SCOTIABANK BRASIL S.A.
BANCO MÚLTIPLO

Financial statements as of
December 31, 2020

(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)

Contents

Management Report

PRESENTATION

We present the financial statements of Scotiabank Brasil for the years ended December 31, 2020 and 2019, 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 YEAR

Scotiabank Brasil ended the year of 2020 with a net income of R$ 84,116 (2019 – R$ 94,592), which represents an annualized return on equity of 7.48% (2019 – 9.15%). The Basel capital ratio was 19.06% (2019 – 27.20%) and the minimum notional capital requirement for risk weighted assets (RWA) was R$ 482,536 (2019 – R$ 322,065).

The Bank distributed dividends in the amount of R$ 500 (2019 – R$ 3,000) and interest on own capital in the amount of R$ 24,395 (2019 – R$ 51,850), already deducted from the applicable taxes.

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.

SOCIAL RESPONSIBILITY

The Bank's policy is to hold cultural sponsorships, having allocated the amount of R$ 1,210 this year.

OTHER INFORMATION

In accordance with the provisions of Article 8 of Bacen Circular 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

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.

The committee´s evaluations are based on information received from management, from the 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 work, 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, approval of its strategic and tactical plans, 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 of the 2nd semester of 2020 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 2.554 and 3.198, and that the control system of Scotiabank Brasil S.A. is adequate to the complexity and risks of its businesses.

São Paulo, February 24, 2021.

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 December 31, 2020, and the statements of income, comprehensive income, changes in equity and cash flows for the semester and year 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 December 31, 2020, and of its financial performance and its cash flows for the semester and year then ended in accordance with accounting practices adopted in Brazil applicable to 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.

Those responsible for the governance of the Institution are those responsible for the supervision of the process of preparation of the financial statements.

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, March 4, 2021

KPMG Auditores Independentes

CRC 2SP014428/O-6

Original report in Portuguese signed by

Mark Suda Yamashita

Accountant CRC SP - 271754/O-9

Scotiabank Brasil S.A. Banco Múltiplo
Balance sheets as of
December 31, 2020 and 2019
(In thousands of reais)

Assets	**Note**	**2020**	**2019**
Cash and cash equivalents	4	**14,063**	**11,911**
Financial assets		**11,517,950**	**6,405,985**
Interbank investments	5	6,748,959	2,701,372
Securities	3d, 6	574,845	765,904
Derivative financial instruments	3e, 7	182,046	140,211
Loans	3f, 9a	1,625,844	1,764,016
Foreign exchange operations	3h, 10	2,344,951	993,501
Other financial assets	11a	41,305	40,981
Provisions for expected losses associated with credit risk	3g	**(156,980)**	**(86,317)**
Securities	6c	(444)	-
Loans	9c/d	(831)	(78)
Other receivables from credit operations	9c/d	(155,705)	(86,239)
Tax credits	3m, 19b/c	**102,073**	**56,606**
Investments	3i	**6**	**6**
Property, plant and equipment for use	3i	**6,901**	**4,917**
Property for use		900	-
Other property for use		18,224	16,001
Accumulated depreciation		(12,223)	(11,084)
Intangible assets	3i	**2,532**	**1,095**
Intangible assets		3,418	1,746
Accumulated amortization		(886)	(651)
Other assets	3b, 11b	**28,682**	**19,362**
Total assets		**11,515,227**	**6,413,565**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Balance sheets as of
December 31, 2020 and 2019
(In thousands of reais)

Liabilities	Note	2020	2019
Financial liabilities		**10,141,162**	**5,187,103**
Deposits	3k, 12	166,821	1,050,999
Funding from money market	3k, 13	937,305	424,583
Borrowings	3k, 14	2,139,081	569,415
Foreign on-lending	3k, 15, 24a	1,306,314	1,623,753
Derivative financial instruments	3e, 7	3,706,876	935,070
Foreign exchange operations	3 h, 10	1,798,495	491,208
Other financial liabilities	16a	86,270	92,075
Deferred tax obligations	19b	**15,639**	**36,416**
Provisions for contingencies	17d	**28,528**	**27,181**
Other liabilities	3l, 16b	**177,981**	**66,874**
Equity		**1,151,917**	**1,095,991**
Capital	18	796,879	796,879
Profit reserves	18	347,384	292,468
Other comprehensive income	3d	7,654	6,644
Total liabilities		**11,515,227**	**6,413,565**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Statement of income
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Note	2020 2nd Semester	2020 Year	2019 Year
Financial intermediation revenues		**69,420**	**979,794**	**410,980**
Loans	9f	(57,725)	421,069	103,978
Securities		94,156	228,342	228,483
Derivative financial instruments	7e	(37,587)	(47,867)	76,041
Foreign exchange operations		70,576	378,250	2,478
Financial intermediation expenses		**41,150**	**(690,242)**	**(211,644)**
Funding operations		(15,386)	(54,181)	(49,584)
Borrowing and on-lending		56,536	(636,061)	(162,060)
Income (loss) from financial intermediation		**110,570**	**289,552**	**199,336**
Income (loss) from provision for expected losses associated with credit risk		**(18,293)**	**(70,663)**	**(2,548)**
Securities		250	(444)	335
Loans	9d	(751)	(753)	6
Other receivables from credit operations	9d	(17,792)	(69,466)	(2,889)
Gross income on financial operations		**92,277**	**218,889**	**196,788**
Other operating revenues (expenses)		**(45,804)**	**(89,904)**	**(79,936)**
Service revenues		10,882	19,064	13,867
Personnel expenses		(35,570)	(67,919)	(60,945)
Other administrative expenses		(14,468)	(25,574)	(22,633)
Tax expenses		(7,050)	(18,796)	(12,090)
Other operating revenues	24b	1,038	4,235	2,751
Other operating expenses	24b	(636)	(914)	(886)
Reversals/(expenses) of provisions for contingencies		**(966)**	**(1,339)**	**(929)**
Labor		(779)	(800)	(36)
Tax		(185)	(537)	(893)
Financial guarantees provided		(2)	(2)	-
Operating income		**45,507**	**127,646**	**115,923**
Non-operating loss		**-**	**(5)**	**(9)**
Income before taxes on income and profit sharing		**45,507**	**127,641**	**115,914**
Income and social contribution taxes	19a	**(7,201)**	**(41,345)**	**(19,294)**
Provision for income tax		(11,046)	(49,572)	(15,561)
Provision for social contribution tax		(8,897)	(37,240)	(12,513)
Deferred tax assets		12,742	45,467	8,780
Profit sharing		**(2,180)**	**(2,180)**	**(2,028)**
Net income for the semester/year		**36,126**	**84,116**	**94,592**
Net income per lot of a thousand shares - R$		**8.59**	**20.00**	**22.50**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Statement of comprehensive income
December 31, 2020 and 2019
(In thousands of reais)

	Note	2020		2019
		2nd Semester	**Year**	**Year**
Net income for the semester/year		**36,126**	**84,116**	**94,592**
Items that can be reclassified to income (loss)				
Changes in the market value of financial assets available for sale		**(4,015)**	**1,010**	**(1,890)**
Securities		(7,300)	1,836	(2,143)
Tax impact	19b	3,285	(826)	253
Comprehensive income		**32,111**	**85,126**	**92,702**

The notes are an integral part of these financial statements.

(In thousands of reais)

	Note	Capital	Profit reserves		Equity valuation adjustments	Retained earnings	Total
			Legal	Statutory			
Balance as of December 31, 2018		**796,879**	**22,007**	**239,869**	**8,534**	**-**	**1,067,289**
Equity valuation adjustments		-	-	-	(1,890)	-	(1,890)
Net income for the year		-	-	-	-	94,592	94,592
Formation of legal reserve		-	4,730	-	-	(4,730)	-
Formation of statutory reserves		-	-	89,862	-	(89,862)	-
Payment of interest on own capital		-	-	(61,000)	-	-	(61,000)
Payment of dividends		-	-	(3,000)	-	-	(3,000)
Balance as of December 31, 2019		**796,879**	**26,737**	**265,731**	**6,644**	**-**	**1,095,991**
Equity valuation adjustments		-	-	-	1,010	-	1,010
Net income for the year		-	-	-	-	84,116	84,116
Formation of legal reserve	18a	-	4,205	-	-	(4,205)	-
Formation of statutory reserves		-	-	79,911	-	(79,911)	-
Payment of interest on own capital	18b	-	-	(28,700)	-	-	(28,700)
Payment of dividends	18b	-	-	(500)	-	-	(500)
Balance as of December 31, 2020		**796,879**	**30,942**	**316,442**	**7,654**	**-**	**1,151,917**
Balance as of June 30, 2020		**796,879**	**29,136**	**265,731**	**11,669**	**45,591**	**1,149,006**
Equity valuation adjustments		-	-	-	(4,015)	-	(4,015)
Net income for the semester		-	-	-	-	36,126	36,126
Formation of legal reserve		-	1,806	-	-	(1,806)	-
Formation of statutory reserves		-	-	79,911	-	(79,911)	-
Payment of interest on own capital		-	-	(28,700)	-	-	(28,700)
Payment of dividends		-	-	(500)	-	-	(500)
Balance as of December 31, 2020		**796,879**	**30,942**	**316,442**	**7,654**	**-**	**1,151,917**

The notes are an integral part of these financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Statement of cash flows
Years ended December 31, 2020 and 2019 and
Semester ended December 31, 2020
(In thousands of reais)

	Note	2020 2nd Semester	2020 Year	2019 Year
Operating activities				
Adjusted net income		**43,444**	**90,596**	**83,275**
Net income for the semester/year		**36,126**	**84,116**	**94,592**
Adjustments to net income		**7,318**	**6,480**	**(11,317)**
Expense/(reversal) of provision for expected losses associated with credit risk		18,294	70,663	2,548
Depreciation and amortization		752	1,540	1,155
Loss from write-off of fixed and intangible assets		-	-	2
Deferred taxes	19a, 19b	(12,696)	(67,070)	(15,931)
Expense on provision for contingent liabilities and legal obligations	17d	968	1,347	909
Changes in assets and liabilities		**(493,015)**	**2,223,716**	**(1,130,256)**
Decrease/(increase) in interbank investments		126,986	(1,769,588)	(1,384,346)
Decrease in securities		347,732	192,895	154,898
(Increase)/decrease in derivative financial instruments		(1,904,324)	2,729,971	114,177
Decrease/(increase) in loans		200,813	138,172	(429,339)
Decrease/(increase) in foreign exchange operations	10	277,622	(44,163)	84,277
Decrease/(increase) in other financial assets	11a	6,888	(324)	2,000
(Increase)/decrease in other assets	11b	(12,951)	(9,320)	7,853
Increase/ (decrease) in deposits	12	56,573	(884,178)	737,073
Increase in money market funding	13	112,363	512,722	362,510
(Decrease) in acceptances and endorsements		-	-	(927)
Increase/(decrease) in borrowing and on-lending	14.15	180,804	1,252,227	(816,776)
Increase/(decrease) in other financial liabilities	16a	64,687	(5,805)	59,571
Increase/(decrease) in other liabilities	16b	49,792	111,107	(21,227)
Net cash (invested in)/from operating activities		**(449,571)**	**2,314,312**	**(1,046,981)**
Investing activities				
Acquisition of property, plant and equipment for use		(2,914)	(3,289)	(1,163)
Investments in intangible assets		(1,136)	(1,672)	(338)
Net cash (invested) in investing activities		**(4,050)**	**(4,961)**	**(1,501)**
Financing activities				
Payment of interest on own capital		(28,700)	(28,700)	(61,000)
Payment of dividends		(500)	(500)	(3,000)
Net cash (invested in) financing activities		**(29,200)**	**(29,200)**	**(64,000)**
(Decrease)/increase in cash and cash equivalents		**(482,821)**	**2,280,151**	**(1,112,482)**
Statement of change in cash and cash equivalents				
Cash and cash equivalents at the beginning of the semester/year		3,076,959	313,987	1,426,469
Cash and cash equivalents at the end of the semester/year	4	2,594,138	2,594,138	313,987
(Decrease)/increase in cash and cash equivalents		**(482,821)**	**2,280,151**	**(1,112,482)**

The notes are an integral part of these financial statements.

1. Operations

Scotiabank Brasil S.A. Banco Múltiplo ("Bank"), at Av. Brigadeiro Faria Lima, 2.277 – 7th floor, São Paulo - Brazil, 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 the financial statements

The financial statements have been prepared in accordance with accounting policies established by corporate legislation, the standards and instructions set forth by 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 February 25, 2021.

The financial statements include estimates and assumptions, such as measurement of provisions for expected losses associated with credit risk, estimates of the market 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 using the indirect method.

Changes in presentation of financial statements

Based on CMN Resolution 4.818 and BCB Resolution 2 that revoked, respectively, CMN Resolution 4.720 and BACEN Circular 3.959, the Bank made changes to the presentation of the financial statements for the semester and year ended December 31, 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 explanatory 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 line at: "Reversals/(expenses) from provisions for contingencies";

- Recurring and non-recurring income segregated.

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 foreign exchange variations 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

These are represented in local currency, foreign currency and interbank investments and repurchase and resale agreements - own resources and investments in interbank deposits, whose maturity on the date of the effective investment is equal to or shorter than 90 days and present insignificant risk of market value change.

d) Securities

They are recorded at the cost of acquisition and presented in the Balance Sheet in accordance with the BACEN Circular 3.068, 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 market value against the statement of income for the period and year; "Available-for-sale securities", which do not fall within the trading nor the held-to-maturity categories, are adjusted at market 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 and year.

In order to have the market 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 an investment fund, the updated cost reflects the market value of the corresponding quotas.

e) Derivative financial instruments

In accordance with the BACEN Circular 3.082, 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 (mainly derivatives used for managing the overall exposure to risk), are accounted for at market value, including realized and unrealized gains and losses, directly recognized in the statement of income.

An independent area of 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 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 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) Loan operations

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 profit or loss 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 CMN Resolution 2.682, 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 allowance and controlled in memorandum accounts.

h) Foreign exchange transactions

The rate used to translate financial assets and liabilities into foreign currency is that of the closing date. The exchange variation effects on foreign currency operations are distributed in the statement of income lines according to the nature of the respective asset accounts.

i) 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. In compliance with CMN

Resolution 4.535, new property, plant and equipment is recognized at cost. 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. In compliance with CMN Resolution 4534, new property, plant and equipment is recognized at cost. 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;

j) *Asset impairment*

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

Impairment losses were not identified on December 31, 2020 and 2019.

k) Deposits, money market repurchase commitments, borrowing and on-lending

Deposits and money market funding 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 income (loss) on the accrual basis for the term of the original operations.

l) 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.

m) 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 No. 103, as of March 1, 2020, the social contribution (CSLL) tax rate is 20% (it was previously 15%).

As of December 31, 2020, the Bank has deferred tax credits of unrecorded income and social contribution tax resulting from temporary differences.

Based on CMN Resolution 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).

n) PIS and COFINS

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

o) Contingent assets and liabilities and legal obligations (tax and social security)

The Bank follows the guidelines set forth in CMN Resolution 3.823, 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.

p) 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 year against a provision in Liabilities, as established by CMN Resolution 3.989, which approved the adoption of the Technical Pronouncement CPC 10 - Share-Based Payment (Note 21).

q) Post-employment benefits

Post-employment or long-term benefit plans are formal or informal agreements in which the Bank commits itself to provide post-employment benefits to one or more than one employee, in accordance with CMN Resolution 4.424, which approved Technical Pronouncement CPC 33 (R1) - Employee Benefits.

The defined contribution plans are post-employment benefits, in which the sponsoring Bank pays fixed contributions to a separate entity (fund), and there is no legal or constructive obligation to pay additional contributions if the fund does not have sufficient assets to honor all benefits in relation to its services in the current period and in previous periods. Contributions made to this effect are recognized as personnel expenses in the statement of income.

r) Non-recurring income (loss)

BCB Resolution 2, in its Article 34, provides for that financial institutions must evidence the presentation of recurring and non-recurring income (loss) in a segregated manner. The non-recurring income (loss) is the result that:

(In thousands of reais)

i. Is not related or is incidentally related to the typical activities of the institution; and
ii. Is not expected to occur frequently in future years.

The nature and financial effect of events considered non-recurring are presented in note 24d.

4. Cash and cash equivalents

	2020	2019
Cash and cash equivalents	**14,063**	**11,911**
Domestic currency	2,599	816
Foreign currency	11,464	11,095
Interbank investments	**2,580,075**	**302,076**
Money market instruments – Resales pending settlement - Own resources	2,580,075	292,004
Interbank deposit investments	-	10,072
Total	**2,594,138**	**313,987**

5. Interbank investments

	2020			2019
	01–03 months	03–06 months	Total	Total
Money market instruments	**6,045,917**	**703,042**	**6,748,959**	**2,510,045**
Own resources - LTN	5,109,296	703,042	5,812,338	2,085,880
Short position - LTN	936,621	-	936,621	424,165
Interbank deposit investments	**-**	**-**	**-**	**191,327**
Interbank deposits	-	-	-	191,327
Total	**6,045,917**	**703,042**	**6,748,959**	**2,701,372**

6. Securities

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

a) Trading securities

	2020				2019	
	06–12 months	>12 months	Market / book value	Update cost	Market / book value	Update cost
Own portfolio						
LTN	495	891	1,386	1,345	152,691	152,663
NTN	-	9,930	9,930	9,695	15,551	15,246
Total	**495**	**10,821**	**11,316**	**11,040**	**168,242**	**167,909**

b) Available-for-sale securities

	2020					2019	
	Without maturity	06–12 months	>12 months	Market / book value	Update cost	Market / book value	Update cost
Own portfolio							
LTN	-	-	47,967	47,967	47,247	-	-
Subtotal	**-**	**-**	**47,967**	**47,967**	**47,247**	**-**	**-**
Subject to guarantees[(i)]							
LTN	-	214,737	128,390	343,127	329,931	487,966	475,885
Investment Fund Quotas	33,799	-	-	33,799	33,799	32,477	32,477

(In thousands of reais)

Subtotal	**33,799**	**214,737**	**128,390**	**376,926**	**363,730**	**520,443**	**508,362**
Total	**33,799**	**214,737**	**176,357**	**424,893**	**410,977**	**520,443**	**508,362**

(i) Securities pledged as a guarantee margin for carrying out foreign exchange operations and operations with derivative financial instruments.

c) Securities held to maturity

	2020						2019	
	Up to 03 months	03–06 months	06–12 months	> 12 months	Update cost/book value	Market value	Update cost/book value	Market value
Own portfolio								
Debentures[i]	1,294	1,303	2,630	133,409	138,636	159,817	77,219	77,448
Total	**1,294**	**1,303**	**2,630**	**133,409**	**138,636**	**159,817**	**77,219**	**77,448**

(i) In the year 2020, a provision in the amount of R$ 444 (R$ - in 2019) was recorded due to the credit risk.

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 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.

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

a) Futures contracts

	2020		2019	
	Market value		Market value	
	Reference value	Adjustment receivable (payable)	Reference value	Adjustment receivable (payable)
Long position	**25,400,227**	**(69,314)**	**12,386,524**	**(81,652)**
DI	2,361,006	446	1,551,952	745
DDI	20,846,324	(71,209)	10,392,103	(81,068)
Dollar	2,192,897	1,449	442,469	(1,329)
Short position	**2,644,104**	**(1,534)**	**1,019,661**	**1,831**
DI	525,726	(7)	716,951	(24)
DDI	2,118,378	(1,527)	240,234	1,639
Dollar	-	-	62,476	216

On December 31, 2020, besides the daily adjustments of futures contracts, the amount of R$ 18 (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.

(In thousands of reais)

b) Swap and forward transactions

By index	2020 Reference value	2020 Cost value	2020 Market value	2019 Reference value	2019 Cost value	2019 Market value
Swap						
Asset position	**3,989,542**	**54,804**	**135,924**	**2,928,187**	**69,937**	**132,817**
CDI	3,989,542	54,804	135,924	2,928,187	69,937	132,817
Liability position	**11,831,877**	**(3,235,576)**	**(3,695,896)**	**6,649,780**	**(780,252)**	**(926,475)**
CDI	11,831,877	(3,235,576)	(3,695,896)	6,449,780	(768,407)	(917,105)
Fixed	-	-	-	200,000	(11,845)	(9,370)
Forward operations - NDF						
Asset position	**922,685**	**35,095**	**46,122**	**323,059**	**8,484**	**7,394**
Dollar	922,685	35,095	46,122	180,545	6,455	5,195
Fixed	-	-	-	142,514	2,029	2,199
Liability position	**451,577**	**(11,362)**	**(10,980)**	**310,365**	**(6,241)**	**(8,595)**
Dollar	451,577	(11,362)	(10,980)	257,290	(5,616)	(8,099)
Fixed	-	-		53,075	(625)	(496)
Total	**17,195,681**	**(3,157,039)**	**(3,524,830)**	**10,211,391**	**(708,072)**	**(794,859)**

c) Breakdown per maturity

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

	2020 Up to 03 months	2020 03–06 months	2020 06–12 months	2020 >12 months	2020 Total	2019 Total
Futures (i)	6,976,686	4,435,760	1,871,066	14,760,819	28,044,331	13,406,185
Swap (ii)	1,342,322	1,802,066	1,443,210	11,233,821	15,821,419	9,577,967
Term of currencies (ii)	623,502	596,462	131,901	22,397	1,374,262	633,424
Total	**8,942,510**	**6,834,288**	**3,446,177**	**26,017,037**	**45,240,012**	**23,617,576**

(i) Counterparty: B3 S.A. - Brasil, Bolsa, Balcão.

(ii) Counterparty: legal entity.

d) Segregation between current and non-current

The market value of financial instruments was segregated as follows:

	2020 Current	2020 Non-current	2020 Total	2019 Current	2019 Non-current	2019 Total
Assets						
Swap	43,158	92,766	135,924	36,813	96,004	132,817
Term of currencies	44,150	1,972	46,122	6,919	475	7,394
Total	**87,308**	**94,738**	**182,046**	**43,732**	**96,479**	**140,211**
Liabilities						
Swap	(811,596)	(2,884,300)	(3,695,896)	(259,758)	(666,717)	(926,475)
Term of currencies	(10,088)	(892)	(10,980)	(5,593)	(3,002)	(8,595)
Total	**(821,684)**	**(2,885,192)**	**(3,706,876)**	**(265,351)**	**(669,719)**	**(935,070)**

(In thousands of reais)

e) Results

The results involving derivative financial instruments for the years ended December 31, 2020 and 2019 and semester ended December 31, 2020 are as follows:

	2020		**2019**
	2nd Semester	**Year**	**Year**
Futures	(871,110)	3,940,009	301,038
Swap	853,969	(4,109,061)	(220,912)
Forward operations	(20,446)	121,185	(4,088)
Options	-	-	3
Total	**(37,587)**	**(47,867)**	**76,041**

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

8. Risk Management

Management of Operating Risk

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 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, backtesting, analysis of sensitivity of interest, 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 4.557), 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 CMN Resolution 4.193.

Credit risk management

Consistent with the rules established by BACEN (CMN Resolutions 2.682, 4.557, 4.677, 4.693, 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 and methodologies, and are reviewed at least once a year together with their ratings which, under CMN 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 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 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 4.557.

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 the 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.

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 as established by CMN Resolution 4.748/19.

(In thousands of reais)

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.

- **Market Risk**

Market risk is defined as the possibility of losses resulting from the fluctuation in the market value 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 4.557 and Circular 3.354, 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, on-lending 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 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 applied by the market.

Trading portfolio

	Scenarios	
	+100 bps	**-100 bps**
Interest rates		
Fixed Interest rate exposure	(193)	193
Exchange coupon exposure	(1,442)	1,442
Total	**(1,635)**	**1,635**

(In thousands of reais)

Trading + Banking Portfolio

	Scenarios	
	+100 bps	**-100 bps**
Interest rates		
Fixed Interest rate exposure	(6,945)	6,945
Exchange coupon exposure	(1,442)	1,442
Total	**(8,387)**	**8,387**

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) in 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) in current exchange rates.

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

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

Trading portfolio

		Scenarios	
Interest rates	**(I)**	**(II)**	**(III)**
Fixed Interest rate exposure	(19)	(51)	(76)
Exchange coupon exposure	(144)	(677)	(1,016)
Total	**(163)**	**(728)**	**(1,092)**
Foreign exchange rates			
Total foreign exchange exposure	**(2,174)**	**(4,349)**	**(6,523)**

Trading + Banking Portfolio

		Scenarios	
Interest rates	**(I)**	**(II)**	**(III)**
Fixed Interest rate exposure	(694)	(5,543)	(8,314)
Exchange coupon exposure	(144)	(677)	(1,016)
Total	**(838)**	**(6,220)**	**(9,330)**
Foreign exchange rates			
Total foreign exchange exposure	**(2,174)**	**(4,349)**	**(6,523)**

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 market value and, consequently, the impact of these fluctuations is considered only in the organization's equity.

(In thousands of reais)

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

						2020	2019
	Overdue	Falling due					
Private sector	>15 days	Up to 03 months	03–06 months	06–12 months	>12 months	Total	Total
Bank Credit Bill (CCB)	**-**	**-**	**30,026**	**127,782**	**161,722**	**319,530**	**140,263**
Industry	-	-	-	26,372	101,603	127,975	45,229
Commerce	-	-	-	-	-	-	4,821
Other services - Legal entities	-	-	30,026	101,410	60,119	191,555	90,213
Export credit note (NCE)	**-**	**263,665**	**260,165**	**521,822**	**260,662**	**1,306,314**	**1,623,753**
Industry	-	263,665	260,165	521,822	260,662	1,306,314	1,623,753
CCL Export with ACC – (Note 10)	**122,111**	**11,341**	**220,461**	**80,692**	**-**	**434,605**	**415,715**
Industry	122,111	11,341	93,931	80,692	-	308,075	415,715
Other services - Legal entities	-	-	126,530	-	-	126,530	-
Income receivable from ACC – (Note 10)	**3,873**	**489**	**3,258**	**389**	**-**	**8,009**	**2,758**
Industry	3,873	489	279	389	-	5,030	2,758
Other services - Legal entities	-	-	2,979	-	-	2,979	-
CCL Export with ACE – (Note 10)	**-**	**78,567**	**-**	**-**	**-**	**78,567**	**81,200**
Industry	-	78,567	-	-	-	78,567	81,200
Income receivable from ACE – (Note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**411**
Industry	-	-	-	-	-	-	411
FX, CCL, Export with ACC/ACE (i)	**28,784**	**(5,604)**	**4,211**	**(2,750)**	**-**	**24,641**	**3,683**
Industry	28,784	(5,604)	838	(2,750)	-	21,268	3,683
Other services - Legal entities	-	-	3,373	-	-	3,373	-
Total	**154,768**	**348,458**	**518,121**	**727,935**	**422,384**	**2,171,666**	**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 December 31, 2020, and 2019, the Bank had no credit assignment operations with material transfer or retention of risks and rewards, pursuant to CMN Resolution 3.533.

b) Concentration of loans

	2020	2019
Major debtor – (Note 24a)	1,306,314	1,623,753
Percentage of total loan portfolio	60.2%	71.6%

(In thousands of reais)

20 greatest debtors	2,171,666	2,267,783
Percentage of total loan portfolio	100.0%	100.0%

c) Provision for expected losses associated with credit risk

					2020		2019
Risk level	**Minimum % of provisioning required**	**Total Portfolio**	**Minimum provision**	**Additional provision(i)**	**Total provision**	**Total Portfolio**	**Total provision**
AA	0.0%	2,016,899	-	(1,769)	(1,769)	2,129,059	-
A	0.5%	-	-	-	-	15,525	(78)
G	70%	-	-	-	-	123,199	(86,239)
H	100.0%	154,767	(154,767)	-	(154,767)	-	-
Total		**2,171,666**	**(154,767)**	**(1,769)**	**(156,536)**	**2,267,783**	**(86,317)**

(i) Additional provision to the percentages established by CMN Resolution 2.682.

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

	2020	2019
Balances at beginning of years	**(86,317)**	**(83,434)**
Formation of provision	(70,219)	(4,096)
Reversal of provision	-	1,213
Balances at end of years	**(156,536)**	**(86,317)**

e) Credit renegotiated, recovered or written off to loss

The amount of credits renegotiated as of December 31, 2020 represents R$ 343,025 (2019 - R$ 105,396).

During years ended December 31, 2020 and 2019 there were no recoveries or loans written off to loss.

f) Income from loans

	2020		2019
	2nd Semester	**Year**	**Year**
Income from export financing	(63,790)	411,497	90,163
Income from loans	6,065	9,572	13,815
Total	**(57,725)**	**421,069**	**103,978**

10. Foreign exchange transactions

	2020	2019
Current assets		
Purchased foreign exchange to be settled	1,693,469	663,028
Receivables from foreign exchange sales	646,896	327,304
Income receivable from granted advances – (Note 9a)	8,009	3,169
Advances in domestic currency received	(3,423)	-
Total	**2,344,951**	**993,501**

(In thousands of reais)

Current liabilities		
Rights on foreign exchange sales	1,663,275	661,032
Sold foreign exchange to be settled	648,392	327,091
Advances on foreign exchange contracts – (Note 9a)	(513,172)	(496,915)
Total	**1,798,495**	**491,208**

11. Other Assets

a) Breakdown of other financial assets

	2020	2019
Current assets		
Securities clearing accounts	2,040	2,613
Other	2	4
Subtotal	**2,042**	**2,617**
Non-current assets		
Debtors of guarantee deposits – (Note 17d)	39,263	38,364
Subtotal	**39,263**	**38,364**
Total	**41,305**	**40,981**

b) Breakdown of other assets

	2020	2019
Current assets		
Taxes and contributions recoverable	23,191	13,734
Receivables from associated companies	3,474	2,634
Other assets	641	828
Advanced and prepaid salaries	234	995
Other	699	662
Subtotal	**28,239**	**18,853**
Non-current assets		
Other assets	345	509
Taxes and contributions recoverable	95	-
Payments to be refunded	3	-
Subtotal	**443**	**509**
Total	**28,682**	**19,362**

12. Deposits

	2020				2019
	Without maturity	03–06 months	06–12 months	Total	Total
Demand deposits	91	-	-	91	108
Time deposits	-	161,052	5,678	166,730	1,050,891
Total	**91**	**161,052**	**5,678**	**166,821**	**1,050,999**

(In thousands of reais)

As of December 31, 2020, the average time deposit funding percentage is 98% of the Interbank Deposit - DI (2019 - 102.5% of DI).

13. Money market funding

As of December 31, 2020, money market funding is represented by obligations in repurchase and resale agreements in the amount of R$ 937,305 (2019 - R$ 424,583), maturing up to February 2021 at rates ranging from 1.96% to 1.98% per annum, corresponding to obligations related to the commitment to return the bonds received as collateral in repurchase and resale agreements with free trading agreements.

14. Borrowings

Foreign currency trade finance borrowings in the amount of R$ 2,139,081 (2019 - R$ 569,415) are mostly represented by export financing operations maturing up to October 2021. Transactions are corrected by the Dollar exchange variation plus interest ranging from 0.15% to 0.29% per annum.

15. Foreign on-lending

The foreign on-lending obligations in the amount of R$ 1,306,314 (2019 - R$ 1,623,753) – Note 24a, are represented by external funding pursuant to CMN Resolution 2.921, maturing up to March 2022. Transactions are corrected by the Dollar exchange variation plus interest ranging from 2.13% to 3.45% per annum.

16. Other liabilities

a) Breakdown of other financial liabilities

	2020	2019
Current liabilities		
Interbranch accounts	13,364	9,614
Securities clearing accounts	72,906	82,461
Total	**86,270**	**92,075**

b) Breakdown of other liabilities

	2020	2019
Current liabilities		
Taxes and contributions on income payable	108,416	35,225
Taxes and contributions payable	42,153	12,949
Provision for personnel expenses	15,403	14,004
Other	7,426	3,810
Subtotal	**173,398**	**65,988**
Non-current liabilities		
Provision for personnel expenses	4,583	886
Subtotal	**4,583**	**886**
Total	**177,981**	**66,874**

17. Legal, tax and social security contingencies and liabilities

a) Contingent assets

(In thousands of reais)

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 maintains provisions for those contingent liabilities classified as probable loss, in 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$ 21,426 (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 civil and tax nature classified as possible losses in the amount of R$ 13,801 (2019 - R$ 10,929), 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$ 5,344 (2019 - R$ 5,294), and to a nullification request of a notice of tax assessment in the amount of R$ 6,159 (2019 - R$ 5,635), related to service taxes (ISS) claimed by the Municipality of São Paulo, levied on services rendered by the Bank. These 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$ 19,046 (2019 - R$ 18,812), including its deposit in court in the 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 7/70 with regard to their legality or constitutionality

d) Changes in balances

	2020				2019
Provision for contingencies	**Labor**	**Tax**	**Legal obligations**	**Total**	**Total**
Opening balance	494	2,850	23,837	27,181	26,481
Formation	764	-	112	876	197
Restatement	32	37	402	471	754
Reversal	-	-	-	-	(251)
Total	**1,290**	**2,887**	**24,351**	**28,528**	**27,181**

	2020				2019
Judicial deposits	**Labor**	**Tax**	**Legal obligations**	**Total**	**Total**

Opening balance	51	13,666	24,647	38,364	37,132
Formation	-	-	104	104	-
Restatement	3	368	424	795	1,232
Total – (Note 11a)	**54**	**14,034**	**25,175**	**39,263**	**38,364**

18. Equity

Capital is represented by 4,204,886,326 (4,204,886,326 in 2019) nominative common shares with no par value. Management decides on the allocation of adjusted net income each period, pursuant to article 202 of Law 6404/76.

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

b) Dividends and interest on own capital

On December 31, 2020, according to the Executive Board's Minutes, the following was approved for payment:

(i) Dividends in the amount of R$ 500 (R$ 3,000 in 2019).
(ii) Interest on own capital in the amount of R$ 24,395 (R$ 51,850 in 2019), already deducted from income tax withheld at source in the amount of R$ 4,305 (R$ 9,150 in 2019).

The tax effect of the distribution of interest on own capital, recognized in the income (loss) for the year, totaled 12,915 (R$ 24,400 in 2019).

19. Income and social contribution taxes

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

	2020		**2019**	
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
Income before taxation and after profit sharing	**125,461**	**125,461**	**113,886**	**113,886**
Interest on own capital	(28,700)	(28,700)	(61,000)	(61,000)
Temporary exclusions/(additions)	**148,535**	**148,535**	**33,217**	**33,217**
Adjustment to market value – Securities and derivatives	72,006	72,006	28,037	28,037
Provision for expected losses associated with credit risk	70,663	70,663	2,548	2,548
Other	5,866	5,866	2,632	2,632
Permanent additions/(exclusions)	**6,917**	**1,822**	**6,236**	**848**
Taxable base	**252,213**	**247,118**	**92,339**	**86,951**
Rates	25%	20%	25%	15%
Total income and social contribution taxes – Current values before tax incentives	**(63,029)**	**(46,841)**	**(23,061)**	**(13,043)**
Tax incentives	1,455	-	879	-
Total income and social contribution taxes – current values	**(61,574)**	**(46,841)**	**(22,182)**	**(13,043)**
Tax credits	25,132	20,335	1,684	7,096

(In thousands of reais)

Deferred tax liabilities	12,002	9,601	6,621	530
Total	**(24,440)**	**(16,905)**	**(13,877)**	**(5,417)**

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

Tax credits	**Balances at 12/31/2019**	**Formation**	**Realization /reversal**	**Balances at 12/31/2020**
Included in profit or loss	**56,606**	**51,951**	**(6,484)**	**102,073**
Provision for tax and labor risks	12,220	598	-	12,818
Non-deductible provisions	5,442	6,576	(4,384)	7,634
Provision for expected losses associated with credit risk	38,645	33,598	(1,801)	70,442
Provision for credit risk – debentures	-	201	-	201
Mark-to-market of derivative instruments	-	10,368	-	10,368
Other	299	610	(299)	610
Total	**56,606**	**51,951**	**(6,484)**	**102,073**

Deferred tax liabilities	**Balances at 12/31/2019**	**Formation**	**Realization /reversal**	**Balances at 12/31/2020**
Included in profit or loss	**(30,980)**	**(434)**	**22,037**	**(9,377)**
Mark-to-market of derivative instruments	(21,888)	-	21,888	-
Mark-to-market of securities classified as for trading	(151)	(122)	149	(124)
Inflation adjustment of judicial deposits	(8,941)	(312)	-	(9,253)
Included in equity	**(5,436)**	**(5,787)**	**4,961**	**(6,262)**
Mark-to-market of securities classified as available for sale	(5,436)	(5,787)	4,961	(6,262)
Total	**(36,416)**	**(6,221)**	**26,998**	**(15,639)**

c) Estimated realization of tax credits on temporary differences

Realization term	**Temporary differences**	**Total**
Year 01	6,442	6,442
Year 02	10,626	10,626
Year 03	27,062	27,062
Year 04	22,543	22,543
Year 05	22,573	22,573
Year 06–10	12,827	12,827
Total	**102,073**	**102,073**
Present value (i)	**84,318**	**84,318**

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

20. Related parties

Operations between related parties are disclosed in conformity with CMN Resolution 4.636, in compliance with Technical Pronouncement CPC 05 (R1) – Related Parties Disclosure. These operations are carried out at usual market value, terms and average rates in effect at the respective dates.

a) Related party transactions

(In thousands of reais)

Operations with related parties are presented by:

	Assets/(Liabilities)		Revenues/(expenses)	
	2020	**2019**	**2020**	**2019**
Cash and cash equivalents	**2,053**	**161**	**165**	**8,929**
BNS	2,053	161	165	8,929
Foreign exchange portfolio - Asset position	**494,067**	**9,596**	**3,723**	**(10)**
BNS	494,067	9,596	3,723	(10)
Amounts receivable from/(payable to) related companies / Revenues/(expenses) from rendering of services	**3,474**	**1,948**	**15,100**	**12,678**
BNS	2,443	983	15,564	12,379
Scotiabank & Trust (Cayman)	-	11	48	739
Scotiabank Inverlat (Mexico)	-	350	(408)	(506)
Scotiabank Colpatria (Colombia)	1,031	604	(4)	81
Scotiabank Peru	-	-	(100)	(15)
Borrowings	**(2,139,081)**	**(569,415)**	**(224,564)**	**(71,715)**
BNS	(2,139,081)	(569,415)	(224,564)	(71,715)
Onlendings	**(1,306,314)**	**(1,623,753)**	**(411,497)**	**(90,389)**
BNS	(1,306,314)	(1,623,753)	(411,497)	(90,389)
Foreign exchange portfolio - Liability position	**(495,070)**	**(9,564)**	**(4,476)**	**46**
BNS	(495,070)	(9,564)	(4,476)	46
Other operating revenues (expenses)	**-**	**-**	**126**	**-**
Scotiabank Colpatria (Colombia)	-	-	17	-
Scotiabank Inverlat (Mexico)	-	-	109	-

b) Management compensation

For the purpose of disclosing management compensation, only Statutory Officers were considered. Expenses with Directors' fees the year ended December 31, 2020 total R$ 13,030 (R$ 13,210 in 2019), comprised by R$ 8,377 (R$ 8,373 in 2019), which represent salaries and payroll charges, profit sharing, and bonus and charges on bonus, denominated short-term benefits, and R$ 4,653 (R$ 4,837 in 2019), which 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, therefore affecting the Bank's share-based payment expenses. One portion that calculates the market value 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

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 December 31, 2020, the amount of liabilities provided for this plan is R$ 3,147 (2019 - R$ 1,896) and the total number of shares is 35,994 units measured at weighted market value of R$ 0.2854 per share. Total expenses recorded in this plan for the period are R$ 3,347 (2019 - R$ 2,382).

(In thousands of reais)

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 December 31, 2020, the amount of liabilities provided for this plan is R$ 4,270 (2019 - R$ 2,395) and the total number of shares is 42,149 units measured at weighted market value of R$ 0.2854 per share. Total expenses recorded in this plan for the period are R$ 3,639 (2019 - R$ 2,824).

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 December 31, 2020, there was no provisioned liability for this plan (R$ 492 in 2019), calculated based on the original share prices when they were granted, due to its extinction. Total expenses recorded in this plan for the period are R$ 108 (2019- R$ 257).

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 year ended December 31, 2020 are R$ 858 (2019 - R$ 814).

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

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

23. Basel Ratio and Operational Limits

The Bank adopts the determination of Basel limits based on the BACEN guidelines. As of December 31, 2020, the Bank's Basel capital ratio was 19.06% (2019 - 27.20%), the notional capital (Tier 1 capital + Tier 2 capital) was R$ 1,149,386 (2019 - R$ 1,094,897) and the minimum notional capital requirement for risk weighted assets (RWA) was R$ 482,536 (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 December 31, 2020, the Bank had restricted receivables within the scope of CMN Resolution 2.921, with one only debtor, stated in the following table:

	Assets/(Liabilities)		**Revenues/(expenses)**	
	2020	**2019**	**2020**	**2019**
Loans				
NCE – (Note 9a)	1,306,314	1,623,753	571,987	69,227

(In thousands of reais)

On-lending				
Foreign on-lending - (Note 15)	(1,306,314)	(1,623,753)	(571,987)	(69,227)
Net income (loss)	-	-	-	-

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 CMN Resolution 4.677.

b) Other operating revenues / expenses

On December 31, 2020, the following items refer substantially 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 a 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 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.

d) Recurring and non-recurring income (loss)

	2020		**2019**
	2nd Semester	**Year**	**Year**
Net income for the semester/year	**36,126**	**84,116**	**94,592**
Non-recurring income			
Increase in the CSLL rate on tax credit and deferred tax liabilities	-	-	(2,040)
Recurring net income	**36,126**	**84,116**	**92,552**

25. Subsequent events

On February 11, 2021, the authorization, granted by the Brazilian Central Bank, to operate Scotiabank Brasil S.A. Corretora de Titulos e Valores Mobiliários, a fully owned subsidiary of Scotiabank Brasil S.A. Banco Múltiplo, was published in the Official Gazette.

Executive Board

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CRC 1SP242.224/O-6