211,391** | **(708,072)** | **(794,859)** |

The table below shows the reference values recorded in memorandum accounts and the respective maturity terms:

| | 06/30/2020 | | | | | 12/31/2019 |
|---|---|---|---|---|---|---|
| | **Up to 1 month** | **1–6 months** | **6–12 months** | **>12 months** | **Total** | **Total** |
| Futures | 324,794 | 4,586,076 | 6,011,452 | 13,821,445 | 24,743,767 | 13,406,185 |
| Swap | 241,403 | 1,929,725 | 3,758,166 | 9,067,161 | 14,996,455 | 9,577,967 |
| Term of currencies | 333,122 | 360,683 | 178,230 | 47,894 | 919,929 | 633,424 |

The fair value of financial instruments was segregated as follows:

| | 06/30/2020 | | | 12/31/2019 | | |
|---|---|---|---|---|---|---|
| | **Current** | **Non-current** | **Total** | **Current** | **Non-current** | **Total** |
| **Assets** | | | | | | |
| Swap | 333 | - | 333 | 36,813 | 96,004 | 132,817 |
| Term of currencies | 102,164 | 12,096 | 114,260 | 6,919 | 475 | 7,394 |
| **Total** | **102,497** | **12,096** | **114,593** | **43,732** | **96,479** | **140,211** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Swap | (1,821,307) | (3,689,590) | (5,510,897) | (259,758) | (666,717) | (926,475) |
| Term of currencies | (32,850) | - | (32,850) | (5,593) | (3,002) | (8,595) |
| **Total** | **(1,854,157)** | **(3,689,590)** | **(5,543,747)** | **(265,351)** | **(669,719)** | **(935,070)** |

The results involving derivative financial instruments for the semesters ended June 30, 2020 and 2019 are as follows:

| | **06/30/2020** | **06/30/2019** |
|---|---|---|
| Futures | 4,811,118 | 36,746 |
| Swap | (4,963,030) | (34,864) |
| Term of currencies | 141,631 | 4,168 |
| Options | - | 3 |
| **Total** | **(10,281)** | **6.053** |

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

# 8 Risk management

## Operating risk management

The Bank has an across-the-board operational risk management structure which is responsible for identifying, assessing, monitoring, controlling, mitigating and reporting risks facing the organization. In this context, all employees have direct access to all tools, methodologies and reports produced by the operating risk department, facilitating the dissemination of the risk-control culture inside the Bank.

The Bank's Operational Risk structure also includes the engagement of the Executive Board, which is immediately involved in every significant event and actively participates in the monitoring of actions aimed to mitigate and resolve these events. In addition to the daily monitoring, the Risk Management department also reports on a monthly basis the main operational risk events to the department heads and to the Executive Boards of the Bank and of The Bank of Nova Scotia (BNS).

### Management of market and liquidity risks

Consistent with the requirements of the Head Office and following the leading worldwide adopted practices in risk management, the Bank has a comprehensive structure of risk control and management, integrated with and independent of 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 limits of risk are determined and approved by both local Executive Board and those in the Head Office and are monitored on a preventive basis.

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

By complying with BNS's requirements, the Bank was able to meet the BACEN requirements regarding implementation of continued and integrated risk management (CMN Resolution n°. 4557), more specifically on market and liquidity risks. In addition, the Bank calculates the capital requirements due to market risk exposure in accordance with the criteria established by the CMN Resolution n°. 4193.

## Credit risk management

Consistent with the rules established by BACEN (CMN Resolutions n°. 2682, 4557, 4677, 4693, among others), and the organization's risk philosophy, the Bank has a credit risk management structure which includes the analysis and establishment of individual credit limit for its clients, as well as the analysis and monitoring of the Bank's aggregate credit risk, which takes into account all product lines offered and all economic segments in which loan takers operate.

The credit risk culture is broadly disseminated in the Bank, and the description of the products offered to loan takers includes the identification of the credit, market and operating risks, as well as the information systems that control them. Individual credit limits for loan takers are approved by using the Bank's own techniques/ methodologies, and are reviewed at least once a year together with their corresponding ratings which, under the CMN Resolution n°. 2682, are reviewed every six months for operations of the same client or economic group whose amount exceeds 5% of the Bank's equity.

The Executive Board and the risk areas actively work, in a systematic manner, on the management of credit risks, which includes the approval of individual credit limits and approval of institutional policies. Additionally, they work on the monitoring of aggregated credit portfolio and evaluation of stress test results, which are simulations used for evaluating the potential impacts from adverse events on the institution's credit portfolio.

## Capital management

The Bank is dedicated to maintaining a robust capital basis in order 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 n°. 4557.

The principles governing the Bank’s capital management structure intend to meet the requirements in connection with: regulatory rules; existence of appropriate governance and supervision; capital management policies, strategies and measures focusing on relationships between risk propensity, risk profile and capital capacity; a solid risk management process; a capital adjustment evaluation process that is in accordance with governance and capital policies; existence of adequate systems, processes and controls to assist in planning, forecasting, measuring, monitoring and control of authorized limits, in addition to preparing capital reporting.

The Executive Board is directly involved in the Capital Continued Management and is also responsible for the annual review and approval of Bank’s internal policies. In addition, the Executive Board acts on monitoring level and adequacy of the Bank’s capital through periodic reports produced and submitted 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.

## Fair value hierarchy

To increase the consistency and comparability of fair value measurements and corresponding disclosures, a fair value hierarchy was established, which classifies into three levels the inputs applied in valuation techniques used for fair value measurement. The fair value hierarchy provides the highest priority to quoted prices (not adjusted) in active markets for identical assets or liabilities and the lowest priority to non-observable data.

Fair value is determined according to the following hierarchy:

- **Level 1 -** Prices quoted (not adjusted) in active markets for identical assets and liabilities to which the entity may have access on the measurement date.

- **Level 2 -** inputs that are observable for assets or liabilities, whether directly or indirectly, except for quoted prices, included in Level 1.

- **Level 3 -** Non-observable data for the asset or liability.

The tables below present financial instruments at June 30, 2020 and December 31, 2019, classified in different hierarchy levels for the fair value measurement:

**In thousands of reais**

| | 06/30/2020 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| Securities | 791,234 | - | - | 791,234 |
| Trading securities (Note 6a) | 22,902 | - | - | 22,902 |
| Available-for-sale securities (Note 6b) | 768,332 | - | - | 768,332 |
| Derivative financial instruments (note 7, 11a and 16a) | 9,277 | 114,593 | - | 123,870 |
| **Total** | **800,511** | **114,593** | **-** | **915,104** |
| **Liabilities** | | | | |
| Money market funding - Free portfolio (note 13) | (824,942) | - | - | (824,942) |
| Derivative financial instruments (note 7, 11a and 16a) | (6,230) | (5,543,747) | - | (5,549,977) |
| **Total** | **(831,172)** | **(5,543,747)** | **-** | **(6,374,919)** |

**In thousands of reais**

| | 12/31/2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets** | | | | |
| Securities | 688,685 | - | - | 688,685 |
| Trading securities (Note 6a) | 168,242 | - | - | 168,242 |
| Available-for-sale securities (Note 6b) | 520,443 | - | - | 520,443 |
| Derivative financial instruments (note 7, 11a and 16a) | 2,613 | 140,211 | - | 142,824 |
| **Total** | **691,298** | **140,211** | **-** | **831,509** |
| **Liabilities** | | | | |
| Money market funding - Free portfolio (note 13) | (424,583) | - | - | (424,583) |
| Derivative financial instruments (note 7, 11a and 16a) | (82,434) | (935,070) | - | (1,017,504) |
| **Total** | **(507,017)** | **(935,070)** | **-** | **(1,442,087)** |

## Market risk

Market risk is defined as the possibility of losses resulting from the fluctuation in the market values of instruments held by the Bank, including the risk of changes in interest rates and share prices for instruments classified in the trading portfolio, and the exchange rate and commodity price risk for instruments classified in the trading portfolio or in the banking portfolio.

According to the guidelines of the Central Bank of Brazil, through Resolution n°. 4557/17 and Circular n°. 3354/07, transactions are divided between the Trading and Banking Portfolios.

The Trading Portfolio consists of all positions in financial assets held for trading or with the purpose of hedging other elements of the trading portfolio. Positions held for trading are those held intentionally for short-term resale and/or with the intention of hedging the portfolio against market movements.

The Banking Portfolio includes all transactions not classified in the trading portfolio. This portfolio covers the operations of the Bank's commercial portfolio, such as loans, onlendings and its financing facilities, in addition to securities positions classified as held to maturity and the Treasury portfolio instruments.

Aiming to assess the effects on the Conglomerate's income in the event of possible scenarios, the Bank conducts a sensitivity analysis for each market risk factor considered relevant by the Management.

### *Sensitivity analysis 1*

They are considered parallel shocks on most relevant risk factor curves. Two scenarios are considered for this simulation, in which each risk factor analyzed increases or decreases by 100 basis points. This analysis examines the effects on the organization's income in view of possible fluctuations in interest rates practiced by the market.

(In thousands of reais)

**Trading portfolio**

| | Scenarios | |
|---|---|---|
| | **+100 bps** | **-100 bps** |
| **Interest rates** | | |
| Fixed Interest rate exposure | -344 | 344 |
| Exchange coupon exposure | -1,435 | 1,435 |
| Exposure of price index coupon | - | - |
| **Total** | **-1,779** | **1,779** |

**Trading + Banking Portfolio**

| | Scenarios | |
|---|---|---|
| | **+100 bps** | **-100 bps** |
| **Interest rates** | | |
| Fixed Interest rate exposure | -11,263 | 11,263 |
| Exchange coupon exposure | -1,435 | 1,435 |
| Exposure of price index coupon | - | - |
| **Total** | **-12,698** | **12,698** |

### *Sensitivity analysis 2*

Three scenarios are considered reflecting the movements of the market interest rate curves and foreign currency exchange rates on the exposures contained in the Bank's portfolios. For each scenario, the negative impacts on each risk factor are always considered and the effects of correlation between these factors and tax impacts are disregarded.

- **Scenario (I):** Parallel shock of 10 basis points (increase or decrease) at all vertices of interest rate curves. For foreign currencies, a 10% shock (increase or decrease) on current exchange rates.

- **Scenario (II):** 20% parallel shock (increase or decrease) at all vertices of interest rate curves. For foreign currencies, a 20% shock (increase or decrease) on current exchange rates.

- **Scenario (III): 30%** Parallel shock (increase or decrease) at all vertices of interest rate curves. For foreign currencies, a 30% shock (increase or decrease) on current exchange rates.

It is important to highlight that scenarios (II) and (III) involve events related to strong stress situations.

(In thousands of reais)
**Trading portfolio**

| | Scenarios | | |
|---|---|---|---|
| **Interest rates** | **(I)** | **(II)** | **(III)** |
| Fixed Interest rate exposure | -34 | -55 | -83 |
| Exchange coupon exposure | -144 | -291 | -436 |
| Exposure of price index coupon | - | - | - |
| **Total** | **-178** | **-346** | **-518** |
| | | | |
| **Foreign exchange rates** | | | |
| Total foreign exchange exposure | **-812** | **-1,624** | **-2,436** |

**Trading + Banking Portfolio**

| | Scenarios | | |
|---|---|---|---|
| **Interest rates** | **(I)** | **(II)** | **(III)** |
| Fixed Interest rate exposure | -1,126 | -6,434 | -9,651 |
| Exchange coupon exposure | -144 | -291 | -436 |
| Exposure of price index coupon | - | - | - |
| **Total** | **-1,270** | **-6,725** | **-10,087** |
| | | | |
| **Foreign exchange rates** | | | |
| Total foreign exchange exposure | **-812** | **-1,624** | **-2,436** |

In the analysis performed, the Banking Portfolio's operations appreciated or devaluated due to changes in forward interest rates practiced in the market. Said fluctuations do not have a financial impact on the Bank's results, since the financial assets contained in this portfolio are not measured at fair value and, consequently, the impact of these fluctuations is considered only in the organization's equity.

In the case of the Trading Portfolio, the exposures represent impacts on the Bank's income due to the mark-to-market of assets or due to their realization or settlement.

# 9 Loans

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

| | 06/30/2020 | | | | | 12/31/2019 |
|---|---|---|---|---|---|---|
| | Overdue | Falling due | | | | |
| **Private sector** | **>15 days** | **Up to 3 months** | **3–12 months** | **1–3 years** | **Total** | **Total** |
| **Bank Credit Bill (CCB)** | **-** | **77,439** | **49,292** | **60,000** | **186,731** | **140,263** |
| Industry | - | 27,416 | 19,138 | - | 46,554 | 45,229 |
| Commerce | - | - | - | - | - | 4,821 |
| Other services - Legal entities | - | 50,023 | 30,154 | 60,000 | 140,177 | 90,213 |
| **Export credit note (NCE)** | **-** | **6,850** | **816,836** | **816,240** | **1,639,926** | **1,623,753** |
| Industry | - | 6,850 | 816,836 | 816,240 | 1,639,926 | 1,623,753 |
| **CCL Export with ACC** | **75,525** | **176,816** | **295,852** | **-** | **548,193** | **415,715** |
| Industry | 75,525 | 176,816 | 169,322 | - | 421,663 | 415,715 |
| Other services - Legal entities | - | - | 126,530 | - | 126,530 | - |
| **Income receivable from ACC** | **2,405** | **2,055** | **3,533** | **-** | **7,993** | **2,758** |
| Industry | 2,405 | 2,055 | 2,598 | - | 7,058 | 2,758 |
| Other services - Legal entities | - | - | 935 | - | 935 | - |
| **CCL Export with ACE** | **-** | **113,899** | **-** | **-** | **113,899** | **81,200** |
| Industry | - | 113,899 | - | - | 113,899 | 81,200 |
| **Income receivable from ACE** | **-** | **2,560** | **-** | **-** | **2,560** | **411** |
| Industry | - | 2,560 | - | - | 2,560 | 411 |
| **FX, CCL, Export with ACC/ACE (i)** | **23,854** | **84,491** | **42,048** | **-** | **150,393** | **3,683** |
| Industry | 23,854 | 84,491 | 31,693 | - | 140,038 | 3,683 |
| Other services - Legal entities | - | - | 10,355 | - | 10,355 | - |
| **Total** | **77,930** | **464,110** | **1,207,561** | **876,240** | **2,649,695** | **2,267,783** |

(i) In accordance with the BACEN instructions, the Bank calculates the provision for losses associated with credit portfolio based on the balance of Purchased Foreign Exchange to be Settled (CCL) for the Advance on Export Contract (ACC) and Advance on Exchange Contract (ACE) operations added to their income, translated into Reais on a monthly basis at the PTAX rate provided by BACEN for balance sheet purposes.

As of June 30, 2020, and 2019, the Bank had no credit assignment operations with material transfer or retention of risks and rewards, pursuant to CMN Resolution n°. 3533.

## b. Concentration of loans

| | 06/30/2020 | | 12/31/2019 |
|---|---|---|---|
| Major debtor | 1,639,926 | **(i)** | 1,623,753 |
| Percentage of total loan portfolio | 61.9% | | 71.6% |

| | | |
|---|---|---|
| 20 greatest debtors | 2,649,695 | 2,267,783 |
| Percentage of total loan portfolio | 100.0% | 100.0% |

(i) See Note 24a.

## c. Provision for expected losses associated with credit risk

| Risk level | Minimum % of provisioning required | Total portfolio | | Provision for expected losses associated with credit risk | | | |
|---|---|---|---|---|---|---|---|
| | | | | 06/30/2020 (i) | | | |
| | | **06/30/2020** | **12/31/2019** | **Minimum** | **Additional** | **Existing** | **12/31/2019** |
| AA | 0.0% | 2,471,397 | 2,129,059 | - | - | - | - |
| A | 0.5% | 16,048 | 15,525 | (80) | - | (80) | (78) |
| G | 70.0% | 162,250 | 123,199 | (113,575) | (24,338) | (137,913) | (86,239) |
| **Total** | | **2,649,695** | **2,267,783** | **(113,655)** | **(24,338)** | **(137,993)** | **(86.317)** |

(i) Minimum provision required and additional to the percentages established by CMN Resolution n°. 2682.

## d. Changes in the provision for expected losses associated with credit risk

| | **2020** | **2019** |
|---|---|---|
| **Balances at the beginning of semesters** | **(86,317)** | **(83,434)** |
| Formation of provision | (51,676) | (4) |
| Reversal of provision | - | 1,209 |
| **Balances at the end of semesters** | **(137,993)** | **(82,229)** |

## e. Credit renegotiated, recovered or written off to loss

The amount of credits renegotiated as of June 30, 2020 represents R$ 272,173 (06/30/2019 - R$ 79,754).

During semesters ended June 30, 2020 and 2019 there were no recoveries or loans written off to loss.

## f. Income from loans

| | **06/30/2020** | **06/30/2019** |
|---|---|---|
| Income from export financing | 475,287 | 20,936 |
| Income from loans | 3,507 | 7,341 |
| **Total** | **478,794** | **28.277** |

# 10 Foreign exchange transactions

| | 06/30/2020 | 12/31/2019 |
|---|---|---|
| | **Total** | **Total** |
| Purchased foreign exchange to be settled | 1,524,495 | 663,028 |
| Receivables from foreign exchange sales | 417,378 | 327,304 |
| Earnings receivable from granted advances | 10,553 | 3,169 |
| **Total** | **1,952,426** | **993,501** |
| Current assets | 1,952,426 | 993,501 |
| Non-current assets | - | - |

| | **Total** | **Total** |
|---|---|---|
| Sold foreign exchange to be settled | 417,016 | 327,091 |
| Rights on foreign exchange sales | 1,373,424 | 661,032 |
| Advances on exchange contracts | (662,092) | (496,915) |
| **Total** | **1,128,348** | **491,208** |
| Current liabilities | 1,128,348 | 491,208 |
| Non-current liabilities | - | - |

The Bank believes that this form of presentation provides relevant and reliable information to the user, due to the characteristics of the operation, whose maturities occur mainly in periods of less than 360 days.

# 11 Other assets

## a. Breakdown of other financial assets

| | 06/30/2020 | 12/31/2019 |
|---|---|---|
| Debtors due to judicial deposits | 38,914 | 38,364 |
| Securities clearing accounts | 9,277 | 2,613 |
| Other | 2 | 4 |
| **Total** | **48,193** | **40,981** |
| Current assets | 9,279 | 2,617 |
| Non-current assets | 38,914 | 38,364 |

## b. Breakdown of other assets

| | 06/30/2020 | 12/31/2019 |
|---|---|---|
| Taxes and contributions recoverable | 11,475 | 13,734 |
| Receivables from associated companies | 1,997 | 2,634 |
| Other assets | 1,368 | 1,337 |
| Advanced and prepaid salaries | 885 | 995 |
| Other | 6 | 662 |
| **Total** | **15,731** | **19,362** |
| Current assets | 15,222 | 18,853 |
| Non-current assets | 509 | 509 |

# 12 Deposits

| | 06/30/2020 | | | | | 12/31/2019 |
|---|---|---|---|---|---|---|
| | **Without maturity** | **Up to 3 months** | **3–12 months** | **1–3 years** | **Total** | **Total** |
| Demand deposits | 98 | - | - | - | 98 | 108 |
| Time deposits | - | 67,435 | 37,828 | 4,887 | 110,150 | 1,050,891 |
| **Total** | **98** | **67,435** | **37,828** | **4,887** | **110,248** | **1,050,999** |

As of June 30, 2020, the average time deposit funding percentage is 115.2% of the Interbank Deposit - DI (12/31/2019 - 102.5% of DI).

# 13 Money market borrowings

As of June 30, 2020, they are represented by obligations in repurchase and resale agreements in the amount of R$ 824,942 (12/31/2019 - R$ 424,583), maturing up to November 2020 at rates ranging from 2.08% to 4.31% per annum, corresponding to obligations related to the commitment to return the notes received as collateral in repurchase and resale agreements with free trading agreements.

# 14 Borrowings

Foreign currency trade finance borrowings in the amount of R$ 1,624,665 (12/31/2019 - R$ 569,415) are basically represented by export financing operations maturing up to May 2021. Transactions are corrected at the Dollar exchange variation plus interest ranging from 0.28% to 0.33% per annum.

# 15 Foreign onlendings

The foreign onlendings in the amount of R$ 1,639,926 (12/31/2019 - R$ 1,623,753) are represented by external funding pursuant to CMN Resolution n°. 2921, maturing up to March 2022. Transactions are corrected at the Dollar exchange variation plus interest ranging from 1.02% to 3.45% per annum.

# 16 Other liabilities

## a. Breakdown of other financial liabilities

| | **06/30/2020** | **12/31/2019** |
|---|---|---|
| Interbranch accounts | 15,337 | 9,614 |
| Securities clearing accounts | 6,246 | 82,461 |
| **Total** | **21,583** | **92,075** |
| Current liabilities | 21,583 | 583,283 |
| Non-current liabilities | - | - |

### b. Breakdown of other liabilities

| | 06/30/2020 | 12/31/2019 |
|---|---|---|
| Taxes and contributions on income payable | 88,519 | 35,225 |
| Provision for personnel expenses | 29,019 | 14,890 |
| Taxes and contributions payable | 9,783 | 12,949 |
| Other | 868 | 3,810 |
| **Total** | **128,189** | **66,874** |
| Current liabilities | 122,810 | 65,988 |
| Non-current liabilities | 5,379 | 886 |

## 17 Legal, tax and social security contingencies and liabilities

### a. Contingent assets

The Bank does not have any contingent assets recognized in its balance sheet, nor does it have, at this moment, any legal proceedings that generate expectation of future gains.

### b. Contingent liabilities

The Bank is a party to lawsuits and administrative proceedings arising from the normal course of its activities, involving matters of labor, tax and social security nature. The evaluation for forming provisions is made under criteria described in Note 3n.

The Bank keeps provisions for those contingent liabilities that are classified as probable losses, at amounts regarded as sufficient to cover possible losses. The provisioned amounts are recorded in the caption “Provisions for contingencies” in non-current liabilities.

Ongoing labor lawsuits classified as possible loss amount to R$ 27,206 (12/31/2019 - R$ 26,338). Most labor lawsuits refer to actions filed by former employees and outsourced personnel to obtain indemnities, mostly regarding overtime payment and other labor rights.

There are proceedings in progress of a tax nature classified as possible losses in the amount of R$ 13,447 (12/31/2019 - R$ 13,196), and the most significant ones arise from taxes that the Bank has been discussing in court, the main of which related to a request for compensation of withholding income tax levied on financial investments, in the amount of R$ 5,327 (12/31/2019 - R$ 5,294), and to a nullification request of a notice of tax assessment in the amount of R$ 5,854 (12/31/2019 - R$ 5,635), related to service taxes (ISS) claimed by the Municipality of São Paulo, levied on services rendered by the Bank. Those proceedings rely on sufficient deposits in court to cover the tax risk.

### c. Legal obligations

Provision for contingency regarding the main proceeding in the amount of R$18,962 (12/31/2019 - R$18,812), including its deposit in court in amount equivalent to the provision, refers to a legal defense with respect to the liability of the Contribution for Social Integration Program - PIS, under the Constitutional Amendment n. 17/97 and Supplementary Law n. 7/70 with regard to their legality or constitutionality.

### d. Changes in balances

| | Labor | Tax contingencies | Legal obligations | Total |
|---|---|---|---|---|
| **Balance at 12/31/2019** | **494** | **2,850** | **23,837** | **27,181** |
| Formation | - | - | 141 | 141 |
| Restatement | 17 | 24 | 197 | 238 |
| **Balance at 06/30/2020** | **511** | **2,874** | **24,175** | **27,560** |
| **Judicial deposits (i)** | | | | |
| **Balance at 06/30/2020** | **53** | **13,867** | **24,994** | **38,914** |
| **Balance at 12/31/2019** | **51** | **13,666** | **24,647** | **38,364** |

(i) See note 11a.

## 18 Equity

The fully paid-up capital is represented by 4,204,886,326 (12/31/2019 - 4,204,886,326) nominative common shares with no par value. Management decides on the allocation of adjusted net income each period, pursuant to article 202 of Law n°. 6.404/76.

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 and current year income, which, as determined by the Annual General Meeting, was transferred to subsequent years.

# 19 Income and social contribution taxes

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

| | 06/30/2020 | | 06/30/2019 | |
|---|---|---|---|---|
| | **Income tax** | **Social contribution** | **Income tax** | **Social contribution** |
| Income (loss) before taxes and profit sharing | 82,136 | 82,136 | 38,757 | 38,757 |
| Temporary additions (exclusions) | 120,321 | 120,321 | 33,030 | 33,030 |
| Fair value adjustment - Securities and derivatives | 55,532 | 55,532 | 23,124 | 23,124 |
| Provision for expected losses associated with credit risk | 52,368 | 52,368 | (1,540) | (1,540) |
| Other | 12,421 | 12,421 | 11,446 | 11,446 |
| Permanent additions (exclusions) | 278 | 279 | 81 | 83 |
| **Taxable base** | **202.735** | **202.736** | **71.868** | **71.870** |
| Rates | 25% | 20% | 25% | 15% |
| **Total IRPJ and CSLL - current values before tax incentives** | **(50,672)** | **(37,966)** | **(17,955)** | **(10,780)** |
| Tax incentives | 118 | - | 108 | - |
| **Total income and social contribution taxes – current values** | **(50,554)** | **(37,966)** | **(17,847)** | **(10,780)** |
| Tax credit | 18,053 | 14,672 | 2,675 | 1,605 |
| Deferred tax liabilities | 12,027 | 9,622 | 5,582 | 3,349 |
| **Total** | **(20,474)** | **(13,672)** | **(9,590)** | **(5,826)** |

## b. Changes in deferred income tax and social contribution by type and origin

| Tax credits | **Balance at 12/31/2019** | **Formation** | **Realization / Reversal** | **Balance at 06/30/2020** |
|---|---|---|---|---|
| Included in profit or loss | 56,606 | 35,294 | (2,569) | 89,331 |
| Provision for expected losses associated with credit risk | 38,645 | 25,696 | (1,932) | 62,409 |
| Provision for tax and labor risks | 12,220 | 165 | - | 12,385 |
| Non-deductible provisions | 5,442 | 6,049 | (338) | 11,153 |
| Other | 299 | 3,384 | (299) | 3,384 |
| **Total** | **56,606** | **35,294** | **(2,569)** | **89,331** |

| Deferred tax liabilities | **Balance at 12/31/2019** | **Formation** | **Realization / Reversal** | **Balance at 06/30/2020** |
|---|---|---|---|---|
| Included in profit or loss | (30,980) | (348) | 21,997 | (9,331) |
| Adjustment of derivatives to fair value | (21,888) | - | 21,888 | - |
| Inflation adjustment of judicial deposits | (8,941) | (183) | - | (9,124) |

| | | | | |
|---|---|---|---|---|
| Adjustment of securities to fair value classified as trading | (151) | (165) | 109 | (207) |
| Mark-to-market adjustment of repurchase and resale agreements | - | - | - | - |
| Included in equity | (5,436) | (4,253) | 142 | (9,547) |
| Adjustment to fair value of securities classified as available for sale | (5,436) | (4,253) | 142 | (9,547) |
| **Total** | **(36,416)** | **(4,601)** | **22,139** | **(18,878)** |

## c. Estimated realization of tax credits on temporary differences

| Realization term | Temporary differences | Tax loss and negative basis | Total |
|---|---|---|---|
| Year 1 | 10.882 | - | 10.882 |
| Year 2 | 4.474 | - | 4.474 |
| Year 3 | 4.403 | - | 4.403 |
| Year 4 | 6.826 | - | 6.826 |
| Year 5 | 13.116 | - | 13.116 |
| Year 6–10 | 49.630 | - | 49.630 |
| **Total** | **89.331** | **-** | **89.331** |
| **Present value (*)** | **71.660** | **-** | **71.660** |

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

As of the balance sheet date, there were no tax credits without activation.

# 20 Related parties

Operations between related parties are disclosed in conformity with CMN (National Monetary Council) Resolution nº n°.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 presented by:

| | | Assets / (Liabilities) | | Revenues/ (expenses) | |
|---|---|---|---|---|---|
| | | 06/30/2020 | 12/31/2019 | 01/01–06/30/2020 | 01/01–06/30/2019 |
| **Cash and cash equivalents** | | **2,248** | **161** | **227** | **3,021** |
| BNS | (1) | 2,248 | 161 | 227 | 3,021 |
| **Foreign exchange portfolio - asset position** | | **12,249** | **9,596** | **3,115** | **(668)** |
| BNS | (1) | 12,249 | 9,596 | 3,115 | (668) |
| **Amounts receivable (payable) from related companies / service revenues (expenses)** | | **1,997** | **1,948** | **7,615** | **5,782** |
| BNS | (1) | 1,268 | 983 | 7,639 | 5,207 |
| Scotiabank & Trust (Cayman) | (2) | 11 | 11 | 76 | 784 |
| Scotiabank Inverlat (Mexico) | (2) | 144 | 350 | (100) | (203) |
| Scotiabank Colpatria (Colombia) | (2) | 574 | 604 | - | (1) |
| Scotiabank Peru | (2) | - | - | - | (5) |
| **Borrowings** | | **(1,624,665)** | **(569,415)** | **(217,311)** | **1,723** |
| BNS | (1) | (1,624,665) | (569,415) | (217,311) | 1,723 |
| **Onlendings** | | **(1,639,926)** | **(1,623,753)** | **(475,287)** | **(21,162)** |
| BNS | (1) | (1,639,926) | (1,623,753) | (475,287) | (21,162) |
| **Foreign exchange portfolio - Liability position** | | **(12,233)** | **(9,564)** | **(2,974)** | **651** |
| BNS | (1) | (12,233) | (9,564) | (2,974) | 651 |
| **Other operating revenues (expenses)** | | **-** | **-** | **95** | **-** |
| Scotiabank Colpatria (Colombia) | (2) | - | - | 36 | - |
| Scotiabank Inverlat (Mexico) | (2) | - | - | 59 | |

(1) Bank shareholder. See note 1.
(2) BNS subsidiaries.

## b. Management compensation

For the purpose of disclosing management compensation, only Statutory Officers were considered. Expenses with Directors' fees the semester ended June 30, 2020 total R$6,080 (R$ 6,017 in 2019), comprised by R$ 4,282 (R$ 4,186 in 2019), which represent salaries and payroll charges, profit sharing, and bonus and charges on bonus, denominated short-term benefits, and R$ 1,798 (R$ 1,831 in 2019) that represents share-based remuneration and charges. There are no post-employment benefits, other long-term benefits or employment contract termination benefits.

# 21 Share-based payment

Share-based payment plans are evaluated based on The Bank of Nova Scotia (BNS) common share price traded on the Toronto Stock Exchange (TSX) in Canada. BNS share price fluctuations change the unit value, situation which affects the Bank's share-based payment expenses. One portion that calculates the fair price of shares also varies according to the Bank's performance. These plans are settled in cash and their expenses are recorded in the statement of income against a provision in liabilities. Eligible employees are paid based on this variable compensation according to one of the following plans: RSU, PSU or DPP.

## a. Restricted Share Unit Plan (RSU - Restricted Share Unit Plan 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, 2020, the amount of liabilities provided for this plan is R$2,718 (12/31/2019 - R$1,896) and the total number of shares is 22,915 units measured at weighted fair value of R$ 0.2191 per share. Total expenses recorded in this plan for the period are R$ 822 (2019 - R$ 934).

## b. *Performance Share Unit Plan (PSU)*

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 equity and total return to shareholder) measured over a three-year period, on which a multiplying factor is applied. As of June 30, 2020, the amount of liabilities provided for this plan is R$ 3,621 (12/31/2019 - R$2,395) and the total number of shares is 29,114 units measured at weighted fair value of R$ 0.2191 per share. Total expenses recorded in this plan for the period are R$ 1,226 (2019 - R$ 1,099).

## c. DPP - *Deferred Performance Plan*

Within the scope of the DPP plan, the bonus portion received by employees eligible for this plan is allocated as units. The values of these units are defined based on the BNS shares' market price variation. They will be paid to employees in each of the three following years. As of June 30, 2020, the amount of liabilities provided for this plan is R$ 492 (12/31/2019 - R$ 492) and the total number of shares is 2,394 units measured at weighted average fair value of R$0.2056 per share, determined based on the original share prices when granted. Total expenses recorded in this plan for the period are R$ 0 (2019 - R$ 0).

# 22 Post-employment benefits

For the defined contribution post-employment plan, the Bank offers to its employees the benefit of supplementary private pension through monthly payments. After the employee's termination these payments are ceased. Total personnel expenses on this plan for the semester ended June 30, 2020 are R$ 450 (2019 - R$460).

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

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

# 23 Basel Ratio and Operational Limits

The Bank adopts the determination of Basel limits based on the BACEN guidelines. As of June 30, 2020, the Bank's Basel capital ratio was 19.49% (12/31/2019 - 27.20%), the notional capital (Tier 1 capital + Tier 2 capital) was R$ 1,147,494 (12/31/2019 - R$ 1,094,897) and the minimum notional capital requirement for risk weighted assets (RWA) was R$ 470,913 (12/31/2019 - R$ 322,065). The regulatory agency also requires other operating limits such as the immobilization index. The Bank falls within all limits at the end of the aforementioned periods.

# 24 Other information

## a. Related credit transactions

As of June 30, 2020, the Bank had restricted receivables within the scope of the CMN Resolution n°. 2921, with one only debtor, stated in the following table:

| | **Assets / (Liabilities)** | | **Revenues / (expenses)** | |
|---|---|---|---|---|
| | **06/30/2020** | **12/31/2019** | **01/01–06/30/2020** | **01/01–06/30/2019** |
| **Loans** | | | | |
| NCE (Note 9a) | 1.639.926 | 1.623.753 | 475.287 | 20.981 |
| **Onlendings** | | | | |
| Foreign onlendings (Note 16) | (1.639.926) | (1.623.753) | (475.287) | (21.162) |
| **Net income (loss)** | | | **-** | **(181)** |

The remuneration of restricted asset transactions is sufficient to cover the funding operation costs.

There are no defaulted restricted receivables or restricted receivables under judicial questioning.

These operations should not be considered in the determination of the exposure limits by client, which are established in the CMN Resolution n°. 4677.

## b. Other operating revenues/expenses

As of June 30, 2020, they are substantially related to: (i) “Other operating revenues”, income from restatement of judicial deposits and taxes, debentures premium, and reversal of operating provisions; (ii) “Other operating expenses”, the restatement of taxes and contributions on profits, and liability provision for tax contingencies.

## c. Measurement of the effects arising from Covid-19 and impacts on the financial statements

Since the beginning of the pandemic, our activities are in full operational capacity and our actions followed the guidelines of the Ministry of Health. The financial statements were not impacted by the effects arising from Covid-19 and several measures were taken by Management to protect and support its employees, keeping most of them in the remote work regime. The Bank continues its conservative policy regarding liquidity management and risk parameters appropriate to the institution's activities.

## 25 Subsequent events

There were no subsequent events for that require adjustments or disclosures for financial statements ended June 30, 2020.

Alexandre Hideo Yoda
Statutory Director
(CFO)

Paulo Rogerio Batista Nunes
Accountant
CRC 1SP151.043/O-7

*   *   *