

The Bank of Nova Scotia
U.S. Resolution Plan
Public Summary
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Introduction

The Rules

Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires that certain large financial institutions prepare, and periodically revise plans, for their rapid and orderly resolution in the event of their material financial distress or failure. On September 13, 2011 and October 17, 2011, the Federal Deposit Insurance Corporation (“FDIC”) and Federal Reserve Board (“FRB”), respectively, approved a joint rule that implements the resolution plan requirements of Section 165(d) of the Dodd-Frank Act. The joint rule is codified as Regulation QQ for the FRB (12 C.F.R. pt. 243) (the “FRB Rule”) and Part 381 for the FDIC (12 C.F.R. pt. 381) (the “FDIC Rule,” together with the FRB Rule, the “Resolution Plan Rule”).

The Bank of Nova Scotia (“BNS”),¹ which is a bank organized under the laws of Canada, maintains a state-licensed branch in Houston and state-licensed agency offices in New York and Miami. BNS also owns Scotiabank de Puerto Rico, an insured depository institution organized under the laws of the Commonwealth of Puerto Rico.

BNS is a registered bank holding company under the Bank Holding Company Act, as amended, that has total consolidated assets in excess of \$50 billion. Accordingly, BNS is considered to be a foreign-based covered company under the Resolution Plan Rule.

As a foreign-based covered company as defined by the Resolution Plan Rule, BNS is required to prepare a resolution plan that would provide for the rapid and orderly resolution of BNS’s material entities and core business lines in the United States. In accordance with the Resolution Plan Rule, the resolution plan must address BNS’s material entities (including subsidiaries, branches, and agencies), critical operations, and core business lines that are domiciled, conducted or operated in whole, or material part, in the United States. The Resolution Plan Rule also requires BNS to:

- Demonstrate the process by which each of its identified core business lines and material entities would be resolved under applicable insolvency regimes in a rapid and orderly manner, without the extraordinary support of the United States or any other government;
- Provide an explanation of how resolution planning for BNS’s U.S. operations is integrated into its overall resolution planning; and
- Provide a description of the interconnections and interdependencies among its U.S. operations and its foreign-based operations.

To satisfy its obligations under the Resolution Plan Rule, BNS prepared a resolution plan for its material entities and core business lines in the United States (the “U.S. Resolution Plan”). The primary goal of the U.S. Resolution Plan is to facilitate resolution of BNS’s material entities and core business lines in a manner that substantially minimizes the risk that the failure of such

¹ “BNS” refers to The Bank of Nova Scotia and its global, enterprise-wide operations.

entities and businesses would have an adverse effect on the financial stability of the United States, should such a resolution ever become necessary.

As discussed in greater detail below, BNS's material legal entities in the United States for purposes of the U.S. Resolution Plan are: (i) The Bank of Nova Scotia New York Agency ("NYA"); (ii) The Bank of Nova Scotia Houston Branch ("Houston Branch"); (iii) Scotia Capital (USA) Inc. ("SCUSA"); and (iv) Scotiabanc Inc. ("SBI").² The core business lines covered by the U.S. Resolution Plan are: (a) Debt Capital Markets; (b) Corporate Lending; (c) U.S. Rates; and (d) ScotiaMocatta.

The Bank of Nova Scotia

BNS is a leading multinational financial services provider and Canada's most international bank. Since welcoming its first customers in Halifax, Nova Scotia, in 1832, BNS has continued to expand its global reach. Today, through a team of more than 86,000 employees, BNS and its affiliates offer a broad range of products and services, including personal, commercial, corporate and investment banking, to some 21 million customers in more than 55 countries around the world.

BNS is committed to helping individuals, companies, and communities to thrive in a changing world. BNS's core purpose is to be the best at helping customers become financially better off.

BNS's continued growth and success is founded on several key factors:

- A committed team that lives its shared values and works together to provide customers with expert advice, insights, and financial solutions;
- A highly diversified and well-balanced business, operating within a clearly defined global footprint;
- A strong, robust and pervasive risk management culture; and
- A strategy with a spotlight on three priorities that will help BNS build an even better bank:
 - Being more focused on our customers;
 - Enhancing leadership depth, diversity, and deployment; and
 - Being better organized to serve customers and reduce costs.

BNS has been in the United States for over one hundred years and is one of the leading foreign banks serving large national and multinational corporations in the United States. BNS, which has its operations in the United States based primarily in offices located in New York and Houston, is able to deliver local and cross-border cash and treasury management solutions to

² Scotiabank de Puerto Rico was determined to not be a material legal entity for purposes of the U.S. Resolution Plan.

support its multinational clients and financial institutions across the world. BNS has assembled its U.S. team around core industry groups, with clients having access to professionals with intimate knowledge of their markets, competitors, and challenges. Drawing on its highly-ranked product and service groups, BNS is fully capable of devising and executing tailor-made solutions to today's competitive environment.

A. Names of Material Entities

The Resolution Plan Rule defines a material entity as a subsidiary or foreign office of a covered company that is significant to the activities of a critical operation or core business line of the company. BNS has identified the following entities as material entities under the Resolution Plan Rule:

- New York Agency: NYA is a New York-licensed agency of The Bank of Nova Scotia. NYA generally is limited to receiving deposits from non-U.S. persons. NYA is overseen by the Federal Reserve Bank of New York and the New York State Department of Financial Services.
- Houston Branch: Houston Branch is a Texas-licensed branch of The Bank of Nova Scotia. The branch is authorized to, and does, take wholesale deposits (amounts in excess of USD \$250,000), generally from corporate clients. Houston Branch is overseen by the Federal Reserve Bank of Dallas, through its Houston office, and the Texas Department of Banking.
- Scotia Capital (USA) Inc.: SCUSA, which is based in New York, NY, is a broker-dealer that is registered under the U.S. Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. SCUSA is also a futures commission merchant that is registered with the U.S. Commodity Futures Trading Commission and a member of the National Futures Association. SCUSA's primary business activities include: (i) debt and equity securities underwriting; (ii) fixed income trading and equity trading; (iii) securities borrowing and lending; and (iv) repo activities. SCUSA's principal revenue sources are underwriting fees, execution commissions, trading gains, and interest income.
- Scotiabanc Inc.: SBI is a non-bank commercial finance company based in Houston, Texas. SBI's asset portfolio comprises corporate loans, including syndicated loans, intra-group credit lines, investments, and a portfolio of total return swaps.

B. Description of Core Business Lines

The Resolution Plan Rule defines core business lines as those business lines of the covered company, including associated operations, services, functions and support, which, in the view of the covered company, would, in the event of failure, result in a material loss of revenue, profit, or franchise value for the covered company. BNS has identified the following core business lines:

- Debt Capital Markets: The Debt Capital Markets business primarily involves underwriting U.S. dollar-denominated corporate bonds. Most of Debt Capital Markets'

clients are domiciled in the United States, but the group also provides underwriting for non-U.S. companies seeking access to capital markets in the United States. All of Debt Capital Markets' underwriting is undertaken through SCUSA.

- **Corporate Lending:** The Corporate Lending group offers corporate lending facilities, letter of credit facilities, and combination cash/letter of credit facilities to major U.S. corporations. Corporate Lending is BNS's largest business line in the United States and is operated through NYA, Houston Branch, and SBI.
- **U.S. Rates:** U.S. Rates is BNS's government securities trading business. Through its U.S. Rates business, NYA acts as a primary dealer for debt issued by the United States and offers repo, derivative, and other related products. U.S. Rates operates through NYA.
- **ScotiaMocatta:** ScotiaMocatta is a division of BNS that deals in precious and base metals trading, finance, and physical metal distribution. ScotiaMocatta operates its U.S. business through NYA.

C. Consolidated Financial Information Regarding Assets, Liabilities, Capital, and Major Funding Sources

BNS's Group Treasury unit is responsible for managing BNS's global treasury, liquidity, and investments, including public and private debt and equity investment portfolios. These responsibilities include liquidity management, medium-term and capital funding issuances, debt and equity investments, and balance sheet risk hedging activities. Group Treasury provides strategic direction and oversight over the funding and liquidity profile of BNS, and is directly responsible for wholesale and capital funding and liquidity management of the Parent Bank.³

The following is a consolidated statement of financial position which identifies the assets, liabilities, and equity as of BNS's fiscal year end October 31, 2014.

³ The term "Parent Bank" refers to all significant Canadian banking operations and the key foreign branches of The Bank of Nova Scotia and foreign subsidiaries that are primarily engaged in wholesale banking activities with limited ability to source deposits.

Figure 1 – Consolidated Statement of Financial Position (October 31, 2014)

Consolidated Statement of Financial Position of The Bank of Nova Scotia as of October 31, 2014	
(\$ millions CAD)	
ASSETS	
Cash and deposits with financial institutions	56,730
Precious Metals	7,286
Trading assets	113,248
Financial assets designated at fair value through profit or loss	111
Securities purchased under resale agreements and securities borrowed	93,866
Investment securities	38,662
Derivatives financial instruments	33,439
Loans	424,309
Other assets	38,015
Total assets	805,666
Liabilities	
Financial Institutions	36,487
Financial instruments designated at fair value through profit or loss	465
Customer accounts	517,530
Acceptances	9,876
Obligations related to securities sold short	27,050
Derivative financial instruments	36,438
Obligations related to securities sold under repurchase agreements and securities lent	88,953
Subordinated debentures	4,871
Other liabilities	34,785
Total liabilities	756,455
Equity	
Total Common equity	44,965
Preferred shares	2,934
Non-controlling interests	1,312
Total equity	49,211
Total liabilities and equity	805,666

Figure 2 – Capital Ratios – (October 31, 2014)

The Bank of Nova Scotia Capital Ratios as of October 31, 2014

International Financial Reporting Standards (IFRS)	
Tier 1 Capital Ratio	12.2%
Total Capital Ratio	13.9%
Assets-to-capital multiple	17.1x

D. Description of Derivative Activities and Hedging Activities

Derivative Activities

Derivative financial instruments are contracts that derive value from interest rates, foreign exchange rates, commodities, equity prices, or other financial variables. Most derivative financial instruments can be characterized as interest rate contracts, foreign exchange contracts, commodity contracts, equity contracts, or credit contracts. Derivative financial instruments are either exchange-traded contracts or negotiated over-the-counter contracts (which include swaps, forwards, and options).

BNS is a registered Swaps Dealer with the National Futures Association that is regulated by the Commodity Futures Trading Commission. In that capacity, BNS enters into derivative contracts for trading purposes, as well as to manage its risk exposures (*i.e.*, to manage BNS's non-trading interest rate, foreign currency, and other exposures). Trading activities are undertaken to meet the needs of BNS's customers, as well as for BNS's own account.

All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the Consolidated Statement of Financial Position. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments. Gains or losses on derivatives are recognized at inception where the valuation is achievable based upon observable market data; or absent such observable data at inception, gains or losses are deferred over the life of the related contract, or until the valuation inputs become observable.

Hedging Activities

At the inception of all hedge transactions, BNS formally documents the hedging relationships and BNS's risk management objective and strategy for undertaking the hedge transactions. The hedge documentation includes identification of the asset, liability, firm commitment, or highly probable forecasted transaction being hedged, the nature of the risk being hedged, the hedging instrument used, and the method used to assess the effectiveness of the hedge. BNS also formally assesses, both at a hedge's inception and on an ongoing basis, the effectiveness of a hedging instrument at offsetting changes in fair value or cash flows of hedged items.

BNS engages in three types of hedges: fair value hedges, cash flow hedges and net investment hedges.

- **Fair Value Hedges**: BNS primarily utilizes fair value hedges to convert fixed rate financial instruments to floating rate financial instruments. Hedged items include available-for-sale debt and equity securities, loans deposit liabilities and subordinated debentures. Hedging instruments include single-currency interest rate swaps, cross-currency interest rate swaps, and foreign currency liabilities. For fair value hedges, the change in fair value of the hedging instrument is offset in the Consolidated Statement of Income by the change in fair value of the hedged item attributable to the hedged risk.
- **Cash Flow Hedges**: BNS utilizes cash flow hedges primarily to hedge the variability in cash flows relating to floating rate financial instruments and highly probable forecasted revenues. Hedged items include available-for-sale debt securities, loans, deposit liabilities, and highly probable forecasted revenues. Hedging instruments include single-currency interest rate swaps, cross-currency interest rate swaps, and foreign currency forwards. For cash flow hedges, the change in fair value of the hedging instrument, to the extent effective, is recorded in other comprehensive income until the corresponding gains and losses on the hedged item is recognized in income.
- **Net Investment Hedges**: BNS designates foreign currency liabilities and foreign currency forwards as net investment hedging instruments to manage the foreign currency exposure and the impact on capital ratios arising from foreign operations. For net investment hedges, the change in fair value of the hedging instrument, to the extent effective, is recorded in other comprehensive income until the corresponding cumulative translation adjustments on the hedged net investment is recognized in income.

E. Memberships in Material Payment, Clearing, and Settlement Systems

BNS participates in many different payment, clearing, and settlement systems in Canada, the United States, and other countries, each of which has its own rules and regulatory framework. BNS operates in good standing with all such systems. BNS identifies the Federal Reserve Wire Network (“FedWire”), the Clearing House Interbank Payments System (“CHIPS”), the National Securities Clearing Corporation (“NSCC”), the Fixed Income Clearing Corporation (“FICC”), the Depository Trust & Clearing Corporation (“DTCC”), the Chicago Mercantile Exchange (“CME”), and the Bank of New York Mellon as the payment, clearing and settlement systems on which BNS conducts a material number or value amount of transactions. These systems allow BNS to serve as a broker-dealer for securities transactions and assist with the managing of risk with regard to derivative transactions.

BNS is a direct participant in the payment, clearing, and settlement systems in USD funds via FedWire and CHIPS. FedWire is a real time gross settlement system operated by the U.S. Federal Reserve. CHIPS is a bank-owned, privately operated electronic payments system and is a deferred net settlement system.

BNS is also a direct participant in NSCC, FICC, and DTCC. NSCC is a subsidiary of the DTCC that provides clearing, settlement, risk management, and central counterparty services for U.S.

securities. FICC, which also is a subsidiary of DTCC, provides real-time trade matching, clearing, risk management, and netting of trades in U.S. Government debt. DTCC provides clearing, settlement, and information services and DTCC's depository provides custody and asset servicing.

Finally, BNS conducts a material number or value amount of transactions on CME and with the Bank of New York Mellon. As a direct participant in CME, BNS has access to the largest futures and options market in the world. The Bank of New York Mellon, which is normally categorized as a clearing bank, also provides clearance and settlement of security transactions through its network foreign custodians that have membership in local clearing systems.

F. Description of Foreign Operations

BNS is a global institution based in Canada with operations in more than 55 countries worldwide. BNS's global activities are organized under the following three business platforms: Canadian Banking, International Banking, and Global Banking and Markets.

Canadian Banking

Canadian Banking provides a full suite of financial advice and solutions, supported by an excellent customer experience, to over 7.8 million personal and business customers across Canada, via 1,040 branches, approximately 3,942 automated banking machines, as well as internet, mobile and telephone banking, specialized sales teams, and third-party channels. BNS also provides an alternative self-directed banking solution to 2 million Tangerine customers through internet, mobile, and telephone banking. Canadian Banking comprises two main businesses: (i) Retail and Small Business Banking, which provides financial advice, solutions and day-to-day banking products, including debit cards, deposit accounts, credit cards, investments, mortgages, loans, and related creditor insurance products to individuals and small businesses, and (ii) Commercial Banking, which offers a full suite of lending, deposit and cash management solutions to medium and large businesses. Additionally, as part of Canadian Banking, BNS offers a suite of insurance products that fall into the following categories: (a) creditor; (b) life and health; (c) home and auto; and (d) travel. Canadian Banking's various activities are conducted through several different legal entities, depending on the jurisdiction and product.

Global Wealth Management is a key business unit reporting jointly to Canadian Banking and International Banking, comprising asset management and client-facing businesses. The asset management business is focused on developing innovative investment solutions for both retail and institutional investors. The global client-facing wealth business units include private client, online and full service brokerage, institutional client services and services provided through an independent advisor channel. The global client-facing wealth business focuses on providing advice and solutions for clients in Canada and internationally.

International Banking

International Banking encompasses BNS's retail and commercial banking operations in 43 of the more than 55 countries outside Canada in which BNS operates – an international presence unmatched by other Canadian banks. This business line has operations in Latin America, the

Caribbean, Central America, and Asia. The International Banking platform provides a full range of personal and commercial financial services to over 14.0 million customers through a network of over 3,000 branches and offices, approximately 7,700 automated banking machines, mobile, internet and telephone banking, in-store banking kiosks, and specialized sales forces. Internationally, a full range of creditor and non-creditor insurance products (life and health, home and auto, universal life, retirement savings, fraud and assistance, and property) are sold to BNS clients through a number of different channels. International Banking's various activities are conducted through several different legal entities, depending on the jurisdiction and product.

Global Banking & Markets

Global Banking & Markets ("GBM") is the wholesale banking and capital markets arm of BNS. GBM is a full service lender and investment dealer in Canada and Mexico that offers a wide range of products in the U.S., Central and South America, and in select markets in Europe and the Asia Pacific region to corporate, government, and institutional investor clients. GBM provides corporate lending, equity and debt underwriting, and mergers and acquisitions advisory services, as well as capital markets products and services, such as fixed income, derivatives, prime brokerage, securitization, foreign exchange, equity sales, trading and research, energy and agricultural commodities and, through ScotiaMocatta, precious and base metals. GBM's various activities are conducted through several different legal entities, depending on the jurisdiction and product. Global Transaction Banking (GTB) is a business within GBM. GTB offers comprehensive business solutions – cash management, payment services, electronic banking, business deposits, and trade services – on a global basis to small business, commercial and corporate customers of BNS. GTB also provides correspondent banking products and services to other financial institutions globally.

G. Material Supervisory Authorities

NYA and Houston Branch are uninsured offices of BNS that are licensed under applicable state law and are supervised by the State of New York Department of Financial Services and the Texas Department of Banking, respectively. In addition, NYA and Houston Branch are supervised by the Federal Reserve Banks of New York and Dallas, respectively. SCUSA is a registered broker-dealer with the Securities and Exchange Commission and is supervised by the Financial Industry Regulatory Authority.

H. Principal Officers for U.S. Core Business Lines

Figure 3 – Principal Officers for U.S. Core Business Lines

Officer	Title	Business Line
Mohamed Walji	Managing Director & Head, Diversified Industries, U.S. Corporate Banking	Corporate Lending
Gary Rupert	Managing Director & Head, Global Banking and Markets U.S.	Debt Capital Markets
Tim Dinneny	Global Head of Marketing	ScotiaMocatta
Charles Comiskey	Managing Director, U.S. Rates	U.S. Rates

I. Corporate Governance Structure and Processes Related to Resolution Planning

Executive oversight and governance of the U.S. Resolution Plan is managed by the office of the Chief Risk Officer of BNS's GBM division. BNS's Board of Directors has delegated the authority to review and approve the U.S. Resolution Plan to the Resolution Plan Committee, which is made up of senior-level Canadian and U.S. management employees. A working group overseen by the Resolution Plan Committee is responsible for the preparation, submission, and periodic maintenance of the U.S. Resolution Plan. Senior management at each core business line is responsible for validating the accuracy of the information in the U.S. Resolution Plan with regard to specific business lines.

The maintenance of the U.S. Resolution Plan is incorporated into BNS's enterprise-wide risk management process. The Resolution Plan Working Group, in conjunction with the Resolution Plan Committee, work with key participants to ensure that the information contained in the U.S. Resolution Plan remains up to date and relevant, as appropriate. Updates are reviewed by the senior management of the key participating areas and any material changes are reviewed at the appropriate senior level. The work of the Resolution Plan Committee is guided by the Canadian Recovery Plan submitted by BNS to the Office of the Superintendent of Financial Institutions, which provides valuable information about business lines, systems and controls that may be relevant for the U.S. Resolution Plan, as well as BNS's overall resolution planning activities.

J. Description of Material Management Information Systems

BNS uses a variety of Management Information Systems ("MIS") to support overall risk management of BNS and to ensure that BNS's risk profile remains within its risk appetite. The MIS reporting allows effective management within BNS for accounting, operations, finance, and regulatory reporting purposes. Among other things, these MIS systems are used in connection with:

- Consolidation and financial reporting;
- Modeling and pricing new or revised credit transactions;
- Managing market, credit, operational and liquidity risks;
- Managing counterparty credit risk;
- Determining value-at-risk; and
- Monitoring risk limits.

BNS recognizes the importance of MIS and the value it brings to the management decision-making process. BNS continuously enhances the timeliness, accuracy, and completeness of information to support management decision-making with respect to liquidity, interest rate risk, financial management, credit risk, and capital management.

K. High-level Description of Resolution Strategy

As required by the Resolution Plan Rule, the U.S. Resolution Plan identifies core business lines and material entities, and taking into consideration the baseline, adverse and severely adverse scenarios promulgated by the FRB, describes how they could be wound down in a rapid and orderly fashion without adversely affecting the financial stability of the United States. The resolution strategy involves the simultaneous wind down of each business with the exception of ScotiaMocatta, which would be divested. Although the U.S. Resolution Plan concludes that each of the core business lines could be resolved without resorting to applicable insolvency regimes, the U.S. Resolution Plan provides for their resolution under applicable insolvency regimes (chapter 7 or chapter 11 of the U.S. Bankruptcy Code, the Securities Investor Protection Act or the banking laws of the States of New York and Texas, as applicable) following the expiry of a thirty day runway period. During the thirty day runway period, BNS would, among other things, take a series of preparatory actions to facilitate the orderly resolution of the core business lines and material entities within the applicable insolvency regimes.