

SCOTIABANK BRASIL S.A.

BANCO MÚLTIPLO

Financial statements

June 30, 2021 and 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)

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Management report

PRESENTATION

We present the financial statements of Scotiabank Brasil for the semesters ended June 30, 2021 and 2020, together with the explanatory notes and the report of independent accountants, prepared in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, issued by the Corporate Law.

SEMESTER PERFORMANCE

Scotiabank Brasil closed the 1st semester of 2021 with a net income of R\$ 75,124 (R\$ 47,990 in 2020), representing an annualized return on Shareholders' Equity of 12.68% (8.55% in 2020). It presented a Basel Ratio of 14.65% (19.06% in December 2020) and the minimum equity required for the amounts of risk-weighted assets (RWA) of R\$ 662,947 (R\$ 482,536 in December 2020).

Since the beginning of the pandemic, the Bank has been in a fully operational capacity, and actions are based on the guidelines of the Ministry of Health. The financial statements were not impacted by the effects arising from COVID-19 and a series of measures were taken by Management to protect and support its employees, keeping the majority working remotely. The Bank continues with its conservative policy regarding liquidity management and risk parameters adequate to the institution's activities.

For the main purpose of complementing Scotiabank's activities in Brazil, on November 6, 2020, Scotiabank Brasil S.A. Corretora de Títulos e Valores Mobiliários was incorporated and until June 30, 2021, it had not started operating activities. The operating license was published by the Central Bank of Brazil on February 11, 2021.

Corretora is a wholly-owned subsidiary of Scotiabank Brasil S.A. Banco Múltiplo ("Bank"), which together form the Scotiabank Brasil Financial Conglomerate ("Scotiabank Brasil Group").

OTHER INFORMATION

In accordance with the provision in Article 8 of BACEN Circular Letter 3068/01, the Bank states that it has the financial capacity and intention to hold securities classified as "Securities held to maturity" until maturity date.

ACKNOWLEDGMENT

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

Executive Board

Audit Committee's Report

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

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

Internal control and risk management systems

The Audit Committee assessed, in meetings with the Risk & Compliance Board, aspects related to the management and control of credit, market, and liquidity risks.

Based on the results of the work of the Independent Audit and the Internal Audit, the Committee believes that the controls and procedures carried out by the Bank are appropriate and sufficient.

Compliance with Legislation, Regulations and Internal Standards

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

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

Internal Audit

The Audit Committee monitored the audit process developed by the Internal Audit, by holding periodic meetings, approving its strategic and tactical plans, and monitoring their execution.

The Committee assesses the coverage and quality of the work carried out by the Internal Audit as appropriate. The results of this work, presented at the Committee's working sessions, did not bring to the Committee's attention the existence of residual risks that could affect the solidity and continuity of the Organization.

External audit

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

The Committee evaluates how fully satisfactory the volume and quality of information provided by KPMG are, which supports its opinion on financial statements' integrity. No situations were identified that could affect external auditors' objectivity and independence.

Financial statements

The Committee analyzed the Financial Statements together with the Notes for the 1st semester of 2021 and debated with KPMG and 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 operations, certifies that the information contained in this Report is true, meets the requirements defined in CMN Resolutions 2554 and 3198, and that the control system of Scotiabank Brasil S.A. is suited to the complexity and risks of its business.

São Paulo, August 20, 2021.

Audit Committee



KPMG Auditores Independentes

Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A

04711-904 - São Paulo/SP - Brasil

Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil

Telefone +55 (11) 3940-1500

kpmg.com.br

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, 2021, 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 June 30, 2021, 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 to 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 25, 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
June 30, 2021 and December 31, 2020
(In thousands of reais)



Assets	Note	June 2021	Dec 2020
Cash and cash equivalents	4	28,470	14,063
Financial assets		10,428,835	11,517,950
Interbank funds applied	5	5,696,792	6,748,959
Securities	6	784,396	574,845
Derivative financial instruments	7	1,084,606	182,046
Loan operations	9a	1,387,716	1,625,844
Forex transactions	10	1,146,022	2,344,951
Other financial assets	11a	329,303	41,305
Provisions for expected losses associated with credit risk		(151,981)	(156,980)
Securities	6c	(445)	(444)
Loan operations	9c/d	(1,029)	(831)
Other receivables from credit granting	9c/d	(150,507)	(155,705)
Tax credits	20b/c	102,747	102,073
Investments		60,229	6
Interest in subsidiaries	12	60,223	-
Other investments		6	6
Property, plant and equipment for use		9,267	6,901
Property for use		900	900
Other property, plant and equipment for use		21,083	18,224
Accumulated depreciation		(12,716)	(12,223)
Intangible assets		3,444	2,532
Intangible assets		4,445	3,418
Accumulated amortizations		(1,001)	(886)
Other assets	11b	11,119	28,682
Total assets		10,492,130	11,515,227

See the accompanying notes to the financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Balance sheets as of
June 30, 2021 and December 31, 2020
(In thousands of reais)



Liabilities	Note	June 2021	Dec 2020
Financial liabilities		9,132,495	10,141,162
Deposits	13	592,480	166,821
Money market funding	14	757,381	937,305
Borrowings	15	3,732,185	2,139,081
Repass borrowings	16 25a	991,892	1,306,314
Derivative financial instruments	7	2,516,261	3,706,876
Forex transactions	10	498,203	1,798,495
Other financial liabilities	17a	44,093	86,270
Deferred tax liabilities	20b	35,545	15,639
Provisions for contingencies	18d	28,888	28,528
Other liabilities	17b	77,690	177,981
Shareholders' equity		1,217,512	1,151,917
Capital	19	796,879	796,879
Profit reserves	19	351,140	347,384
Other comprehensive income	3d	(1,875)	7,654
Retained earnings		71,368	-
Total liabilities		10,492,130	11,515,227

See the accompanying notes to the financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Statement of income
June 30, 2021 and 2020
(In thousands of reais)



	Note	June 2021	June 2020
Financial intermediation revenues (expenses)		183,411	178,980
Loan operations	9f	(34,663)	478,794
Securities		111,221	134,186
Income from derivative financial instruments	7e	78,616	(10,280)
Foreign exchange income		29,553	307,674
Money market repurchase agreements		(20,112)	(38,796)
Loans and onlendings		18,796	(692,598)
Income (loss) from financial intermediation		183,411	178,980
Income (loss) from provision for expected losses associated with credit risk		4,999	(52,369)
Securities		(1)	(693)
Loan operations	9d	(198)	(3)
Other credits with credit granting characteristics	9d	5,198	(51,673)
Gross income (loss) from financial intermediation		188,410	126,611
Other operating revenues/(expenses)		(54,435)	(44,091)
Revenues from rendering of services		8,652	8,182
Personnel expenses		(41,894)	(32,349)
Other administrative expenses		(12,914)	(11,105)
Tax expenses		(5,765)	(11,744)
Equity in income of subsidiaries		350	-
Other operating revenues	25b	776	3,197
Other operating expenses	25b	(3,640)	(272)
Reversals (expenses) of provisions for contingencies		(351)	(379)
Labor		(45)	(17)
Tax		(306)	(362)
Operating income		133,624	82,141
Non-operating income		-	(5)
Income (loss) before income tax and profit sharing		133,624	82,136
Income tax and social contribution	20a	(58,500)	(34,146)
Provision for income tax		(31,799)	(38,528)
Provision for social contribution		(25,944)	(28,343)
Deferred tax assets		(757)	32,725
Profit sharing			
Net income for the semesters		75,124	47,990
Net earnings per thousand shares – R\$		17.87	11.41

See the accompanying notes to the financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Statement of comprehensive income
June 30, 2021 and 2020
(In thousands of reais)



	Note	<u>June 2021</u>	<u>June 2020</u>
Net income for the semesters		<u>75,124</u>	<u>47,990</u>
Items that can be reclassified to income (loss)			
Changes in the market value of financial assets available for sale		<u>(9,529)</u>	<u>5,025</u>
Securities		(17,095)	9,136
Tax impact	20b	7,693	(4,111)
Equity valuation adjustment - Subsidiary		(127)	-
Comprehensive income		<u><u>65,595</u></u>	<u><u>53,015</u></u>

See the accompanying notes to the financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Statement of changes in shareholders' equity
June 30, 2021 and 2020
(In thousands of reais)



	Capital	Profit reserves		Other comprehensive income	Retained earnings (loss)	Total
		Legal	Statutory			
Balances at December 31, 2019	796,879	26,737	265,731	6,644	-	1,095,991
Equity valuation adjustments	-	-	-	5,025	-	5,025
Net income for the semester	-	-	-	-	47,990	47,990
Formation of legal reserve	-	2,399	-	-	(2,399)	-
Balances at June 30, 2020	796,879	29,136	265,731	11,669	45,591	1,149,006
Balances at December 31, 2020	796,879	30,942	316,442	7,654	-	1,151,917
Equity valuation adjustments	-	-	-	(9,529)	-	(9,529)
Net income for the semester	-	-	-	-	75,124	75,124
Formation of legal reserve	-	3,756	-	-	(3,756)	-
Balances at June 30, 2021	796,879	34,698	316,442	(1,875)	71,368	1,217,512

See the accompanying notes to the financial statements.

Scotiabank Brasil S.A. Banco Múltiplo
Statement of cash flows
June 30, 2021 and 2020
(In thousands of reais)



	Note	June 2021	June 2020
Operating activities			
Adjusted net income		97,668	47,152
Net income for the semester		75,124	47,990
Adjustments to net income		22,544	(838)
Expense (reversal) of provision for expected losses associated with credit risk		(4,999)	52,369
Equity in income of subsidiaries		(350)	-
Depreciation and amortization		608	788
Deferred taxes	20a 20b	26,925	(54,374)
Expense with provision for contingent liabilities and legal obligations	18d	360	379
Changes in assets and liabilities		(1,581,198)	2,716,731
(Increase) in interbank funds applied		(509,656)	(1,896,574)
(Increase) in securities		(226,646)	(154,837)
(Increase) decrease in derivative financial instruments		(2,093,174)	4,634,295
Decrease/(Increase) in loans		238,128	(62,641)
(Increase) in foreign exchange operations	10	(101,363)	(321,785)
(Increase) in other financial assets	11a	(287,998)	(7,212)
Increase (decrease) in other assets	11b	17,563	3,631
Increase (decrease) in deposits	13	425,659	(940,751)
(Decrease)/increase in money market funding	14	(179,924)	400,359
Increase in borrowings and onlendings	15 16	1,278,682	1,071,423
(Decrease) in other financial liabilities	17a	(42,177)	(70,492)
(Decrease) increase in other liabilities	17b	(100,292)	61,315
Net cash (used in) from operating activities		(1,483,530)	2,763,883
Investment activities			
Acquisition of investments		(60,000)	-
Acquisition of property, plant and equipment for use		(2,859)	(375)
Investments in intangible assets		(1,027)	(536)
Net cash (invested) in investment activities		(63,886)	(911)
(Decrease) increase in cash and cash equivalents		(1,547,416)	2,762,972
Statement of changes in cash and cash equivalents			
Cash and cash equivalents at the beginning of the semester		2,594,138	313,987
Cash and cash equivalents at the end of the semester	4	1,046,722	3,076,959
(Decrease) increase in cash and cash equivalents		(1,547,416)	2,762,972

See the accompanying notes to the financial statements.

1. Operations

Scotiabank Brasil S.A. Banco Múltiplo (the “Bank”), located at Av. Brigadeiro Faria Lima, 2.277 – 7º andar, São Paulo - Brazil, is organized and authorized to exercise its activities as a Multiple Bank and to operate through investment and commercial portfolios, including exchange.

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

2. Preparation and presentation of financial statements

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

The authorization for issuance of these financial statements was given by the Executive Board on August 23, 2021.

The financial statements include estimates and assumptions, such as the measurement of provisions for losses associated with credit risk, estimates of market value of certain financial instruments, provisions for contingencies, other provisions and the determination of the useful life of certain assets. The effective results might be different from those estimates and assumptions.

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

Changes in presentation of financial statements

CMN Resolution 4818 and BCB Resolution 2 revoked, respectively, CMN Resolution 4720 and BACEN Circular Letter 3959. BCB Resolution 2 became effective as of January 1, 2021, and applies to the preparation, disclosure, and submission of financial statements. In this sense, the Bank made changes in the presentation of the financial statements for the semester ended June 30, 2021, meeting the requirements of the respective standards, for which the main changes are as follows:

Balance sheet

- Presentation of assets and liabilities exclusively in order of liquidity and enforceability. The breakdown of current and non-current segregation is being presented in the respective notes;
- Adoption of new nomenclature and grouping of asset items, such as: financial instruments, provisions for expected losses associated with credit risk, tax credits, other assets, deposits and other financial instruments, deferred tax obligations, provision for contingencies and other liabilities.

Statement of income

- Breakdown of expenses with provisions segregated by the most relevant classes presented in the “Result of provision for expected losses associated with credit risk”;
- Change in the allocation of “Result of provision for expected credit risk losses”, which started to be presented immediately after “Gross income (loss) from financial intermediation”;
- Presentation of the provision for contingencies in a specific caption: “Reversals (expenses) of provisions for contingencies”;
- Recurring and non-recurring income (loss) segregated.

3. Description of significant accounting policies

a) Statement of Income

Income and expenses are recognized on the accrual basis.

For purposes of better presentation, the Bank reclassifies the foreign exchange loss of the captions “Other operating revenues/expenses” directly to the respective captions “Revenues/expenses from financial intermediation” in the statement of income.

b) Other assets

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

c) Cash and cash equivalents

They are represented by cash and cash equivalents in domestic currency, foreign currency and repurchase and resale agreements - long position and 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 market value change.

d) Securities

They are recorded at acquisition cost and presented in the Balance Sheet according to BACEN Circular No. 3.068, and are classified according to Management’s intention in the following categories: “Trading securities” refers to securities acquired for the purpose of being actively and frequently traded, classified in current and marked-to-market as a contraentry to the income (loss) for the period, “Securities available for sale”, that are not qualified as trading or held to maturity securities, and are adjusted to market value as a contraentry to a separate shareholders’ equity account, net of tax effects, and “Securities held to maturity” which have the financial capacity to be held until maturity and are recorded at cost of acquisition, plus income accrued in contra account to income for the period.

To calculate the market value of the securities portfolio, federal government bonds are adjusted to reflect the observable market price, as published by ANBIMA. For private securities, such as debentures, it is based on an independent model pricing, which consists of calculating the future value of cash flows plus monetary restatement, discounted to their present value at the fixed interest rate plus the credit spread. The Bank records the estimated provision for expected losses associated with the credit risk of the debentures, using

the criteria defined in Note 3g. In case of investment in investment fund, the restated cost reflects the market value of the respective quotas.

e) Derivative financial instruments

In compliance with BACEN Circular Letter 3.082, derivative financial instruments are classified on the date of their acquisition according to the intention of Management for hedge purposes or not.

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

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

f) Loan operations

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

Revenues and charges of any nature relating to lending operations with delay equal to or higher than 60 days are recorded under unappropriated income and recognized in result at the time of their actual receipt.

g) Provisions for expected losses associated with credit risk

Based on the analysis of outstanding operations conducted by management to define the proper value to absorb probable losses on their realization, considering the economic scenario and specific and global risks of the portfolio, as well as the provisions of CMN Resolution No. 2.682, which requires the regular analysis of the portfolio and its classification in nine levels, where AA corresponds to minimum risk and H to loss. Late operations classified as level "H" remain in this classification for six months, when they are written off against the existing provision and begin to be controlled in memorandum accounts.

h) Foreign exchange transactions

The rate used for converting financial assets and liabilities into foreign currency is that of the closing date. The effects of exchange-rate change on foreign currency transactions are distributed in the statement of income accounts according to the nature of the respective balance sheet accounts.

i) Permanent

- **Property, plant and equipment for use:** corresponds to the assets and rights that refer to corporeal personal property intended for the maintenance of Bank's activities with this purpose. In compliance with CMN Resolution 4535, new property, plant, and equipment items are recognized at cost. Depreciation of property, plant and equipment is recorded based on straight-line method, considering the rates comprising the useful and economic life of assets;
- **Intangible assets:** corresponds to the rights that refer to incorporeal personal property intended for the maintenance of the Bank's activities or exercised with this purpose. In compliance with CMN Resolution 4534, new intangible assets are recognized at cost. Intangible assets with defined useful life are amortized using the straight-line method over an estimated period of economic benefit.
- **Investments:** stated at acquisition cost, less provision for losses, when applicable. Investments in subsidiaries are valued by the equity method of accounting.

j) Asset impairment

Pursuant to CMN Resolution 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 book value of the asset exceeds its recoverable value, the loss will be recognized directly in the result.

Impairment losses were not identified on June 30, 2021 and 2020.

k) Deposits, money market funding, borrowings and onlendings

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" daily basis.

Costs incurred in the form of funding, which qualify as transaction costs are recognized in income based on the accrual basis for the term of the originating operations.

l) Other liabilities

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

m) Income tax and social contribution

Provision for income tax is formed at the rate of 15% on taxable income, plus a surtax of 10%. Social contribution tax is calculated at the rate of 20% of taxable result, as set forth by the Constitutional Amendment 103.

Pursuant to Law 14183/2021, the CSLL [Social Contribution on Net Income] rate will be increased by 5%, from 20% to 25% from 07/01/2021 to 12/31/2021.

As of June 30, 2021, the Bank has deferred tax credit assets from income tax and social contribution calculated, from temporary differences.

Based on CMN Resolution 4842 and further changes, the historical taxable results and short and medium projections prepared by the Bank enable a reasonable estimate of term of realization of these assets (Note 20c).

Due to the change in the CSLL rate, introduced by Law 14183/2021, the deferred tax credits and the deferred tax liability of social contribution, whose expected realization will occur from 07/01/2021 to 12/31/2021, were calculated at the rate of 25%.

n) PIS and COFINS

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

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

The Bank follows the guidelines of CMN Resolution No. 3.823, which approved the adoption of Technical Pronouncement CPC 25 – Procedures applicable in the recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets.

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

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

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

p) Share-based payments

Qualified employees of the Bank participate in stock-based compensation plans, which are evaluated based on the price of the common share of BNS. The Bank records its expense in the income (loss) for the period against a provision in liabilities, as established by CMN Resolution 3989 which approved the adoption of Technical Pronouncement CPC 10 – Share-Based Payment (Note 21).

q) Post-employment employee benefits

Post-employment or long-term benefit plans are formal or informal arrangements under which the Bank undertakes to provide post-employment benefits to one or more employees, pursuant to CMN Resolution 4877, which revokes the CMN Resolution 4424, which approved the Technical Pronouncement CPC 33 (R1) – Employee Benefits.

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

r) Non-recurring income (loss)

BCB Resolution 2, in its art. 34, establishes that financial institutions must disclose recurring and non-recurring results in a segregated manner. The non-recurring result is the result that:

- i. Is not related or 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 evidenced in Note 25d.

s) Functional and presentation currency

The financial statements are being presented in reais (R\$), functional currency of the Bank.

4. Cash and cash equivalents

	June 2021	Dec 2020
Cash and cash equivalents	28,470	14,063
Local currency	525	2,599
Foreign currency	27,945	11,464
Interbank funds applied	1,018,252	2,580,075
Investments on the open market - resales to be settled - own portfolio	866,998	2,580,075
Interbank deposit investments	151,254	-
Total	1,046,722	2,594,138

5. Interbank funds applied

	June 2021					Dec 2020
	Up to 3 months	3-6 months	6-12 months	>12 months	Total	Total
Money market repurchase commitments	-	2,769,746	2,173,958	399,999	5,343,703	6,748,959
Long position – LTN	-	-	-	-	-	5,812,338
Short position – LTN	-	2,769,746	2,173,958	399,999	5,343,703	936,621
Interbank deposit investments	251,834	-	101,255	-	353,089	-
Interbank deposits	251,834	-	101,255	-	353,089	-
Total	251,834	2,769,746	2,275,213	399,999	5,696,792	6,748,959

6. Securities

The restated cost (including income earned) and the market value of securities were as follows:

a) Trading securities

	June 2021					Dec 2020	
	Up to 3 months	6-12 months	>12 months	Market / book value	Restated cost	Market / book value	Restated cost
Own portfolio							
LTN	500	711	178	1,389	1,384	1,386	1,345
NTN	-	-	14,444	14,444	14,796	9,930	9,695
Total	500	711	14,622	15,833	16,180	11,316	11,040

b) Securities available for sale

	June 2021						Dec 2020	
	Without maturity	Up to 3 months	6–12 months	>12 months	Market / book value	Restated cost	Market / book value	Restated cost
Own portfolio								
LTN	-	216,963	-	37,517	254,480	254,204	47,967	47,247
Subtotal	-	216,963	-	37,517	254,480	254,204	47,967	47,247
Subject to guarantees provided⁽ⁱ⁾								
LTN	-	-	47,735	293,088	340,823	344,278	343,127	329,931
Quotas of investment funds	34,213	-	-	-	34,213	34,213	33,799	33,799
Subtotal	34,213	-	47,735	293,088	375,036	378,491	376,926	363,730
Total	34,213	216,963	47,735	330,605	629,516	632,695	424,893	410,977

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

c) Securities held to maturity

	June 2021						Dec 2020	
	Up to 3 months	3–6 months	6–12 months	>12 months	Restated/A ccounting Cost	Market value	Restated/A ccounting Cost	Market value
Own portfolio								
Debentures ⁽ⁱ⁾	1,340	1,348	5,939	130,420	139,047	152,072	138,636	159,817
Total	1,340	1,348	5,939	130,420	139,047	152,072	138,636	159,817

(i) In the first semester of 2021, a provision in the amount of R\$ 1 out of a total of 445 (R\$ 693 in 2020) was recorded due to credit risk.

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

7. Derivative financial instruments

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

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

a) Futures contracts

	June 2021		Dec 2020	
	Referential value	Adjustment receivable (payable)	Referential value	Adjustment receivable (payable)
Long position	30,258,548	287,252	25,400,227	(69,314)
DI	1,256,474	(734)	2,361,006	446
DDI	25,354,287	244,665	20,846,324	(71,209)
Dollar	3,647,787	43,321	2,192,897	1,449

Short position	3,367,055	(41,795)	2,644,104	(1,534)
DI	64,886	146	525,726	(7)
DDI	3,302,169	(41,941)	2,118,378	(1,527)

On June 30, 2021, besides the daily adjustments of futures contracts, the amount of R\$ 32 (R\$ 18 in December 2020) 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.

b) Swap operations and forward operations

By index	June 2021			Dec 2020		
	Referential value	Cost value	Market value	Referential value	Cost value	Market value
Swap						
Amounts receivable	10,888,292	948,875	1,056,428	3,989,542	54,804	135,924
CDI X Dollar	10,639,807	928,801	1,036,208	3,757,542	53,414	132,649
CDI x Euro	232,000	20,112	20,137	232,000	1,390	3,275
Dollar x CDI	16,485	(38)	83	-	-	-
Amounts payable	9,067,161	(2,056,233)	(2,493,818)	11,831,877	(3,235,576)	(3,695,896)
CDI X Dollar	9,067,161	(2,056,233)	(2,493,818)	11,831,877	(3,235,576)	(3,695,896)
Forward currency - NDF						
Amounts receivable	501,625	33,630	28,178	922,685	35,095	46,122
Long position	501,625	33,630	28,178	922,685	35,095	46,122
Amounts payable	295,226	(26,099)	(22,443)	451,577	(11,362)	(10,980)
Long position	295,226	(26,099)	(22,443)	451,577	(11,362)	(10,980)
Total	20,752,304	(1,099,827)	(1,431,655)	17,195,681	(3,157,039)	(3,524,830)

c) Breakdown by maturity

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

	June 2021					Dec 2020
	Up to 3 months	3-6 months	6-12 months	>12 months	Total	Total
Futures ⁽ⁱ⁾	10,989,667	3,529,904	2,006,324	17,099,708	33,625,603	28,044,331
Swap ⁽ⁱⁱ⁾	916,805	2,208,125	2,092,860	14,737,663	19,955,453	15,821,419
Forward currency – NDF ⁽ⁱⁱⁱ⁾	376,005	275,233	101,236	44,377	796,851	1,374,262
Total	12,282,477	6,013,262	4,200,420	31,881,748	54,377,907	45,240,012

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

(ii) Counterparty: legal entity.

d) Segregation between current and non-current

Market value of financial instruments was broken down as follows:

	June 2021			Dec 2020		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Swap	252,339	804,089	1,056,428	43,158	92,766	135,924
Forward currency - NDF	28,232	(54)	28,178	44,150	1,972	46,122
Total	280,571	804,035	1,084,606	87,308	94,738	182,046
Liabilities						
Swap	(468,722)	(2,025,096)	(2,493,818)	(811,596)	(2,884,300)	(3,695,896)
Forward currency - NDF	(17,350)	(5,093)	(22,443)	(10,088)	(892)	(10,980)
Total	(486,072)	(2,030,189)	(2,516,261)	(821,684)	(2,885,192)	(3,706,876)

e) Results

The results involving derivative financial instruments for the semesters ended June 30, 2021 and 2020 are as follows:

	June 2021	June 2020
Futures	(1,224,608)	4,811,119
Swap	1,324,680	(4,963,030)
Forward currency - NDF	(21,456)	141,631
Total	78,616	(10,280)

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

8. Risk management

Operating risk management

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

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

Management of market and liquidity risks

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

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

By observing BNS's requirements, the Bank was able to meet Central Bank requirements regarding implementation of the continued and integrated risk management structure (CMN Resolution 4557), more specifically regarding market and liquidity risks. In addition, the Bank now reviews the capital requirements due to market risk exposure under criteria established in CMN Resolution 4193.

Credit risk management

In line with the rules established by the Central Bank of Brazil (CMN Resolutions 2682, 4557, 4677, 4693, among others), and the organization's risk management philosophy, the Bank has credit risk management structure which includes individual credit limit analysis and establishment for the entire range of loan takers, as well as analysis and monitoring of the Bank's aggregate credit risk, which takes into account all product lines offered by the Bank and all economic segments where loan takers operate.

The Bank's risk culture is emphasized to all its areas and the description of the products offered to loan takers includes identification of credit, market and operating risks, as well the information systems that control them. Individual credit limits for borrowers are approved by using the Bank's own techniques and methodologies, and are reviewed at least once a year together with their ratings which, under National Monetary Council Resolution 2682, are reviewed every six months for the operations of the same client or economic group whose amount exceeds 5% of Bank's adjusted shareholders' equity.

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

Capital management

The Bank is dedicated to maintaining a robust capital basis to support risks associated to its businesses. The Bank's Continued Capital Management structure, which encompasses internal policies, actions and procedures that refer to Capital Management is in line with BNS's global policy, and complies with Brazilian Central Bank's (BACEN) requirements provided for in CMN Resolution 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 capital planning, forecast, measurement, monitoring and control of authorized limits, in addition to the preparation of reports on capital.

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

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

Fair value hierarchy

To increase the consistency and comparability of fair value measurements and corresponding disclosures, a fair value hierarchy was established. It classifies the inputs applied into three levels 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 set forth in CMN Resolution 4748.

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 incurring losses resulting from fluctuations 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 risk of exchange-rate variations and commodity prices, for instruments classified in the trading or banking portfolio.

According to the guidelines of the Central Bank of Brazil, through CMN Resolution 4557 and Circular Letter 3354, operations are divided between the Trading and Banking Portfolios.

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

All operations not classified under the trading portfolio are in the Banking Book. This portfolio includes the Bank's commercial portfolio operations, such as loan operations, onlendings, and their financing lines, as well as securities positions that are accounted for as held to maturity and the instruments in the Treasury portfolio.

To assess the effects on the result in face of possible scenarios, the Bank performs sensitivity analysis for each market risk factor considered relevant by 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 undergoes an increase or a reduction of 100 basis points. This analysis examines the effects on the organization's results of possible fluctuations in interest rates practiced by the market.

Trading portfolio

	Scenarios	
	+100 bps	-100 bps
Interest rates		
Exposure of Fixed-Rate Interest	246	(246)
Foreign exchange coupon exposure	(827)	827
Total	(581)	581

Trading portfolio + Banking book

	Scenarios	
	+100 bps	-100 bps
Interest rates		
Exposure of Fixed-Rate Interest	(9,275)	9,275
Foreign exchange coupon exposure	(2,100)	2,100
Total	(11,375)	11,375

Sensitivity analysis 2

Three scenarios are considered, reflecting the changes in market interest 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 the 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, 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, 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, 30% shock (increase or decrease) on current exchange rates.

Scenarios (II) and (III) involve events related to strong stress situations.

Trading portfolio

	Scenarios		
	(I)	(II)	(III)
Interest rates			
Exposure of Fixed-Rate Interest	(25)	(500)	(751)
Foreign exchange coupon exposure	(83)	(26)	(39)
Total	(108)	(526)	(790)
Foreign exchange rates			
Total exposure to exchange rates	(3,312)	(6,624)	(9,936)

Trading portfolio + Banking book

	Scenarios		
	(I)	(II)	(III)
Interest rates			
Exposure of Fixed-Rate Interest	(928)	(13,459)	(20,189)
Foreign exchange coupon exposure	(210)	(92)	(139)
Total	(1,138)	(13,551)	(20,328)
Foreign exchange rates			
Total exposure to exchange rates	(3,312)	(6,624)	(9,936)

In the analysis carried out, the operations of the Banking Portfolio underwent appreciation or devaluation because of changes in the forward interest rates practiced in the market. These fluctuations do not represent a financial impact on the Bank's results, as the financial assets contained in this portfolio are not measured at market value and, consequently, the impact of these fluctuations are considered only in the organization's shareholders' equity.

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

9. Loan operations

a) Credit portfolio composition by type of operation, activity and term

	June 2021						Dec 2020
	Overdue		Falling due			Total	Total
	>15 days	Up to 3 months	3-6 months	6-12 months	>12 months		
Private sector							
Bank Credit Bill (CCB)	-	130,573	-	-	265,251	395,824	319,530
Industry	-	26,953	-	-	105,058	132,011	127,975
Other services - Legal entities	-	103,620	-	-	160,193	263,813	191,555
Export Credit Note (NCE) (Note 25a)	-	249,112	494,750	248,030	-	991,892	1,306,314
Industry	-	249,112	494,750	248,030	-	991,892	1,306,314
Total CCB and NCE	-	379,685	494,750	248,030	265,251	1,387,716	1,625,844
CCL [Exchange Purchases Pending Settlement] Export with ACC [Advance on Foreign Exchange Contracts] - (Note 10)	122,111	104,844	253,723	-	-	480,678	434,605
Industry	122,111	52,544	43,403	-	-	218,058	308,075
Trade	-	52,300	-	-	-	52,300	-
Other services - Legal entities	-	-	210,320	-	-	210,320	126,530
Income receivable from Advances on Foreign Exchange Contracts - (Note 10)	3,873	1,270	549	-	-	5,692	8,009
Industry	3,873	1,135	423	-	-	5,431	5,030
Trade	-	135	-	-	-	135	-
Other services - Legal entities	-	-	126	-	-	126	2,979

CCL Export with ACE [Advance on Delivered Exchange Operations] - (Note 10)		150,485	31,359	-	-	181,844	78,567
Industry	-	150,485	31,359	-	-	181,844	78,567
Exchange-rate change - CCL Export with ACC/ACE (i)	23,136	(19,304)	(14,996)	-	-	(11,164)	24,641
Industry	23,136	(17,021)	(4,740)	-	-	1,375	21,268
Trade	-	(2,283)	-	-	-	(2,283)	-
Other services – Legal entities	-	-	(10,256)	-	-	(10,256)	3,373
Total ACC and ACE	149,120	237,295	270,635	-	-	657,050	545,822
Total	149,120	616,980	765,385	248,030	265,251	2,044,766	2,171,666

(i) Pursuant to BACEN instructions, the Bank calculates the provision for losses associated with the credit risk of the operations, based on the balance of Exchange Purchases Pending Settlement (CCL) of operations with advances on exchange contracts (ACC/ACE) added to the respective earnings, translated into reais monthly at the exchange rate (PTAX) provided by BACEN for balance sheet purposes.

As of June 30, 2021 and 2020, the Bank had no credit assignment operations with material transfer or retention of risks and rewards, pursuant to CMN Resolution 3533.

b) Concentration of loan operations

	<u>June 2021</u>	<u>Dec 2020</u>
Main debtor - (Note 25a)	991,862	1,306,314
Percentage of entire credit portfolio	48.5%	60.2%
Top 20 debtors	2,044,766	2,171,666
Percentage of entire credit portfolio	100.0%	100.0%

c) Provisions for expected losses associated with credit risk

Risk level	Minimum % of provisioning required	Total Portfolio	Minimum provision	June 2021		Dec 2020	
				Additional provision ⁽ⁱ⁾	Total provision	Total Portfolio	Total provision
AA	0.0%	1,895,646	-	(2,416)	(2,416)	2,016,899	(1,769)
H	100.0%	149,120	(149,120)	-	(149,120)	154,767	(154,767)
Total		2,044,766	(149,120)	(2,416)	(151,536)	2,171,666	(156,536)

(i) Provision additional to the percentages established by CMN Resolution 2682.

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

	<u>June 2021</u>	<u>Dec 2020</u>
Balances at the beginning of the semester	(156,536)	(86,317)
Formation of provision	(261)	(70,219)
Reversal of provision	5,261	-
Balances at the end of the semester	(151,536)	(156,536)

e) Renegotiated, recovered and written-off loans to loss

As of June 30, 2021, the amount of renegotiated loans totals R\$ 271,410 (R\$ 343,025 in December 2020).

During semesters ended June 30, 2021 and 2020, there were no loan recoveries and write-offs to loss.

f) Income from credit operations

	<u>June 2021</u>	<u>June 2020</u>
Income (expenses) from export financing	(42,382)	475,287
Income from loans	7,719	3,507
Total	(34,663)	478,794

10. Foreign exchange transactions

	June 2021	Dec 2020
Current assets		
Purchased foreign exchange to be settled	892,897	1,693,469
Receivables from foreign exchange sales	247,433	646,896
Income receivable from granted advances (Note 9a)	5,692	8,009
Advances in national currency received	-	(3,423)
Total	1,146,022	2,344,951
Current liabilities		
Rights on foreign exchange sales	920,455	1,663,275
Sold foreign exchange to be settled	240,270	648,392
Advances on foreign exchange contracts – (Note 9a)	(662,522)	(513,172)
Total	498,203	1,798,495

11. Other assets

a) Breakdown of other financial assets

	June 2021	Dec 2020
Current assets		
Securities clearing accounts	289,518	2,040
Other	1	2
Subtotal	289,519	2,042
Non-current assets		
Debtors of guarantee deposits – (Note 18d)	39,784	39,263
Subtotal	39,784	39,263
Total	329,303	41,305

b) Breakdown of other assets

	June 2021	Dec 2020
Current assets		
Taxes and contributions recoverable	6,672	23,191
Receivables from associated companies	1,640	3,474
Other assets	1,127	641
Salary advances	1,317	234
Other	-	699
Payments to be refunded	11	-
Subtotal	10,767	28,239
Non-current assets		
Other assets	256	345
Taxes and contributions recoverable	96	95
Payments to be refunded	-	3
Subtotal	352	443
Total	11,119	28,682

12. Investments in subsidiaries

The Bank has a 100% interest in Scotiabank Brasil S.A. Corretora de Títulos de Valores Mobiliários, as follows:

	<u>June 2021</u>	<u>Dec 2020</u>
Ownership interest percentage	100.0%	-
Number of quotas held	60,000,000	-
Subsidiary's capital	60,000	-
Shareholders' equity of the subsidiary	60,223	-
Income (loss) of the subsidiary for the semester ⁽ⁱ⁾	350	-
		-
Book balance of the investment	60,223	-
Equity in net income of subsidiaries	350	-

(i) The operation license of Scotiabank Brasil S.A. Corretora de Títulos e Valores Mobiliários was published on February 11, 2021, therefore, the result presented corresponds to the period from February 11, 2021, to June 30, 2021.

13. Deposits

	June 2021				Total	Dec 2020
	Without maturity	Up to 3 months	3–6 months	6–12 months		Total
Demand deposits	173	-	-	-	173	91
Interbank deposits	-	19,063	-	-	19,063	-
Time Deposits	-	38,660	1,162	533,422	573,244	166,730
Total	173	57,723	1,162	533,422	592,480	166,821

As of June 30, 2021, the average time deposit funding percentage is 98.6% of the Interbank Deposit - DI (98% of DI in December 2020).

14. Money market funding

As of June 30, 2021, they are represented by obligations in repurchase and resale agreements in the amount of R\$ 757,381 (R\$ 937,305 in December 2020), maturing up to September 2021 and a rate of 2.4% per annum, corresponding to obligations related to the commitment to return the notes received as collateral in repurchase and resale commitments with free trading agreements.

15. Borrowings

Obligations for foreign loans in the amount of R\$ 3,732,185 (R\$ 2,139,081 in December 2020) are basically represented by export financing operations maturing up to December 2021. Operations are restated at Dollar exchange-rate change plus interest rate that vary from 0.10% to 0.17% per annum.

16. Onlendings

The foreign onlendings obligations in the amount of R\$ 991,892 (R\$ 1,306,314 in December 2020) - Note 25a, are represented by external funding pursuant to CMN Resolution 2921, maturing up to March 2022. Operations are restated at Dollar exchange-rate change plus interest rate that vary from 1.13% to 2.28% per annum.

17. Other liabilities

a) Breakdown of other financial liabilities

	<u>June 2021</u>	<u>Dec 2020</u>
Current liabilities		
Interbranch accounts	-	13,364
Securities clearing accounts	44,093	72,906
Total	<u>44,093</u>	<u>86,270</u>

b) Breakdown of other liabilities

	<u>June 2021</u>	<u>Dec 2020</u>
Current liabilities		
Taxes and contributions on income payable	31,574	108,416
Taxes and contributions payable	2,836	42,153
Provision for personnel expenses	19,411	15,403
Other	2,456	7,426
Subtotal	<u>56,277</u>	<u>173,398</u>
Non-current liabilities		
Provision for personnel expenses	21,413	4,583
Subtotal	<u>21,413</u>	<u>4,583</u>
Total	<u>77,690</u>	<u>177,981</u>

18. Legal, Tax and Social Security Contingencies and Liabilities

a) Contingent assets

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

b) Contingent liabilities

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

The Bank maintains provisions for those contingent liabilities that are classified as probable losses, at amounts regarded as sufficient to cover possible losses. The amounts provisioned are recorded under "Provisions for contingencies", in non-current liabilities.

Ongoing labor lawsuits classified as possible losses amount to R\$ 21,939 (R\$ 21,426 in December 2020). Most labor lawsuits refer to actions filed by former employees and outsource personnel to obtain indemnities, mostly regarding overtime payment and other labor rights.

There are ongoing proceedings of civil and tax-related nature classified as possible losses, in the amount of R\$ 12,814 (R\$ 13,801 in December 2020), and the most significant ones arise from taxes that the Bank has been challenging in court, basically related to a claim for offsetting the withholding income tax on financial investments in the amount of R\$ 5,368 (R\$ 5,344 in December 2020) and a request for nullity of the tax assessment notice in the amount of R\$ 6,484 (R\$ 6,159 in December 2020) related to taxes (ISS) claimed by the Municipal Government of São Paulo, levied on services rendered by the Bank. These proceedings have judicial deposits sufficient to cover the tax risk.

c) Legal obligations

The main lawsuit, in the amount of R\$ 19,155 (R\$ 19,046 in December 2020), including its judicial deposit of an amount equivalent to the provision, refers to a legal challenge regarding the payment of the contribution to the Social Integration Program (PIS), pursuant to Constitutional Amendment 17/97 and Supplementary Law 7/70 regarding their legality or constitutionality.

d) Changes in balances

	June 2021				Dec 2020
	Labor	Tax	Legal obligations	Total	Total
Provision for contingencies					
Opening balance	1,290	2,887	24,351	28,528	27,181
Formation	-	-	-	-	876
Restatement	45	17	298	360	471
Total	1,335	2,904	24,649	28,888	28,528

	June 2021				Dec 2020
	Labor	Tax	Legal obligations	Total	Total
Judicial deposits					
Opening balance	54	14,034	25,175	39,263	38,364
Formation	30	-	-	30	104
Restatement	2	185	304	491	795
Total – (Note 11a)	86	14,219	25,479	39,784	39,263

19. Shareholders' equity

a) Capital

The fully paid-up capital is represented by 4,204,886,326 (4,204,886,326 in December 2020) 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.

b) 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 general meeting, was transferred to subsequent years.

c) Dividends and interest on own capital

In the semesters ended June 30, 2021 and 2020, the distribution of dividends and interest on own capital were not authorized.

20. Income tax and social contribution

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

	June 2021		June 2020	
	Income tax	Social contribution	Income tax	Social contribution
Income (loss) before taxation and after profit sharing	133,624	133,624	82,136	82,136
Temporary exclusions (additions)	(63,057)	(63,057)	120,321	120,321
Adjustment to market value – Securities and derivatives	(80,323)	(80,323)	55,532	55,532
Provision for expected losses associated with credit risk	(4,999)	(4,999)	52,368	52,368
Other	22,265	22,265	12,421	12,421
Permanent additions (exclusions)	(85)	(84)	278	279
Taxable base	70,482	70,483	202,735	202,736
Rates	25%	20%	25%	20%
Total IRPJ and CSLL – Current values before tax incentives	(17,608)	(14,097)	(50,672)	(37,966)
Tax incentives	130	-	118	-
Total IRPJ and CSLL – Current values	(17,478)	(14,097)	(50,554)	(37,966)
Tax credits	(1,443)	686	18,053	14,672
Deferred tax liabilities	(14,321)	(11,847)	12,027	9,622
Total	(33,242)	(25,258)	(20,474)	(13,672)

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

Tax credits	Balances at 12/31/2020	Formation	Realization /Reversal	Balances at 06/30/2021
Reflected in income (loss)	102,073	10,928	(11,685)	101,316
Provision for tax and labor risks	12,818	159	-	12,977
Non-deductible provisions	7,634	10,516	(351)	17,799
Provision for expected losses associated with credit risk	70,442	(1,437)	(355)	68,650
Provision for credit risks – debentures	201	1	(1)	201
Mark-to-market of derivative instruments	10,368	-	(10,368)	-
Mark-to-market of securities	-	157	-	157
Other	610	1,532	(610)	1,532
Reflected in shareholders' equity	-	1,431	-	1,431
Mark-to-market of securities classified as securities available for sale	-	1,431	-	1,431
Total	102,073	12,359	(11,685)	102,747

Deferred tax liabilities	Balances at 12/31/2020	Formation	Realization /Reversal	Balances at 06/30/2021
Reflected in income (loss)	(9,377)	(26,292)	124	(35,545)
Mark-to-market of derivative instruments	-	(24,354)	-	(24,354)
Mark-to-market of securities classified as trading	(124)	-	124	-
Inflation adjustment of judicial deposits	(9,253)	(153)	-	(9,406)
Mark-to-market of repurchase and resale agreements	-	(1,785)	-	(1,785)
Reflected in shareholders' equity	(6,262)	-	6,262	-
Mark-to-market of securities classified as securities available for sale	(6,262)	-	6,262	-
Total	(15,639)	(26,292)	6,386	(35,545)

c) Estimated realization of tax credits on temporary differences

Realization term	Timing differences	Total
1st year	18,742	18,742
2nd year	16,341	16,341
3rd year	20,590	20,590
4th year	17,208	17,208
5th year	16,889	16,889
6–10th year	12,977	12,977
Total	102,747	102,747
Present value ⁽ⁱ⁾	87,167	87,167

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

21. Related parties

Operations between related parties are disclosed in conformity with CMN (National Monetary Council) Resolution 4818, which revokes the CMN Resolution 4636, in compliance with Technical Pronouncement CPC 05 (R1) - Related Parties Disclosure. These operations are carried out at usual market values, terms and average rates in effect at the respective dates.

a) Related party transactions

Operations with related parties are represented by:

	Assets/(Liabilities)		Revenues/(expenses)	
	June 2021	Dec 2020	June 2021	June 2020
Cash and cash equivalents	1,088	2,053	156	227
BNS	1,088	2,053	156	227
Foreign exchange portfolio - asset position	469,418	494,067	(15,486)	3,115
BNS	469,418	494,067	(15,486)	3,115
Demand deposits	(57)	-	-	-
Scotiabank Brasil CTVM	(57)	-	-	-
Amounts receivable from/(payable to) related companies/service provision revenues/(expenses)	1,640	3,474	7,661	7,615
BNS	1,392	2,443	7,844	7,639
Scotiabank & Trust (Cayman)	-	-	-	76
Scotiabank Inverlat (México)	-	-	(216)	(100)
Scotiabank Colpatría (Colombia)	248	1,031	33	-
Borrowings	(3,732,185)	(2,139,081)	(23,586)	(217,331)
BNS	(3,732,185)	(2,139,081)	(23,586)	(217,331)
Onlendings	(991,892)	(1,306,314)	42,382	(475,287)
BNS	(991,892)	(1,306,314)	42,382	(475,287)
Foreign exchange portfolio - liability position	(478,581)	(495,070)	7,471	(2,974)
BNS	(478,581)	(495,070)	7,471	(2,974)
Other operating revenues/(expenses)	-	-	-	95
Scotiabank Colpatría (Colombia)	-	-	-	36
Scotiabank Inverlat (México)	-	-	-	59

b) Management remuneration

For the purpose of disclosing management remuneration, statutory directors were considered. Expenses with Directors' fees for the semester ended June 30, 2021 total R\$ 10,568 (R\$ 6,080 in 2020), comprised by R\$ 5,422 (R\$ 4,282 in 2020), which represent salaries and payroll charges, profit sharing, and bonus and charges, denominated short-term benefits, and R\$ 5,146 (R\$ 1,798 in 2020) that represents share-based remuneration and charges. There are no post-employment benefits, other long-term benefits or work agreement termination benefits.

22. Share-based payments

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

a) Restricted RSU - Restricted Share Unit Plan

According to RSU plan, eligible employees will receive a bonus in restricted share units after three years. Final value to be paid varies according to BNS share price. As of June 30, 2021, amount of provisioned liability for this plan is R\$ 6,079 (R\$ 3,147 in December 2020) and the total number of shares is 34,208 units measured at

the weighted market value of R\$ 0.3533 per share. Total expense recorded in the period for this plan is R\$ 2,931 (R\$ 822 in 2020).

b) PSU - Performance Share Unit Plan

According to PSU plan, eligible employees will receive a bonus after three years. In addition to BNS share price variation, this bonus portion is subject to performance criteria (return on shareholders' equity and total return to shareholder) measured over a three-year period, on which a multiplying factor is applied. As of June 30, 2021, amount of provisioned liability for this plan is R\$ 7,476 (R\$ 4,270 in December 2020) and the total number of shares is 34,195 units measured at the weighted market value of R\$ 0.3533 per share. Total expenses recorded in the period for this plan is R\$ 3,206 (R\$ 1,226 in 2020).

23. Post-employment employee benefits

For the post-employment defined contribution plan, the Bank offers its employees the supplementary private pension benefit through monthly contributions, ceasing after the employee leaves the company. During the semester ended June 30, 2021, total personnel expenses for this plan amounts to R\$ 492 (R\$ 450 in 2020).

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

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

24. Basel Index and Operating Limits

The Bank adopts the calculation of operating and Basel limits based on the consolidated data of the Scotiabank Brasil Financial Conglomerate ("Conglomerate"), formed by Scotiabank Brasil S.A. Banco Múltiplo, leader of the Conglomerate, and by Corretora, in accordance with BACEN guidelines.

As of June 30, 2021, the Bank's Basel Ratio is 14.65% (19.06% in December 2020), the Referential Equity was R\$ 1,214,068 (R\$ 1,149,386 in December 2020) and the Minimum equity required for risk-weighted assets (RWA) amounts is R\$ 662,947 (R\$ 482,536 in December 2020). Other operating limits are also required by the regulator, such as the Fixed Asset Ratio.

25. Other information

a) Related credit transactions

As of June 30, 2021, the Bank has asset operations linked to CMN Resolution 2921 with a single debtor, as shown in the following table:

	<u>Assets/(Liabilities)</u>		<u>Revenues/(expenses)</u>	
	<u>June 2021</u>	<u>Dec 2020</u>	<u>June 2021</u>	<u>June 2020</u>
Loan operations				
NCE (Export Credit Note) - (Note 9a)	991,892	1,306,314	(42,382)	475,287
Onlendings				
Foreign onlendings - (Note 16)	(991,892)	(1,306,314)	42,382	(475,287)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

These operations shall not be considered in the calculation of exposure limits per client, as provided for in CMN Resolution 4677.

b) Other operating revenues/expenses

As of June 30, 2021, they are substantially related to: (i) “Other operating revenues”, income from restatement of judicial deposits and taxes, and reversal of operating provisions; (ii) “Other operating expenses”, the restatement of income tax and contributions, provision for prudential adjustments and liability provision for tax contingencies.

c) Measurement of effects arising from Covid-19 and impacts on financial statements

Since the beginning of the pandemic, our activities are in full operational capacity and our actions have considered the guidelines of the Ministry of Health. The financial statements were not impacted by the effects arising from Covid-19 and a series of measures were taken by Management to protect and support its employees, keeping the majority working remotely. The Bank continues with its conservative policy regarding liquidity management and risk parameters adequate to the institution’s activities.

d) Recurring and non-recurring income (loss)

	<u>2021</u>	<u>2020</u>
Net income for the semesters	75,124	47,990
Non-recurring income (loss)		
Increase in CSLL rate on deferred tax credit and tax liability	(1,451)	-
Recurring net income	73,673	47,990

EXECUTIVE BOARD

Antonio Pianucci
Izabel Eliza Oliveira Salvucci

Jaques Mester
Paulo André Campos Bernardo

ACCOUNTANT

Roberto Shoji Haga
CRC 1SP242224/O-6